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# MONEY

REPORT FROM THE BARN



## The Retirement Financial Center



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## Markets in a Tug of War between Debt Issues and Economics

**W**e are again keeping you alert to the realities of the markets. The past year has been very volatile, much more than any of us would have liked. We have stayed invested and still recommend it, as the potential for recovery remains. We are planning some reallocations for our asset allocation portfolios and a lower risk and volatility Risk Level 3.

When we last wrote to you, the markets had reached their lowest point of the year due to US and European debt uncertainty. Different headline events have caused short-term reactions, sharp ups and downs in the markets, as each event has carried with it the specter of another financial meltdown. Overall, we experienced a negative global stock market in 2011. However, we are expecting markets to improve in the months ahead due to recent government actions in Europe and the US.

Europe can and will address their financial issues, despite all the obstacles. The month of October showed a very strong rebound of 10.78% in the S&P500 Index, up to 1253, on Europe's taking decisive action ([www.bigcharts.com](http://www.bigcharts.com)). In November, all eyes were turned to the "super committee" charged with reducing the US budget deficit. They did nothing except to "kick the can down the road" until January 2013 when the automatic cuts will take effect. This is self-serving politics at its worst and we may not have seen the last of it.

However, behind all the fears of crises, the overall economic data continue to be somewhat positive. We remind you that we are invested primarily for the long-term, in sectors of the economy driven by expected outcomes. In any market, we need to stay diversified across a variety of asset classes. It can help support your long-term goals, time horizon and tolerance for risk.

Diversification, however, does not guarantee a profit or protect against loss.

Current key economic and political data and statistics are as follows:

- I. The US economy is picking up momentum with more cash on hand than ever before and corporate profits are at record levels.
- II. Although the national unemployment rate of 8.5% is still high, there are signs that Corporate America will accelerate job growth in 2012, as the most recent 4-week unemployment claims average has decreased. ([www.wsj.com/1/05/2012](http://www.wsj.com/1/05/2012))
- III. Pending home sales have reached a 19-month high. They still have a way to go and may continue to slow improvements in consumer confidence and spending. Foreclosures continue to weigh on the overall housing market. ([www.wsj.com/12/30/2011](http://www.wsj.com/12/30/2011))
- IV. Due to the collapse in home prices, municipalities are seeing and will continue to see a decrease in real estate tax collections. This is cause for the downsizing of government and social service payrolls. Entitlement programs will be reduced to more proper and economically sustainable levels.
- V. Sales over Thanksgiving and Christmas increased 3.8% over one year ago. Retailers were pleased and it will contribute to increased corporate profits. ([www.wsj.com/12/30/2011](http://www.wsj.com/12/30/2011))
- VI. Short-term interest rates are near zero and the Federal Reserve intends to keep them low until mid-2013.

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Hopefully, this will stimulate the economy by reducing borrowing costs.

- VII. New stimulus steps under consideration include a third expansion of the Fed's balance sheet, known as quantitative easing, and purchase of mortgage-backed securities to boost the housing market.
- VIII. Inflation continues at the 2-3% annual rate. However, with the global push to print currency, it could rise over the next 2 to 4 years.
- IX. The European Central Bank has increased cash flow to the Eurozone banks to provide needed liquidity. Hopefully, this will help alleviate the continuing credit crunch. US banks, having substantially reduced their exposure to the European banks and bonds, and having some of the largest reserves in history, do not view a potential collapse of the Eurozone as a major threat.
- X. The expected contentious political environment of 2012 will result in a dysfunctional government and create market uncertainty. Hopefully, in the next election, American citizens will rise above these issues and put our country back on track as the most successful democracy in the world.

Again, we are invested for the long-term. It is crucial that you discuss your options with us. In periods of down markets it is particularly necessary for you to make the right decision about your investments and not sell and lock in losses or miss market rebounds by making reactionary moves.

