

2012 Forecast

January 6, 2012

Our whole investment thesis revolves around a continuous process of analyzing economic conditions, markets, investor expectations, and long-term forward-thinking. The passing of one year to another is important to the media, but not to us. The same trends that preoccupied our thoughts last week, last month and last year still persist. We will deal with rising interest rates (at some point), rising inflation, a still troubled real estate industry, a euro that seems to be near the end of its usefulness, troubles in the Mid East, and a continued global economic slowdown.. Consequently, we continue to recommend investment exposure (both bonds and stocks), but doing so in a **diversified and defensive manner**. Volatility may be even more extreme than we've seen so far this year. Investors are likely to react with every market gyration – buying as everyone else buys and then selling when everyone else sells. So, it's important to keep our eye on the longer term trends and make sure that our investments are meeting our expectations and doing so with a risk level that we're comfortable with.

As always, our forecast will change – and, when it does, you can be sure we'll be in touch – moving more to stocks or bonds, or moving into individual stocks, or recommending different managers or styles. We look forward to sitting down with you to discuss the above and to help you stay on track to meet your goals and objectives.

As a footnote, we urge you to sit down with us and do a thorough review of your financial plan and estate plan. Current tax law and expected changes in the future dictate that we review all aspects of our retirement and estate plan.

Our best to you,

Larry and Kim

*Diversification and strategic asset allocation do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal.
As federal and state tax rules are subject to frequent changes, you should consult with a qualified tax advisor prior to making any investment decision.*