



THE PINNACLE GROUP

Winter 2012 Edition



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Carl's Market Perspective Lessons Learned

January brings in a new year with an opportunity to start fresh and to make improvements from lessons learned in the past. As part of that process it is that time when we reflect on our systems and strategies, hoping to purge what didn't work and build on what did.

Before dealing with the nuts & bolts, we reflect on the macro-economic condition as well as that component of the human condition known as behavioral finance, since it's as important to have you understand what we attempt to do every day on your behalf as it is to do it, because we don't always agree.

One thing I feel confident we do agree on is it was a tumultuous and unsettling year. Domestically, we had financial and political issues that the press kept feeding our insatiable appetite for all things bad. Internationally, we realized, possibly for the first time, how interwoven into the same global fabric we are. Whodathunk that tiny little country of Greece could cause such global heartburn. We are still concerned about the cyclical and emotionality of the markets and how they'll affect us going forward.

In early 2009, we openly questioned the merits of continuing to build portfolios based on the tenants of Asset Allocation, as virtually every asset class slid down that slippery slope into the black hole. We didn't see the typical groupings of some winners and some losers. They all lost, but the ensuing recovery re-validated our belief in the merits of being broadly diversified in a portfolio comprised of stocks and bonds, both domestic and international. 2009 & 2010 rewarded those efforts and each of those categories.

Then came 2011, where most domestic stocks treaded water or were up slightly, bonds made low single digit returns, and international stocks lost 14-18%. Owning a

piece of all these in asset allocated models produced flat to slightly negative returns for the calendar year.

Clearly, had we not owned international stocks, we would have enjoyed another year of favorable returns, so what did we learn and what do we do? Given the current state of EuroLand, do we abandon international stocks in favor of those domestic US multinationals that are reportedly going to be continuing to generate record profits from global sales? My readings and senses say no. We should continue to own higher percentages of both stocks and bonds in non-US holdings. I just read a report from Bloomberg News that said 20 years ago the United States & China produced 70% of the world's GDP, and that in the next 20 years 70% of the world's population will be in the emerging markets and producing 70% of the world's GDP. We want to participate in that growth from all aspects.

The bond component of your portfolio warrants a lot of attention going forward based on the current historic low interest rates and their recent closer correlation to stock price movements. I'm not suggesting you are part of a statistic, but they do show that investors have been liquidating stocks in droves and buying bonds at monster levels over the past two years. I'm confused. Interest rates are low, very low. In fact, they are near zero, so they only have one direction to go. Rising interest rates are the biggest enemy to bond values. When interest rates go up, bond values go down. It isn't a matter of if, it's a matter of when. So, why are investors moving record amounts of cash into harm's way? I don't get it. Well, actually, I do, but I'm trying to be sympathetic. On the other side of the equation (as well as the equator), things seem to be happening that would favor your maintaining, if not growing, your position in stocks.

Continued on page 3

Let Reality Rule As You Budget For Your Retirement Years

It's fine to imagine a carefree retirement with unlimited travel, gourmet meals and golf at fine courses at ideal morning tee times – but as you approach the date when you plan to step away from the office, consider taking a deep breath as you stare at reality. Surprises can be wonderful, but you probably don't want an unpleasant one when you open the door on your post-working years.

Even if your financial resources appear capable of supporting your imagined ideal retirement lifestyle, it's a good idea to do the math, just to be certain it rests on a firm financial foundation. If your imaginings turn out to be unrealistic, you may want to consider scaling back some of your ambitions, but you won't know your real status until you do the numbers.

Firmly Rooted

Retirement expenses can be figured in two categories, your needs (your list of essential expenses) and your wants (your list of non-essential or discretionary items – things you would very much like to do in retirement, but could, if necessary, scale back).

Essential expenses include the absolutes – your mortgage or housing costs, applicable property insurance and taxes, car payments, car insurance, fuel, repairs and maintenance, utility expenses for telephone, water, sewer, natural gas and electric, healthcare or Medicare insurance premiums (plus any others you might have, such as life insurance or long-term care), food, clothing, and estimated state and federal income taxes. The only maneuvering room you're likely to have on this list falls in the food and clothing categories. The rest typically are inflexible expenses that must be paid regularly and in full.

