FEIERTAG FINANCIAL SERVICES

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

October 2011

Our roads to success may have twists and turns and ups and downs; together we can navigate a course and enjoy the scenery along the way.

Steven Feiertag, CFP®
Feiertag Financial Services
2107 Reston Circle
Royal Palm Bch, FL 33411
800-252-4276
Fax: 561-333-0721
steven.feiertag@lpl.com
www.stevenfeiertag.com

In This Issue

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As we very slowly embark on a path toward economic and financial market recovery, we believe it is crucial to continue focusing on the goals and strategies that will help you meet your objectives. That is why we encourage you to contact us at any time to discuss changes in your life or finances that may impact your investment strategy. Additionally, we encourage you to contact us to set up a date and time convenient for you for us to review your account holdings. This should be done no less than once per year.

Many investors want to know how they can best prepare to take advantage of potential opportunities this period of gradual recovery might offer. I believe the answer is maintaining the course determined by your comprehensive plan that is based on your unique objectives and situation.

My status as an independent advisor is what allows me to focus on your goals in a conflict-free manner. It enables me to offer objective financial guidance based on what you seek to achieve, your investment time horizon and your personal level of risk tolerance. You can be sure that when you call with a question, I'll take the time to understand your concerns, consider them thoroughly, and provide an informed response, based on my knowledge and experience as a seasoned financial professional.

As we work together to pursue your goals, I thank you for the confidence you have placed in me. I would be pleased to help other family members, friends or colleagues of yours who may not have a plan in place today navigate through today's ever-changing financial terrain. Please do not hesitate to call me if I can be of assistance in any way.

Eileen and I hope you are visiting our website and enjoying our monthly e-Newsletter. Please feel free to suggest topics to be included in future monthly e-Newsletters.

Steven I. Feiertag, CFP®

Registered Representative, LPL Financial

2107 Reston Circle

Royal Palm Beach, FL 33411

800-252-4276

Weekly Market Commentary | Week of October 3, 2011

Highlights

- A "black swan" event-a rare, unexpected event that has a major impact-is most often referred to as something with negative consequences. Investors have sharply discounted the odds of a positive surprise, or "pink swan" event.
- While investors fret over black swans, there are a number of potential pink swans that could take place and grab investors' attention in the weeks ahead.
- While they may be hard to see at the moment, there are potential pink swans that could result in stronger-than-expected growth over the longer term: a clear path to U.S. fiscal sustainability could emerge in the next few years; China's consumers could begin to become a powerful force and drive global demand growth; and new technologies could greatly improve resource productivity.

The Pink Swan

A "black swan" event-a rare, unexpected event that has a major impact-is most often referred to as something with negative consequences. The near-record low investor confidence readings and double-digit decline in the stock market during the third quarter reflect concern that the odds have sharply increased that a black swan event may take place. It is easy to cite a few of them: a European financial crisis; a U.S. recession; a fiscal debacle in Washington. However, investors have just as sharply discounted the odds of a positive surprise, or "pink swan" event. Given the pessimistic tone of investors, the pink swan may have the bigger potential market impact.

Last week the U.S. economic data came in better than expected and progress was made on the European debt problem with Germany's ratification of the expansion of the European Financial Stability Facility. However, this provided little relief to investors as stocks were basically unchanged on the week and remained near the low end of the 1100 to 1200 range the S&P 500 Index has been stuck in for the past two months. While investors fret over black swans, there are a number of potential pink swans that could take place and grab investors' attention in the weeks ahead:

- The employment report is released this week and could surprise to the upside. Recent economic data has been better than expected, with the index of leading indicators rising for the fourth consecutive month and initial claims for unemployment benefits falling below 400,000 last week for the first time since April. These indicators may surprise investors braced for weak data.
- Next week the third quarter earnings reporting season gets underway. Corporations were able to post double-digit earnings per share gains in the first and second quarters despite U.S. gross domestic product (GDP) growth that averaged less than 1%. Third-quarter GDP may have been more than twice the first half average, supporting continued solid earnings growth despite low expectations by investors priced into stock valuations.
- Further signs may emerge in the coming weeks that Germany is supporting the euro zone as evidenced by the wide margin of passage on the German vote for the expansion of the European Financial Stability Facility (EFSF). Based on the success in Germany of the EFSF vote, the European Commission may introduce a proposal for so-called eurobonds to the parliament. The potential for the adoption of a long-term solution to the European debt problems would be a confidence boost where it is needed most.
- China may surprise by cutting rates. After hiking rates and restraining growth and inflation pressures over the past couple of years, China has recently declared victory over its inflation problem and could return to a more pro-growth policy after economic growth slowed from about 12% to 9% in the past year and a half. This would be a surprise positive for the markets - particularly commodities.
- The Federal Reserve's last effort to help the economy, the so-called Operation Twist, could spur home buying as it creates the lowest mortgage rates in history. Already low rates helped to lift existing home sales 18% over the past year and new home sales are up 6%. A rise in home prices, with median home prices basically unchanged since the free-fall ended in early 2009, would be a welcome surprise.

1 Median Home Prices Have Been Relatively Unchanged Since the Drop in 2009

Source: LPL Financial, National Association of Realtors data 10/02/11

- It is possible that the "super committee" tasked with finding the minimum of $1.5 trillion in deficit reduction by the end of this year as part of the debt ceiling legislation passed in August may succeed and recommend real fiscal reform. The bar is low. Many political pundits expect the group to fail by only finding a fraction of the intended deficit reduction, resulting in an automatic sequester to discretionary spending, the outcome largely reflected by markets.

- Over the past 50 years, when stocks post a double-digit decline in a quarter they typically rebound 6% during the following quarter. Out of the 16 times the S&P 500 has registered a double-digit loss during a quarter, 13 of those times-or over 80% of the time-the following quarter posted a gain and those gains averaged 9%. It is worth noting that the month of October is historically the month that typically ends stock market slides as the market begins to reverse declines.

S&P 500 Double-Digit Quarterly Losses Usually Followed By Solid Gains

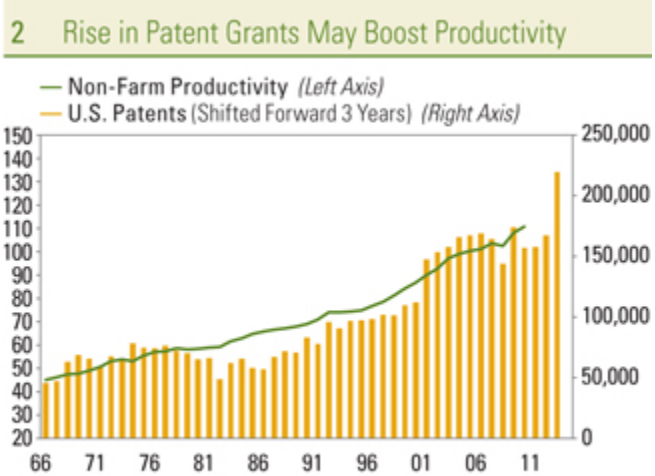
Quarter of S&P 500 Double-Digit Decline	Magnitude of S&P 500 Double-Digit Decline	S&P 500 Performance in the Following Quarter
2Q 1962	-21.3%	2.8%
2Q 1970	-18.9%	15.8%
4Q 1973	-10.0%	-3.7%
3Q 1974	-26.1%	7.9%
3Q 1975	-11.9%	7.5%
3Q 1981	-11.5%	5.5%
4Q 1987	-23.2%	4.8%
3Q 1990	-14.5%	7.9%
3Q 1998	-10.3%	20.9%
1Q 2001	-12.1%	5.5%
3Q 2001	-15.0%	10.3%
2Q 2002	-13.7%	-17.6%
3Q 2002	-17.6%	7.9%
4Q 2008	-22.6%	-11.7%
1Q 2009	-11.7%	15.2%
2Q 2010	-11.9%	10.7%
3Q 2011	-14.3%	
	Average	**5.6%**
	Average ex-losses	**9.4%**

Source: LPL Financial, Bloomberg data 10/02/11

The S&P 500 is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

Looking beyond the next several weeks or months, we continue to expect a below average growth environment in the years ahead. However, while they may be hard to see at the moment, there are potential pink swans that could result in stronger-than-expected growth.

