THE SYTSMA GROUP
AN INDEPENDENT FIRM

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In This Issue:

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The Gift of Giving

Tami Sytsma

For those who fall prey to the commercialization of the Holiday season, Christmas is usually about getting our hands on the newest, biggest, shiniest and trendiest gifts. We love to give them and we love to receive them. I think that if we were truly honest with ourselves, we would all agree that it's never the biggest item that makes the biggest impression. The gifts that linger and stay in our minds for years to come are always the small ones - the ones that were more about meaning than they were about price.

I have a girlfriend whose husband surprised her last year with a brand new car... not too shabby, right? But when I saw her the other day and our conversation turned to Christmas, the car was never mentioned. Instead, she talked endlessly about the lovely ornament her seven-year-old son had made for her in school. A simple, small cluster of paper, tinsel and glue had meant more to her than any gift she had ever received, including that new car.

Our conversation really made me think about the value of those tiny, seemingly insignificant gestures. Although their origins are humble, they really can have an enormous impact. I think that idea holds true for our lives way beyond the realm of Christmas-time giving. Differences can be made and lives can be touched through the simplest of acts. We all have the power, regardless of time and regardless of our resources, to offer small pieces of ourselves in ways that can make lasting impressions on others.

Just as it is with gift-giving, it's easy to feel inadequate about what we have to offer. We can look at the world around us and see so little hope and so much misery. Most of us have the desire to see changes made, but the enormity of the problem breeds an apathy that often makes us too weary to try. But try, we must. The little ornament that my girlfriend received from her son made me realize that nothing we give and nothing we do to show our kindness to others is ever done in vain.

What kind of change do you wish to affect? Want to end homelessness? Want to feed the poor? Want to see an end to violence and war? Don't allow yourselves to believe that those dreams are too lofty. Each and every small act of love we display

Continued on page 2

Continued from page 1

strengthens the bonds of our humanity, inspires others to join our cause and has a cumulative effect in combating the forces of darkness and despair. Don't be discouraged if you lack the time or the means to bring about the change you desire in one grand act. A better world won't come by the hands of a benevolent few; it will come instead by the sustained perseverance and generosity of the multitudes. Our small acts, repeated a billion times over, is what will finally make those dreams a reality.

Christmas morning will come, and millions of those big, new, shiny and trendy gifts will be opened all across the world. You and your loved ones may even find some of them waiting under your own tree. But between now and then, I plan to focus my energy on all the opportunities I have to share some of those smaller gifts. I'll hold a door, give a hug, or offer a smile. I'll lend a hand or share what I have with those who are in need. I'll do these things not for attention, but because I believe that the smallest of gestures can make the biggest of differences. I believe that if I do them and if you do them and your friends do them and your neighbors do them, then suddenly the problems of the world don't look so intimidating. Suddenly, peace and hope shine brightly where darkness once prevailed.

The greatest gift was given to us all on the first Christmas morning. No other gift we give, no matter how much we spend, can ever be its equal. So don't focus your mind on finding the perfect gift, it has already been given. Fix your thoughts instead on all the little gifts you can give each and every day. Those are the gifts that matter.

What Should Investors Do Now?

Worthwhile Magazine – Fall 2011, pg. 24

In light of the recent volatility in the market, as well as the possibility that we may see additional price swings in the months ahead, here are some suggestions for what investors should be doing now.

Maintain close communication with your financial advisor.

The benefits of experience, expertise and perspective can be especially valuable in helping you avoid hasty, emotional decisions.

Review your risk tolerance.

While abrupt and significant changes in stock prices are not the norm, they are happening. Your asset allocation mix – how your portfolio is divided among stocks, fixed income securities and cash or cash alternatives – should reflect the possibility that these changes will continue. Investors need to find a risk tolerance level that works for them.

Do not keep tinkering in response to changes in the market.

If you are convinced that you need to modify your long-term investment strategy, do so only in consultation with your advisor and then stick to the new plan.

Do not try to time the market or make wholesale changes to your portfolio all at once.

Any short-term decisions should be made in the context of your long-term strategy, and any significant shifts in your portfolio should only be made gradually.

Remember information overload.

Think about how much attention you are paying to the market and the sources of your information about it. Many experts believe investors should only look at their portfolio on a quarterly – or even more infrequent – basis in order to avoid becoming agitated by short-term price changes. On a similar note, consider how often – if at all – you really need to watch financial TV shows and read financial publications.

Economic Snapshot

Scott J. Brown, Ph.D.—Chief Economist, Equity Research

The U.S. economy appears to have continued expanding in 3Q11 (no recession), but the pace appears to have been well below potential. Job growth has slowed, following strong gains in the first four months of the year. Housing appears to be bouncing around a bottom. Corporate profits have supported

Equity Research business fixed investment, but smaller firms are still constrained by a lack of demand for the goods and services they produce. The economy is expected to muddle along in the next few quarters. The keys to the outlook are likely to be gasoline prices, fiscal policy, and the situation in Europe.

