

Investing Today...

Timely Topics

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Summer's Over, But Gloom Need Not Reign

Of course, this year, after a string of both natural and financial disasters (from hurricanes to debt brinksmanship), saying goodbye to summer is a lot easier than usual.

Looking ahead, it's important to recognize that the stock market's recent pullback hasn't necessarily meant an equivalent pullback in the US economy. Wall Street isn't Main Street, and while there are plenty of negative signals out there, there are positive ones, too — suggesting that what's around the corner doesn't necessarily signal a recession, but likely more of the same slow growth we've seen all year.

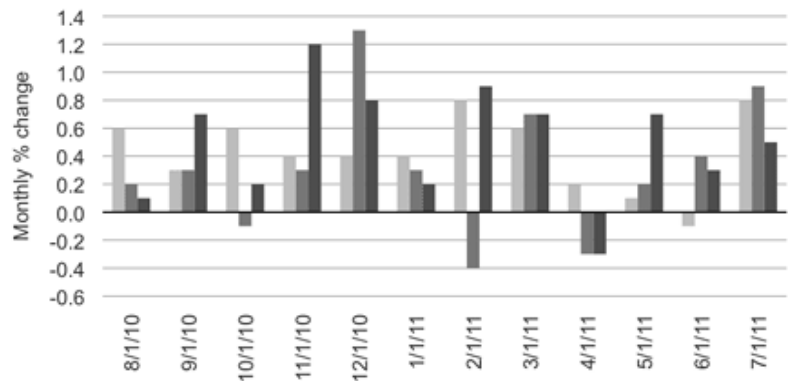
To be sure, housing and consumer confidence reports have been disappointing, but don't forget that consumer spending, industrial production and leading economic indicators posted better than expected results in July.

Indeed, the 0.5% July increase in the index of leading economic indicators was the best since March — beating expectations — and industrial production surged 0.9% in July, fueled by a 5.2% expansion in auto production (signaling an end to supply-chain disruptions from Japan). What's more, personal spending rose a strong 0.8% in July, with prior months' estimates revised higher — the U.S. consumer may be down a little, but is clearly not yet out.

While none of this means that the recent hit to consumer confidence won't impede growth ahead, it does suggest the economy was garnering momentum before the "storms" of August clouded the skies — momentum that might be enough to keep a weak economy moving forward. More importantly, there are still strong companies operating in this challenging environment that may present opportunities for equity investors.

The economic summer: Still some positive signs

Monthly % change in personal spending, industrial production, and leading indicators



Light Gray Bar: Personal Spending, Medium Gray Bar: Industrial Production, Darkest Gray Bar: Leading Economic Indicators

Source: Bloomberg, as of 7/31/2011. **Past performance is no guarantee of future results.** This information is provided for illustrative purposes only and does not reflect the performance of an actual investment.

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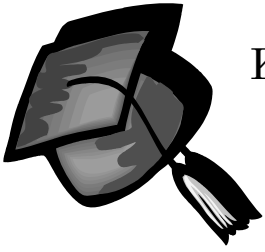
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Kids Back in School . . . Rising Tuition Costs . . . Think 529:

10 Things Every Parent and Grandparent Should Know About 529 College Savings Plans

✓ Pay for More than Just Tuition

Withdrawals can be used for any qualified higher education expense, including tuition, mandatory fees, supplies, books, computers or other required equipment, and room and board, if the beneficiary is enrolled at least half-time.

✓ Ability to Change Beneficiaries

The beneficiary can be changed to a member of the immediate or extended family (including siblings, grandchildren, nieces, nephews, cousins and more).

✓ Control of Assets

The account owner—not the beneficiary—maintains control of the assets, including how and when they will be used.

✓ Contribution Flexibility

Many 529 plans allow account owners to contribute as little as \$50 to an account. Most plans allow account owners to contribute \$300,000 (or more) per beneficiary over the lifetime of the account.¹

✓ Wide Range of Schools

Accredited schools include any postsecondary college, university or vocational school that is eligible to participate in student aid programs administered by the U.S. Department of Education. This includes approximately 7,000 schools in the U.S. and many outside the U.S.²

✓ No Income Restrictions

Anyone can open a plan regardless of their income (parents, grandparents, aunts, uncles, anyone).

✓ Multiple Investment Options

Most 529 plans offer a wide range of investment choices allowing you to invest your assets in the portfolio that best suits your college investing goals.