- A clear path to U.S. fiscal sustainability could emerge in the next few years. The current political gridlock may give way to action after the 2012 elections as rising interest costs force broad fiscal reforms.
- China's consumers could begin to become a powerful force and drive global demand growth rather than just the growth in the global supply of goods. Employment and incomes are rising sharply in China. While domestic consumer spending currently only accounts for about one-third of China's GDP it is rising quickly. The United States is the world's largest manufacturer. U.S. companies would benefit from solid growth in Chinese consumer spending.
- New technologies could greatly improve resource productivity. There is a correlation between patent grants and productivity a few years later. The United States is currently saddled with a backlog on new patent requests; however, this logjam is beginning to break. If recent efforts at patent reform are combined with an increased emphasis on providing protection to new ideas we could see an explosion of efforts driving innovation and creating new products.



Source: LPL Financial, Bureau of Labor Statistics, U.S. Patent Office data 10/02/11

With consumer, business, and investor confidence readings near historic lows it is hard for negative black swan events to surprise an unprepared marketplace. Alternatively, with so few expecting positive developments it is more likely that a pink swan event is the true outlier with the most potential market impact.

IMPORTANT DISCLOSURES

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Debt-to-GDP is a measure of a country's federal debt in relation to its gross domestic product (GDP). By comparing what a country owes and what it produces, the debt-to-GDP ratio indicates the country's ability to pay back its debt. The ratio is a coverage ratio on a national level.

Correlation is a statistical measure of how two securities move in relation to each other. Correlations are used in advanced portfolio management.

The Federal Open Market Committee action known as Operation Twist began in 1961. The intent was to flatten the yield curve in order to promote capital inflows and strengthen the dollar. The Fed utilized open market operations to shorten the maturity of public debt in the open market. The action has subsequently been reexamined in isolation and found to have been more effective than originally thought. As a result of this reappraisal, similar action has been suggested as an alternative to quantitative easing by central banks.

International and emerging markets investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

This research material has been prepared by LPL Financial.

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Why Stay Invested During a Recession?

What Exactly is a Recession?

The National Bureau of Economic Research (NBER) defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. NBER identifies a month when the economy reached a peak of activity and a later month when the economy reached a trough (bottom). The time in between is a recession, a period when economic activity is contracting. It's important to recognize that a recession, the way we use the word, is a period of diminishing economic activity rather than diminished economic activity.

A recession is defined by economic data, not market data. Markets move much faster than the economy and see early indications that things are improving - this is reflected in earnings estimates, valuations, and other variables that bring investors back to investing, primarily institutions first. Retail investors slowly gain confidence as the markets go up, they start investing little by little, causing markets to go up further which over time encourages consumers to start spending and employers to start hiring, all of which pumps life back into the economy. Simply put, investors don't feel better until the markets go up and investors determine, based on their behaviors, the state of the economy.

Looking back at past recessions shows us that the stock market typically posts a gain during a recession. For example, during the 16 months of recession from July 1981 to November 1982, the S&P 500 posted a 14% total return. Another recession followed the late 1980s and early 1990s Savings & Loan crisis, during which more than 1,000 U.S. financial institutions failed, primarily as a result of imprudent real estate lending. During this eight month recession, from July 1990 to March 1991, the S&P 500 generated an 8% total return.

Bouncing Back

The table below shows the S&P 500 performance during past recessions, the overall length of the recession and total decline of the markets over that period. It also illustrates the number of months it took for the market to spring back from the bottom to the end of the recession and what the gains along that journey were. As you can see, stocks have always bottomed before the recession was over - typically around the halfway point - and delivered on average powerful 25% gains, recouping nearly all losses by the end of the recession.

S&P 500 PERFORMANCE DURING PAST RECESSIONS

Peak	Bottom	Total Decline	Length of Recession in Months	Months to spring back from Bottom to End of Recession	Gain from Bottom to End of Recession
06/15/48	06/13/49	-21%	11	5	+18%
02/02/53	09/14/53	-14%	10	9	+28%
07/15/57	10/22/57	-21%	8	6	+11%
08/03/59	10/25/60	-14%	10	4	+21%
11/29/68	05/26/70	-36%	11	6	+26%
01/11/73	10/3/74	-48%	14	6	+34%
02/13/80	03/27/80	-17%	6	4	+24%
11/28/80	08/12/82	-27%	16	4	+35%
07/16/90	10/11/90	-20%	8	6	+29%
03/24/00	10/09/02*	-49%*	8	*	*
Average ex-2002		-24%	10	5	25%
10/09/07	Current	-30%			

Source: Bloomberg and the National Bureau of Economic Research, LPL Financial Research
* This recession ended in November of 2001—from the low point during the recession (9/21/01) until the end of the recession stocks were up 18%—but stocks fell again in late spring of 2002 as accounting scandals renewed the market decline, culminating in a 49% total decline for the entire two and one-half year bear market.