It has been said many times that the people who buy at the top and sell at the bottom are guaranteed losers. Don't let short-term results jeopardize your long-term plans and objectives!

Although it is frustrating whenever a negative year occurs, we expect 2012 to be a less volatile year that will hopefully produce more positive results. One method of reducing volatility is using more conservative funds in the Asset Allocation Models. Another method is reducing your Risk Level. Both of these methods should be considered. If you wish to discuss your Risk Level, please call us.

Sincerely,



Thomas T. Riquier, CFP®, CLU

The views expressed are those of the author as of the date noted, are subject to change based on market and other various conditions, and are not a solicitation to purchase or sell any security. Keep in mind that current and historical facts may not be indicative of future results.

MARKET/INDEX	2011 CHANGE
Dow Jones	5.53%
NASDAQ	-1.80%
S&P 500	-0.00%
Russell 2000	-5.45%
Global Dow	-13.69%
DJ Asia-Pacific	-17.40%
DJ China	-20.10%
Bombay Sensex	-24.60%
Japan Nikkei 300	-19.30%
Euro zone	-17.70%
Finland	-30.10%
France	-17.00%
Germany	-14.70%
Italy	-25.20%
Portugal	-27.60%
Russia	-21.90%
Argentina	-30.10%
Brazil	-18.10%
Canada	-11.10%
Egypt	-49.30%

From the Wall Street Journal Market Data Center. Indices are unmanaged and cannot be invested into directly.



Tom Riquier greets clients at last year's Client Holiday Party, as Cantemus Choral Group prepares to entertain with their Holiday Performance and sing-a-long.

## OUR **RAPID RESPONSE** SYSTEM *Your success is our strategy*

Our Rapid Response System (RRS) brings regular common sense evaluation to your portfolio on a quarterly basis performed by our in-house team rather than an outside money-management firm which most financial planners and stock brokers use. We benefit if you succeed, and our costs are hopefully paid by somewhat higher returns or smaller losses. Thoughtful review, quarterly communication and potentially superior returns in the RRS are what we strive to provide.

All investment planning starts with you: your goals, risk level and asset allocation. We then combine your objectives with our analysis of underlying market trends to devise a sensible investment strategy. We study economic and financial data looking for trends developing around the world that help us target specific investment sectors. We believe it makes sense to follow the implications of world economic developments.

We advise you of our viewpoint and recommend changes to your portfolios in our special quarterly advisory letter. As a RRS client, you may call us to discuss our recommendations when you receive this letter. Otherwise, we automatically change your portfolio approximately one week after mailing the advisory letter to you.

A minimum of \$25,000 per account is required to participate in this system as specified by Pershing, LLC.

The Rapid Response System (RRS) is for advisory accounts only and requires a signed Investment Management Services Agreement. The RRS does not assure a profit or protect against a loss. Certain risks exist with any type of investment and should be considered carefully before making any investment decisions.

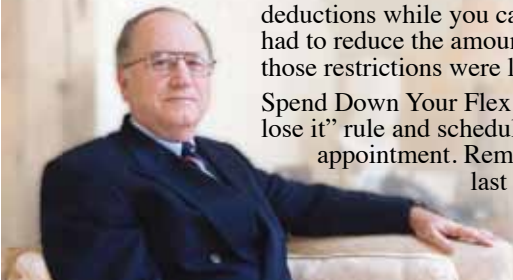
## Tax Planning **Gordon Ulen, CPA**

Call to schedule an appointment for a free consultation to discuss tax planning. A little time spent planning now may result in a bigger refund. Although current tax rates are scheduled to remain in effect through 2012, anything could happen during the current struggle to reduce the federal budget deficit.

Contribute to your 401(k) - A good place to begin lowering your tax bill is by increasing contributions to your retirement plan or 401(k) since contributions are excluded from your income.

Take those deductions! Be sure to take all permissible deductions. Write off the full value of your mortgage interest and other itemized deductions while you can. In the past, high-earners had to reduce the amount of write-offs claimed, but those restrictions were lifted in 2010.

