Investing Today...

Timely Topics

LIZA CAMPA-FLANAGAN
CERTIFIED FINANCIAL PLANNER™
CERTIFIED INVESTMENT MANAGEMENT ANALYST™

Forget 'Safe' – Inflation Risks Trump 'Safety'

Here's an investment cliché that bears repeating, especially in the wake of recently volatile financial markets when "flight to safety" became common: a risk-free investment doesn't exist.

Even burying all your cash in a strongbox won't do, because when you eventually retrieve it, the value of your cash will very likely have been diminished by inflation. You simply can't make an investment that is "safe" as the dictionary defines the word. Instead of pursuing a kind of safety that doesn't exist, you might assess the degrees of risks throughout your portfolio, then choose a mix that meshes with your risk tolerance level.

Investing in *Treasury bonds, for example, may be as "safe" as you can get, because they are backed by the full faith and credit of the U.S. government. But at today's low yields, even the historical average inflation rate (3.1%) would easily overwhelm those yields, and that doesn't account for the concern that government stimulus programs might lead to higher inflation rates in the years ahead.

Inflation's Reality Show

For some, there is no entirely comfortable answer to the search for safety because, historically, diversification and equity investments are key to outpacing inflation. Even if you're focused on fixed income investments, you are more likely to beat inflation if, in addition to bank accounts, CDs and Treasuries, you mix in corporate bonds and other potentially higher-yielding instruments. According to studies done by Ibbotson, since 1926, a portfolio of investment-grade corporate bonds mixed with equities has been required to outstrip inflation.

It's clear that if you want your portfolio to grow in real value, you must accept greater risks. What exactly those risks are depends on your market-tested level of risk tolerance. If you'd like to discuss how your portfolio is designed to cope with inflation, give me a call.

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FINANCIAL SERVICES, INC.
Member FINRA / SIPC

Phone 727-585-1212, Toll Free 888-587-1212, Fax 727-584-7624
645 N. Indian Rocks Road, Belleair Bluffs, FL 33770
Website: www.raymondjames.com/lizacampaflanagan
email: Liza.campaflanagan@raymondjames.com

We are looking for financial advisors to join the branch.

Call 585-1212, if you are interested or would like to refer someone.

Roth IRA Conversions—Planning for New Opportunities in 2010

With the lure of tax-free distributions, Roth IRAs have become popular retirement savings vehicles since their introduction in 1998. but if you're a high-income taxpayer, chances are you haven't been able to participate in the Roth revolution. Well, that's about to change.

In 2006, President Bush signed the Tax Increase Prevention and Reconciliation Act (TIPRA) into law. TIPRA repeals the $100,000 income limit for conversions, and also allows conversion by taxpayers who are married filing separately. What this means is that, regardless of your filing status or how much you earn, you'll be able to convert a traditional IRA to a Roth Ira in 2010. Check with your tax advisor to determine if a Roth conversion is right for you.

Powerful Giving

Year-end is quickly approaching and it is a great time for giving. When you make a donation by December 31st, you aren't just making a monetary contribution— you are perpetuating your own values and those of your favorite charity. Charitable contributions can also lighten your income tax burden for the year when you itemize. Call if you would like help with your charitable planning.

Reducing the Bite of Your 2009 Tax Bill

We've all heard of Ben Franklin's remark about the certainty of death and taxes, but notice he was silent about the size of the tax bite. In many cases, that can be up to you. Wise tax planning means taking charge of your income and expenses, realizing that different types of income are taxed differently, using investment losses to directly offset investment gains and income and timing the payment of certain bills or accepting income to make a real difference. Call if you would like help assessing how to appropriately position your portfolio to optimize retirement & estate planning or if you would like a complimentary Tax Planning Worksheet for year-end tax planning.

"Now That I'm Retired...I Don't Need Life Insurance, Do I?"

Life insurance is traditionally thought of as a way to provide money in the event of premature death, which may lead some people to discontinue policies as they retire. Before you dismiss life insurance as no longer necessary, however, consider the following important potential benefits that it can offer during retirement:

* *Income Generation*
* *Legacy Planning*
* *Estate Equalization*
* *Estate Planning*

Life insurance can be a valuable financial tool for individuals and families...even during retirement years!

About Liza Campa-Flanagan...

Liza (pronounced Lizza) has been an active professional in the financial services industry for over 20 years. She is a Certified Financial Planner^{tm} and Certified Investment Management Analyst in addition to satisfying the educational requirements to be Registered as a General Securities Principal with Raymond James Financial Services, Inc. Liza also holds life, health, and variable annuity licenses in the State of Florida. She graduated with distinction from Eckerd College in Florida with a B.A. in Business and Management.