✓ Convenience

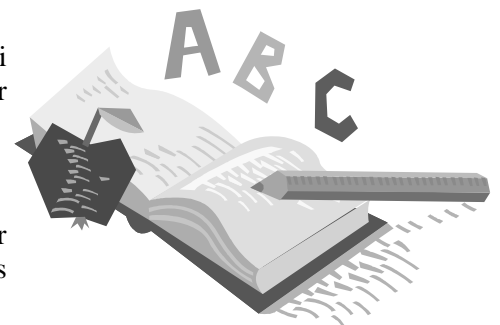
Many 529 plans offer features that make them a convenient way to save for college, including monthly automatic investment plans and portfolios that automatically rebalance as the beneficiary gets closer to college.

✓ Earnings Grow Tax Free

Earnings are free from federal income tax when withdrawn for qualified higher education expenses. Many states provide additional 529 state tax benefits to residents, including state income tax-free earnings for qualified withdrawals and/or state income tax deductions for contributions.¹

✓ Estate Planning

Five years' worth of gifts (up to \$65,000 for an individual or \$130,000 if a married couple) can be made at once to a 529 plan without owing federal gift tax, as long as no other gifts are made to the same beneficiary over the five years.



Thought on Municipal Issuers

The muni market, despite some fanciful predictions last year, has not been rocked by a wave of defaults. In fact, some issuers are seeing glimmers of improvement in their financial position, thanks in part to the positive, yet admittedly uneven economic growth so far this year.

That growth may be slim, but it has still been enough to boost income and sales tax receipts in many states, providing a much-needed measure of relief for their ongoing budget headaches. From Wisconsin to New Jersey to Florida, once-unthinkable spending cuts are in the works in many state capitols, occasionally accompanied by bare-knuckled political brawling.

As state and local governments shelve projects they can't afford, one by-product of the new frugality is less borrowing. New issuance of municipal bonds in the first half of 2011 is less than 60% of the total for that period last year — with that relative lack of supply helping to bolster muni bond prices.

Of course, state and local governments still vary widely in the scope of their budgetary discipline, with the markets tending to favor those who are actually reducing the size of their budgets. And while widespread defaults seem unlikely, an increase in municipal credit downgrades is hardly out of the question.

All this simply underscores what has always been true but wasn't always quite so evident; the muni market includes many types of bonds with many levels of creditworthiness.

For example, while some local GO (general obligation) bond issuers face continued pressure from weak real estate tax revenue and reduced state aid, issuers of revenue bonds in the same region with well-defined income streams could conceivably earn upgrades given balance sheet improvements that have already occurred.

For investors who cherish the tax advantages and relative stability of this asset class, the issue is how to find and hold the right munis — the ones that offer rewards commensurate with the risks. Call for help.