Spend Down Your Flex Plan - Avoid the "use it or lose it" rule and schedule that dental or vision appointment. Remember that 2012 will be the last year before a \$2,500 limit goes into effect.



Please call 978-777-5000 for a no charge consultation.

## Thanks for Attending our Last Social Security Class



THANK YOU! to all in attendance at our Social Security class. Attendees at our 1:30 session were treated to a lively discussion about Social Security benefits by Francine Koliass of the Social Security Administration.

Francine's knowledge, experience and energetic style made this a particularly interesting class. She made it a point to stay to answer individual questions.

Call 978-777 5000 to arrange a meeting to discuss your Social Security questions.

## NEXT Economic Update Summit Wednesday, Feb. 15th 1:30 or 6:30 PM

Kick off the New Year by joining us at our next Economic Update Summit on Wednesday, February 15th at the Marriott Hotel in Peabody for a complimentary informational session. It is critical to remain informed about the economy and issues affecting your portfolios.

Join us to hear Brian Levitt, VP, Corporate Economist, Oppenheimer Funds and Thomas T. Riquier, CFP®, CLU, President of The Retirement Financial Center and member of Ed Slott's Master Elite IRA Advisor Group™ discuss economic conditions and expectations for 2012.

Tom holds quarterly Economic Update Summits to share information because he believes education is critical to making good financial decisions. He has 41 years of experience in retirement planning and wealth management. He understands the unique financial needs of seniors & is well-versed in IRA laws & rulings. Tom's mission is to help improve the process of retiring through education & planning.

Call 978-777-5000 today for reservations for you and a guest. Don't miss this exceptional, educational opportunity. We will sweeten each event by offering a delicious dessert and chocolate buffet.

**Thomas T. Riquier CFP®, CLU**  
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**Tom Riquier, an Ed Slott Master Elite IRA Advisor Group™ member**



**Important IRA Information:**

Tom continues Ed Slott's Master Elite IRA Advisor Group™ specialized training to remain up-to-date on IRA laws and rulings. He has the knowledge and expertise to help you with your IRA income planning decisions. Call Tom to discuss the best investment strategy for your situation.

As we begin a new year, our thoughts turn to taxes and tax planning.

**Ed Slott recently published a white paper about using a tax refund to fund an IRA and he has given us permission to reprint it here:**

**Using a Tax Refund to Fund an IRA in 5 Easy Steps**

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**What does the basic process entail?**

An income tax refund can be directly

deposited to an IRA up to the maximum annual contribution allowed (\$5,000 for individuals under age 50 and \$6,000 for individuals age 50 and older) rather than to a checking or savings account. It can also be split among multiple accounts.

- 1. It is tax time!** Prepare your tax return for the year.
- 2. Determine the refund amount.** Once you know how big your refund will be, decide how much, if any, you would like to contribute to your IRA or Roth IRA up to the maximum annual contribution allowed.
- 3. One, two, three.** A refund going to only one account can be done directly on Form 1040. Prepare Form 8888 to direct the refund to up to three accounts.
- 4. Watch out!** If you use Form 8888, pay attention to the six cautions provided by the IRS on the instructions to ensure that you do not fall into any of those traps. The form can be found on the IRS' website ([www.irs.gov](http://www.irs.gov)).
- 5. Follow-up, follow-up, follow-up.** If the IRA deposit is meant to be for the prior year, make sure the institution will code it that way and that it is received in time. If the refund amount is adjusted for math errors or tax adjustments, check which

accounts on the form are affected. You may need to do an amended return if the IRA deposit is adjusted. Refund offsets can be done against any accounts receiving the refund. Again, you may need to do an amended return. If the funds go into the wrong account, deal with the institution to get the funds credited to the correct account.

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**Call us at 978-777-5000  
with questions and to  
roll over your old IRA's and  
401k's. We can provide  
active management for this  
important investment.**

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