Economic Indicator	Status	Comments
Growth		Real GDP growth appeared to remain positive in 3Q11, but not especially strong. The economy continues to face a number of headwinds, including lingering problems in housing, a contraction in state and local government, and a fading federal fiscal stimulus.
Employment		Job losses continue to trend at a low level (except in state and local government). The pace of new hiring appears to be muted, following some strengthening earlier in the year.
Consumer Spending		Inflation-adjusted disposable income has slowed, providing little fuel for consumer spending growth. Gasoline prices may fall further, boosting purchasing power to some extent. Bank credit to consumers has improved.
Business Investment		Corporate profits hit a record high in 2Q11 and cash positions are strong, helping to fuel business fixed investment. Factory shipment data for August suggest continued gains in capital spending in 3Q11.
Manufacturing		Mixed across industries, but generally positive. Auto production has rebounded from the effects of Japan's disaster. Factory sector activity has continued to expand, although the breadth of improvement has softened in recent months. Exports have continued to advance, but may soften amid softer global demand.
Housing and Construction		Home sales and residential homebuilding activity have been weak and home prices have continued to soften. A full recovery in the housing sector will depend on seeing much stronger job growth.
Inflation		Commodity prices have begun to retreat, following expectations of softer global growth. Consumer prices were led by increases in food and energy this year, but have begun to retreat. Labor cost pressures are benign, inflation expectations are well anchored, and excess capacity should put downward pressure on inflation into early 2012.
Federal Reserve		The Federal Open Market Committee has begun a maturity extension program ("Operation Twist"), buying long-term Treasuries and selling shorter-term Treasuries from its portfolio and reinvesting maturing Mortgage-Backed Securities (MBS) and agency debt into MBS.
Long-Term Interest Rates		The Fed's maturity extension program and worries about Europe have combined to send long-term interest rates to record lows.
Fiscal Policy		The federal fiscal stimulus is winding down, acting as a drag on GDP growth into 2012, and Congress appears unlikely to move rapidly on the president's jobs program. State and local government has continued to shed jobs, shaving a non-trivial amount from overall GDP growth.
The Dollar		Still a mixed bag, but likely to improve further in the short term. The dollar has benefited from a flight to safety following concerns about Europe.
Europe		The situation in Europe is not going to be resolved anytime soon, and there is risk of a broader financial crisis. The news is likely to vary (one step forward, one step back), generating volatility in U.S. financial markets.

Consider Important Tax Planning Strategies before Year's End

Year-end planning is always appropriate, but it may be especially important for 2011.

Recent market volatility paired with uncertainty over pending tax changes at the end of 2012 present a number of opportunities and challenges as we put a tax plan into place.

Before the end of the year, we should examine your financial plan to ensure it's optimized around timely year-end decisions and on track to help achieve your goals. Topics we'll consider include:

- Managing income and deductions
- Taking advantage of investment losses through tax-loss harvesting
- Maximizing retirement plan contributions
- Reevaluating your retirement income plan
- Maximizing your annual gift exclusion and making gifts of appreciated assets
- Planning for your estate and your legacy
- Identifying other ways to better position your portfolio for the future

We'll also take into consideration your different types of income, the cost basis of securities, your charitable and family gifting wishes, and whether you may be subject to the alternative minimum tax (AMT), which disallows many of the deductions available under the regular tax structure.

As we're sure you already know, tax planning is a complex process with many interconnected factors to consider. That's why it makes sense to act now, while you have time to gather the appropriate financial information.

Please call us to set up some time to discuss strategic tax planning in more detail or go over any questions about which strategies would be best for you. We look forward to speaking with you.

Investors should always discuss any tax matters with an appropriate tax professional.

Donor-Advised Funds: A Popular Charity Choice

Similar to family foundations, DAFS are easier to establish and have several advantages.
Worthwhile Magazine – Fall 2011, pg. 9

Donor-advised funds (DAFs), which provide a flexible way for individuals, families or organizations to enjoy tax benefits while helping their favorite causes, have become one of the nation's most popular vehicles for charitable giving. According to the National Philanthropic Trust, there are more than two DAFs for every private foundation in the U.S. and more DAFs than all of the nation's charitable remainder unit trusts, charitable remainder annuity trusts, charitable gift annuities and pooled income funds combined.

The appeal of DAFs is straightforward – they essentially provide donors with the benefits of having a private family foundation without having to deal with the administrative details or incur the substantial expense of establishing a foundation. Donors get a tax deduction for the year in which their original gift is made, but can spread their giving over many years. Donors also avoid capital gains and estate taxes on their gift. Moreover, since their gift is now inside a tax-exempt vehicle, it has the potential to grow tax-free.

To set up a DAF, donors make an irrevocable contribution to a qualified sponsoring organization of their choice, which then establishes an account from which the donor is typically able to recommend grants to other eligible charities. In other words, the sponsoring organization can become a conduit for gifts to a number of charitable groups. Donors can make additional gifts in subsequent years if they wish and are also usually able to recommend how their funds should be invested.

DAFs can be established with a contribution of as little as $10,000, with no attorney needed and a minimum of paperwork. Donors receive an immediate federal income tax deduction of up to 50% of adjusted gross income (AGI) for cash contributions and up to 30% of AGI for appreciated securities. Assets such as real estate or a limited partnership also can be donated, with donors receiving an immediate, fair-market-value tax deduction and avoiding capital gains taxes that would be associated with a sale.

Unlike private foundations, which must give away 5% of their assets every year, DAFs are not subject to a legal minimum payout requirement. In addition, donors can choose what – if any – information is provided to recipients of the grants and can therefore remain totally anonymous if they wish. Donors also can name their children to be advisors to the fund after they are gone, making it relatively simple to use the DAF as a legacy vehicle for long-term charitable giving.

There are a number of national and community organizations that sponsor DAFs, including large financial institutions. As always, donors should do their homework before selecting one to make sure they will have the flexibility they desire in terms of directing where their money goes and the security of knowing that the tax reporting issues will be handled professionally. Be sure to get expert advice before making any commitments.

Please contact us with questions or to discuss how you can contribute to a DAF.

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Did You Know?

- Being happy is more of an influence on giving money to charity than being wealthy.
- Women are slightly more likely than men to give money, but men are marginally more likely to volunteer or help a stranger.
- Malta has the highest percentage of population who donate money to charity.
- Turkmenistan has the highest percentage of population who volunteer.

The World Giving Index 2010: Report published by Charities Aid Foundation © 2010.

https://www.cafonline.org/pdf/WorldGivingIndex28092010Print.pdf