

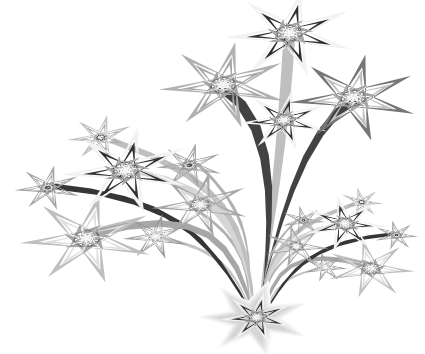
*Investing Today...*

# Timely Topics

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



*Thank you for  
 your referrals in  
 2011!*



## *Did I forget to mention...Raymond James' success featured by Forbes*

In October, *Forbes* published an article about Raymond James CEO Paul Reilly, titled "Raymond James not missing a beat under Reilly." The firm reported record full-year revenue & net income for the 2011 fiscal year & marked its 95th consecutive quarter of profitability.

The article elaborated on the success of Paul's transition to CEO, which began more than a two-and-a-half years ago, & how his vision for the firm & actions taken have strengthened key areas of the company.

Third-party endorsements like this article reflect the company's commitment to conservative, long-term planning – an important reason I choose to affiliate with Raymond James. This fundamental approach to financial planning has consistently enabled Raymond James to remain strong throughout the economic turmoil of the last few years & continue to provide you with outstanding service & support.

If you would like to read the article, please feel free to call and request a copy. As always, I look forward to hearing from you.

\*Past performance is not indicative of future results. The information provided is not a solicitation to buy or sell Raymond James Financial stock.

**1099 Forms:** Raymond James will mail 1099s in accordance with the IRS mailing deadline of February 15. Previously, Raymond James mailed using a self-imposed deadline of January 31. The additional time is needed to support the reporting requirements resulting from the Economic Stabilization act of 2008.

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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](http://www.raymondjames.com/lizacampaflanagan)

email: [Liza.campaflanagan@raymondjames.com](mailto:Liza.campaflanagan@raymondjames.com)

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## Treasuries come with their own set of risks

For many, Treasuries seem like money in a mattress: a safe place to park cash when the economy looks wobbly. In 2011, thanks to the Fed's aggressive bond-buying to hold down yields, prices have risen and returns on Treasuries outperformed other bond sectors — encouraging even more investors to join the party, in spite of some glaring downsides:

- ◆ With inflation running higher than even 30 year bond yields, real yields on many Treasuries are decidedly negative (e.g. -3.23% on 2 year notes).
- ◆ Rock-bottom yields offer scant cushion against future rises in rates; even modest increases could push total return into the loss column, particularly on lower maturities.

Under more normal conditions, you'd have expected the so-called "bond vigilantes" to demand higher yields given the inflationary implications of recent policy actions. For the moment, however, they appear to be outgunned by the Fed's zeal to intervene in the market and the world's seemingly bottomless demand for a perceived safe haven.

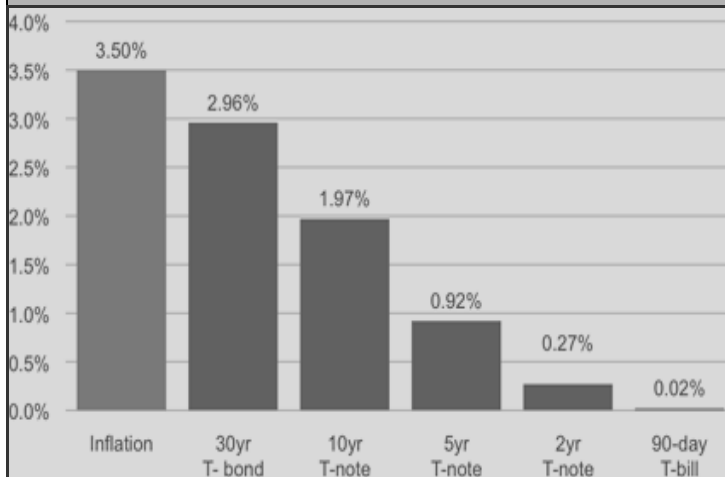
Given the real risks wrapped around Treasuries now, there's much to recommend in a more diversified approach to bonds — investing in sectors where higher yields could help compensate for future inflation and provide a cushion against interest rate rises — and where pricing has arguably been less influenced by central bank buying.

**Investment Risks:** All investments involve risk, including possible loss of principal. U.S. Treasuries are direct debt obligations issued & backed by the "full faith & credit" of the U.S. government. The U.S. government guarantees the principal & interest payments on U.S. Treasuries when the securities are held to maturity. Unlike U.S. Treasury securities, debt securities issued by the federal agencies & instrumentalities & related investments may or may not be backed by the full faith & credit of the U.S. government. Even when the U.S. government guarantees principal & interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

Investments related to a specific sector, where companies engage in business related to a particular industry, are subject to fierce competition, the possibility of products and services being subject to rapid obsolescence, and limited diversification. High yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio.

### Subtract inflation, & what's left? Negative real yields.

Consumer price index and select U.S. Treasury yields



Source: Bloomberg, as of 11/21/2011. Inflation is represented by the Consumer Price Index (CPI) which was 3.5% higher in October 2011 from a year ago. The U.S. Treasury yields shown in the graph are as of November 21, 2011. The real yield is calculated by subtracting inflation from the yield. **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



### Did you know...

The Social Security 3.6% benefit increase in 2012 Cost of living adjustment is the first since 2009. The increase was put in place to ensure the purchasing power of these benefits isn't eroded by inflation and is tied to the Consumer Price Index for Urban Wage Earners and Clerical Workers.