The Springboard

Early drivers triggering a rebound are typically fiscal or monetary policy actions. Past examples:

- In October of 1990, after a tripling of oil prices due to Iraq's invasion of Kuwait, oil prices finally began to recede as stepped up production by OPEC and non-OPEC members ensured oil supplies remained sufficient. The Fed also began to cut rates aggressively starting in October of 1990. These factors marked the turning point for the 1990 bear market.
- An FDIC takeover and the Fed rate cuts that followed one of the largest bank failures in history helped to end the long November 1980-August 1982 bear market.
- The Fed cut rates substantially beginning in March of 1980 ending the market decline, as inflation finally began to fall after peaking in that month at a 14.8% year-over-year pace, reversing a series of rate hikes that had taken the fed funds rate to 20%.
- Fed rate cuts of 375 basis points helped to put a close to the 1973-74 bear market. The cuts coincided with the October 1974 failure of Franklin National Bank, which was at that point the biggest bank failure of all time. Closure of the issues surrounding Watergate also helped this recovery.

Don't let your emotions make your investment decisions, these can be intimidating times. Plan long-term and consider historical performance. Talk to your financial advisor and stick to the plans you make together to help you reach your financial goals.

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Stock investing involves risk including loss of principal.

S&P 500 is an unmanaged index which cannot be invested into directly. Past performance is no guarantee of future results.

Getting a Loan: Be Prepared for More Scrutiny

The days of instant phone approvals are long gone. Now lenders are more carefully scrutinizing your past credit history, income, and current debt load.

Before the housing market collapsed, borrowing was plentiful. But since then, banks and other lenders have tightened up the relaxed requirements that got them into trouble. While borrowing isn't impossible, it certainly is more difficult than it has been in years.

Credit History, Down Payments Are Key

If you are shopping for a mortgage or home equity loan, be prepared to fill out a lot of paperwork. The days of instant phone approvals are long gone. Now lenders are more carefully scrutinizing your past credit history, income, and current debt load. During the application process, you'll need to provide W-2s, pay stubs, all bank and/or brokerage statements (including retirement accounts), and tax returns, particularly if you're self employed or work on commission.

On the credit front, late payments and delinquencies are back to being red flags. Many lenders are looking for credit scores of at least 720, although Fannie Mae and Freddie Mac will consider applicants with a score of 620, provided you meet certain equity thresholds. The Federal Housing Administration (FHA), the largest insurer of mortgages in the nation, now requires a minimum credit score of 580 to qualify for its 3.5% down payment program. Those with lower scores must put at least 10% down. The FHA also increased its up-front mortgage insurance premium from 1.75% to 2.25%.

When borrowing against your home, the days of 100% home equity loans are over. In most areas, expect to qualify for no more than 80% of your home's appraised value, according to HSH.com. In some of the states hardest hit by the housing collapse -- such as Nevada, Florida, and California -- the maximum loan-to-value ratio could be as low 60%.

If a new or used car purchase is in your sights, be prepared for more stringent down payment requirements. The best rates are going to consumers who can put 10% down on a new car and 20% down on a used car.

What Can You Afford?

Before you go out to shop for a loan, take a close look at your finances. You should review your credit reports annually. All three can be ordered free at www.annualcreditreport.com. If you are concerned about whether you can afford to buy a home, many experts provide a simple rule of thumb to assess the affordability of your mortgage. Your entire monthly payment (which will include principal, interest, and property taxes, plus any applicable homeowner's fees, hazard insurance, and private mortgage insurance) shouldn't exceed 28% of your gross monthly salary. Additionally, your total monthly debt payments (credit card minimum payments, car loan, etc.) should add up to less than 40% of your gross monthly salary.

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