The discretionary list is usually shorter. On it, realistically project your expenses for travel, entertainment and dining out, and add in possible costs for hobbies, education, club memberships and charitable contributions, and any planned gifts to relatives or friends. This is a soft list, one that can be prioritized or even cut back if you find your retirement income isn't quite up to matching your expectations.

Calculate your total wants and needs on an annual basis if you prefer, but divide by 12 to give yourself a more immediate picture of your monthly income needs. Your income will come from Social Security, pension payments and your assets in general – but those are on another list.

Financial Journeys, Fall 2010

Retirement: Exploring Paths Not Taken

Boston's Grand Circle Corporation reports that adventure tour bookings for older travelers jumped from 16% of overall volume in 2001 to 50% in 2010; the average traveler's age moved up from 62 to 68. Exploritas (formerly known as Elderhostel) says that the size of the 75-plus crowd choosing adventure tours is up 27% since 2004; numbers in the over-85 set grew more than 70%.*

What's going on here, say some observers of the retirement scene, is that many are refusing to approach retirement as an end goal.

Instead, their strategy is to see this period of life as a grand opportunity to explore paths not taken during the earlier decades devoted to work and family. Those who have a goal, and then achieve it, all too often ask a dreary "Now what?" which can be another way of asking, "Is this all?"

If you have a strategy and, finally, the time and opportunity to implement it, you're far more likely to be asking, "What's next?" And whether you're volunteering, consulting, playing a sport, turning yourself into a gourmet cook or finally realizing your ambition to try to climb Denali (Mt. McKinley), you're off on an adventure, embarking on a dramatically new lifestyle. Excitement needn't end with the first Social Security check.

New Identity

If you've always thought of retirement as a kind of reward for working hard and saving, you might imagine the prize not a rocking chair on the back porch – as pleasant as this may be for a few days, the novelty tends to wear off quickly – but rather a new identity that allows you to use talents you've always had, but never had time to put to the test.

This is a period that may resemble the beginning of your career, when you began forging your lifestyle. Then, you probably had the advice of counselors and parents and friends, all helping to steer you into your career paths. This time, the choices are exclusively yours, and if you don't like the results, you can simply choose again. You may have a 20- or 30-year retirement during which to push aside the presumed limitations of your years. It's a career-length timeframe in which to experience achievements, recognition and happiness in brand new ways.

Your Choices

Embracing retirement as a life strategy involves much more than simply putting a positive spin on the concept. There are many ways to fire your imagination and test yourself. Hiking trails of varying difficulty are everywhere, and there are gentler mental and physical challenges on the golf course, at the bowling alley and on the yoga mat.

Your retirement is what you make of it. Happiness seems to be the universal aim. Whether you find it zipping through the tree tops in Costa Rica or stalking the Big Five on an African safari depends on how you implement your strategy.

*New York Times, January 8, 2010.

Financial Journeys, May 2010

Pinnacle Press in the Moab Desert!



Bob and Sandra White have been on a wilder ride than the markets!

TPG Wants To Go On Vacation With You!

We would like to feature a photo of clients on vacation each quarter, awarding the winner with a \$100 gift certificate to **Flemings**.

To be eligible you must be holding a copy of *The Pinnacle Press* in your photo.

Please email your photos to Danyelle@pinnaclegroup.net

Send us your vacation photos and you could be featured in next quarter's Pinnacle Press!

IRA and Retirement Plan Limits for 2012

Carl's Market Perspective continued...

Traditional IRA deduction limits for 2012 While the maximum contribution hasn't changed, the income limits for determining the deductibility of traditional IRA contributions have increased (for those covered by employer retirement plans). For example, you can fully deduct your IRA contribution if your filing status is single/head of household, and your income ("modified adjusted gross income," or MAGI) is \$58,000 or less (up from \$56,000 in 2011). If you're married filing a joint return, you can fully deduct your IRA contribution if your MAGI is \$92,000 or less (up from \$90,000 in 2011). If you're not covered by an employer plan but your spouse is, and you file a joint return, you can fully deduct your IRA contribution if your MAGI is \$173,000 or less (up from \$169,000 in 2011).