As of May 2011, new recipients of federal benefits – including Social Security retirement benefits – are required to establish direct deposit to receive their payments electronically; physical checks will no longer be issued. In addition, beginning March 2013, all federal benefits – new and existing – will require direct deposit. So if you're already receiving benefits by this date, you will need to establish electronic transfers to your bank or financial institution. I'm happy to help you set up a cash management solution that will satisfy the new direct deposit requirements.

**New Limit** — The Social Security taxable wage base will be \$110,100 in 2012, up from \$106,800. The wage base, or maximum amount of earnings subject to Social Security taxes, was \$32,400 in 1982. Source: <http://ssa.gov/>

### IRA CONTRIBUTION LIMITS

The maximum amount you can contribute to a traditional IRA or Roth IRA in 2012 remains at \$5,000 (or 100% of your earned income, if less), unchanged from 2011. The maximum catch-up contribution for those age 50 or older remains at \$1,000. You can contribute to both a traditional and Roth IRA in 2012, but your total contributions can't exceed this annual limit. Source: <http://www.irs.gov>



**No one knows what the economy has in store for 2012,  
but perhaps it's looking rosier. *Judge for yourself...***



Worries of 2011:

1. Energy prices rise during much of 2011.
2. Recession fears threaten company fundamentals.
3. Increasing foreclosures add to housing inventory.
4. Jobs grow slowly as companies delay hiring decisions.
5. Credit spreads widen as recession fears grow.
6. US debt crisis threatens business cycle.
7. Interest rates are on hold.
8. The US dollar remains in flux.

Going into 2012:

1. Gas prices have fallen.
2. \*Company profits are now at record quarterly highs.
3. \*\*2012 begins with housing starts at a 12-month high. Credit is tight, but homes are affordable. At the same time, families are forming and looking for places to live.
4. Job creation is rising; claims and unemployment rates are falling.
5. Credit is supported by rising cash flow and declining defaults.
6. Economy grows despite the lingering debt crisis.
7. Interest rates are still on hold.
8. The US dollar shows strength.

\* Source: MFS, December 2011./January 2012 <https://www.mfs.com> \*\* NAR Jan 2012 <http://www.realtor.org/>

**Make life easier for your heirs**

If you have updated your estate planning documents or changed your beneficiaries, please let us know so we can update your account profile and/or update your account paperwork.

**A thought about Oil Spills:**

**Oil spills are nothing new, but the heightened media sensitivity is**

Oil spills - such as the incidents over the past year in China, Montana, the North Sea, and most recently Brazil - are an unfortunate but frequent byproduct of producing, transporting and consuming petroleum. Most of these spills represent negligible volumes, but in a post-Macondo world, even minor incidents tend to get an intense level of scrutiny. The resulting barrage of headlines has fed the public perception that the U.S. oil and gas industry is experiencing more accidents as a result of lax safety standards. However, the reality is quite different: the industry has been successful in substantially reducing the number of spills over the past two decades - against the backdrop of increased domestic activity. With memories of Macondo spewing oil still fresh in the public's and the media's mind, heightened sensitivity to spills won't go away anytime soon.

\*Source: Pavel Molchanov, Raymond James Energy Analyst, 11-28-11

**2012 Tax Rates**

The same six federal income tax rates that applied in 2011 will apply in 2012. Thus, depending upon your income, you'll fall into either the 10%, 15%, 25%, 28%, 33%, or 35% rate bracket. Also, as in 2011, long-term capital gains and qualifying dividends will continue to be taxed at a maximum rate of 15% in 2012; unless you're in the 10% or 15% tax rate brackets, then a special 0% tax rate will generally continue to apply. Consult with your tax advisor. Source: <http://www.irs.gov>





## A Gift that can Last a Lifetime Give the Gift of Tax-Free Income ESTABLISH A ROTH IRA FOR THE NEXT GENERATION

If you have children, grandchildren, nieces or nephews who generated any reportable income during the calendar year, you can establish a Roth IRA on that individual's behalf—for up to 100% of the earnings (to a maximum of \$5,000).

Earnings grow tax deferred and can be withdrawn tax free if the account is held for five years and the account owner is at least 59½. And since Roth contributions are made in after-tax dollars, those contributions can be withdrawn at any time, for any reason, without penalty. So, go with a gift that can last a lifetime.

Penalties apply to premature Roth IRA distributions when the account owner removes earnings before age 59½ and the account has not been held for five years and none of the statutory exceptions apply. The penalty is 10% and is assessed against any earnings withdrawn in addition to any taxes due on those earnings. Consult with your tax advisor.



## As we enter 2012, a myriad of forces can propel the US business cycle

Many believe that spending will be boosted by pent-up demand among consumers and companies seeking to replace everything from cars to business software. In addition, many pundits believe that the combined forces of a free market, population growth, and easy money, as well as strong corporate profits, will keep this business cycle turning in 2012.

The market action, however, remains out of sync with the fundamentals. Profits and cash flow continue to rise, costs are contained, and jobs are growing, albeit slowly. But market action does not tend to reflect this solid data. The market, instead, remains focused on Europe and its sovereign debt crisis. As we move into 2012, it is the fear of contagion and the reality shown by the numbers that most threatens the business cycle. But the US business cycle, while moderate, appears to be going from strength to strength. Judge for yourself. Take a look at the comparisons on page 3, between 2011 and what appears to be shaping up for 2012.

### *Holiday Schedule Through May –The office will be closed*

*In observance of Washington's Birthday, February 20th; Good Friday, April 6th; Memorial Day, May 28th*

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



#### **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.