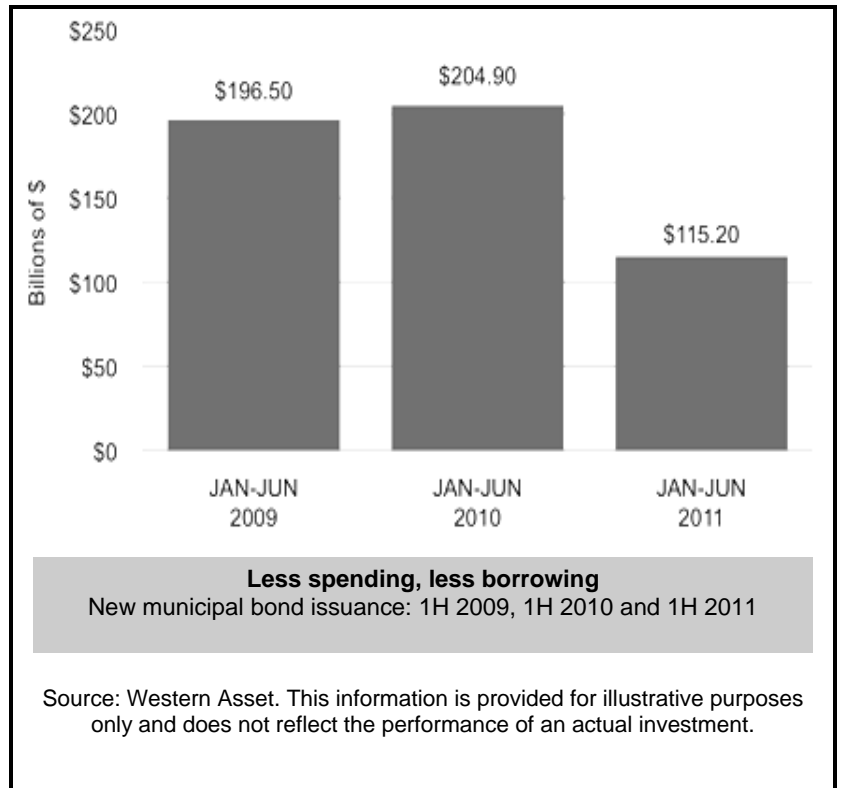
Investment risks

All investments involve risk, including possible loss of principal. Fixed income investments are subject to interest rate and credit risks. As interest rates rise, bond prices fall, reducing the value of fixed income securities. There is also a risk that an issuer will be unable to make principal and/or interest payments. Certain investors may be subject to the federal Alternative Minimum Tax (AMT), and state and local taxes will apply. Capital gains, if any, are fully taxable. It depends on the individual tax situation.

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A few words about risk. 529 plan underlying investments may have risks that will cause your investment return and principal value to fluctuate depending on your selected allocation. Tax benefits are conditioned on meeting certain requirements. Federal income tax, a 10% federal tax penalty, and state income tax and penalties may apply to nonqualified withdrawals of earnings. Generation-skipping tax may apply to substantial transfers to a beneficiary at least two generations below the contributor. Gift examples are general; individual financial circumstances and state laws vary—consult a tax advisor before investing. If the contributor dies within the five-year period, a prorated portion of contributions may be included in his/her taxable estate.

Investors should carefully consider plan investment goals, risks, charges and expenses before investing. Before investing consider whether you or the account beneficiary's home state offers any state tax or other benefits that are only available for investments in its qualified tuition program.



GOLD RUSH

Back in 2000, gold stood at just below \$300. When the notes and coins of the Euro arrived it stood at just over €250. Confidence was high in the US Dollar at the time. The Euro was about to be launched to replace currencies like the Deutschmark, the French Franc and the rest of Europe's currencies. Today and eleven years later, gold is standing approximately six times higher than the level at the turn of the century, despite all attempts to keep it contained. How much higher can it go? And can it be sustained? No one knows, or has a crystal ball, but with the rise in gold I thought it might be prudent to revisit a thought provoking article I read earlier this summer. It is written by Alliance Bernstein: The "Real" Value of Gold by Jon Ruff, Director of Research – Real Asset Strategies and Vincent L. Childers, Research Analyst – Real Asset Strategies April 27, 2011.



Their research, going back to the early 1970s, shows a strong correlation between a falling dollar and rising gold prices. Gold as an inflation hedge, though, has proven to be a mixed bag. After 1985, there is virtually no correlation between rising gold prices and rising inflation, but in the late 1970s, when inflation spiked, there was a very strong correlation. If inflation does spike upward, the price of gold could well go higher.

- There is a fairly strong correlation between rising gold prices and periods of increased consumer pessimism.
- Gold at \$1500 an ounce is not justified, as their research does not support those scenarios which will create dramatic increases in demand or reductions in supply.

Historically, there are more reliable hedges against inflation than gold, including a diversified portfolio of real assets. All investing, including investments in inflation-sensitive asset classes involve trade-offs. Consult your financial advisor.

Call if you would like to receive a copy of the Alliance Bernstein article.

Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

Did you know...

As of January 1, 2011, a new law - part of the Economic Stabilization act of 2008 - will require Raymond James (along with all broker/dealers, banks, custodians and transfer agents) to capture and report detailed information on covered securities sales to the IRS. What you need to know:

- You are still required to report cost basis; however, the new regulations now make it a requirement for Raymond James to report taxable cost-basis information to the IRS on covered securities.
- In accordance with IRS guidelines, Raymond James will report to the IRS adjusted cost basis of securities sold using the First-In, First-Out (FIFO) method unless otherwise indicated at the time you place your trade. Remember to consider the tax implications of every transaction. Please consult with your tax advisor.
- As of January 1, 2011, cost basis accounting method adjustments cannot be accepted after settlement date.

Holiday Schedule—The office will be closed

In observance of: Thanksgiving, Nov. 24th & 25th; Christmas, Dec. 26th & 27th; New Years Day, Jan. 2nd & 3rd.

Please call 800-333-7241 or 800-647-SERV (7378) for assistance during regular business hours.



About Liza Campa-Flanagan...

Liza (pronounced Lizza) has been an active professional in the financial services industry for 25 years. She is a Certified Financial Planner™ 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.