Roth IRA contribution limits for 2012 The income limits for determining how much you can contribute to a Roth IRA have also increased. If your filing status is single/head of household, you can contribute the full \$5,000 to a Roth IRA in 2012 if your MAGI is \$110,000 or less (up from \$107,000 in 2011). And if you're married filing a joint return, you can make a full contribution if your MAGI is \$173,000 or less (up from \$169,000 in 2011). (Again, contributions can't exceed 100% of your earned income.)

Employer retirement plans The maximum amount you can contribute (your "elective deferrals") to a 401(k) plan has increased for 2012. The limit (which also applies to 403(b), 457(b), and SAR-SEP plans) is \$17,000 in 2012 (up from \$16,500 in 2011). If you're age 50 or older, you can also make catch-up contributions of up to \$5,500 to these plans in 2012 (unchanged from 2011). (Special catch-up limits apply to certain participants in 403(b) and 457(b) plans.) If you participate in more than one retirement plan, your total elective deferrals can't exceed the annual limit (\$17,000 in 2012 plus any applicable catch-up contribution). Finally, the maximum amount that can be allocated to your account in a defined contribution plan (for example, a 401(k) plan or profit-sharing plan) in 2012 is \$50,000 (up from \$49,000 in 2011), plus age-50 catch-up contributions. (This includes both your contributions and your employer's contributions. Special rules apply if your employer sponsors more than one retirement plan.)

RJFS January 2012

Initial reports of retail holiday sales are at record levels, gasoline prices are dramatically lower, mortgage rates are at record lows, foreign markets are ramping up their retail industries and making them more available than ever to us, there's a global interest-rate-easing cycle going on; and China, soon to be the world's biggest economy with a population four times that of the US, is making energy demands never seen anywhere around the globe.

All of this is going on while the media wants you to focus only on all the problems around the world. Sure there are problems, but the markets might already have them priced in, and even if they haven't, I'm willing to bet they do find a way to solve them. In the 43 years I've been the steward of my clients' hard earned assets, there have always been headwinds. There's always been something or some reason not to do the right thing. To make money you have to anticipate where things are going and position yourself in front of the wave. You can never catch up after it starts to break.

If I had to single out the most important lesson of the last year, even the last three years, I'd say the rules of the game have changed. It used to be that we would invest seeking maximum returns per unit of risk. The more risk you're willing to take, the greater the reward you'd gain. In today's volatile markets, with huge daily swings, both up and down, we've learned that it's easier to go to new heights after recovering from lower losses, so today's lesson is: Winning by not losing! Finding those investments that might not squeeze out every percent of upside return but hedge by not giving up as much when markets go down is preferred, and will produce long-term results required to meet our mutual goals. We look forward to an improving global economy in the coming year and our relationships with each of you. KEEP THE FAITH. FAITH IS THE SPIRIT.

Carl



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Calendar of Events

- Thursday, January 26th
Quarterly Referral Dinner
- Tuesday, February 14th
Widows' Valentine Luncheon
- Tuesday, March 20th
Spring Pinnacle University
- Wednesday, April 18th
TPG Shredding Day

Other TPG Happenings

- Carl will attend an Advanced Annuity Training Conference in Clearwater the beginning of February.
- Kris will be on vacation with her family in Las Vegas in March!
- Carl meets a study group of top advisors in Tampa in March as well.
- Danyelle, Daniel and the kids will spend Easter at the beach.
- Spring Break will find Jill and JB enjoying time with Jake in sunny Florida!

**Best Wishes
for a Healthy and
Prosperous 2012!**

News and Notes

Thank you to all who joined us on
January 12th for our
Holiday Open House!

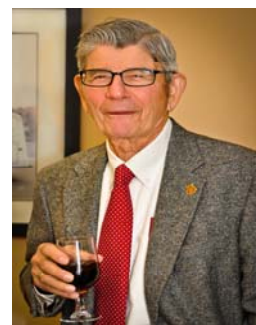
The Gregory's enjoyed the fantastic catering!



The dynamic duo-Anne Brandon & Bruce Moseley



Finnie Theofanos catching up with friends



Look for more pictures on our
website and Facebook!

Please don't keep us a secret. Tell your friends about the valuable services we provide.

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