1st Quarter ~ 2012

Notice anything different? You would think that the best first quarter for stocks since 1998 would have everyone dancing in the streets. It's never that simple. True, investors appear to have grown comfortable (or numb) to the economic teetering in Greece, the political unrest 'round the world and those open-to-interpretation unemployment figures here at home. The market surge may be a reflection of that acclimation, but there's no evidence the issues have been resolved. The path forward is anything but certain but you will notice that by using our disciplined approach to trend analysis, we have made some thoughtful changes to your portfolio.

Many bond prices have begun to stall and are overdue for a bit of a correction. While some of the cash has been used to buy equities, some is being held in reserve for future opportunities as they unfold. Why not take an "all stock" position in the meantime? Last year the market started off big, careened up and down, again and again, and then closed with little to show for all the drama. This year the market is less volatile but the rally is really narrow. We can thank one stock, Apple, for almost half of all the NASDAQ gains. Remember when Microsoft pretty much was the S&P in the last 90s? No need to relive the sad times that followed that correction. We prefer to patiently allow the rally to strengthen rather than to risk suffering buyers' remorse.

In the meantime, we can always hope that as we move through 2012 the cloud hovering over the election-year uncertainty will dissipate and a bit of clarity will shine on the market.

Now that you've got your tax return completed (right?!) it's a nice time to take another few minutes to make sure the rest of your financial plan is still in order. The most frequently asked questions coming into Schaeffer Financial these days revolve around IRAs. We're always happy to help untangle the confusion over rollovers, transfers, contributions and conversions and we've got the Roth vs. Traditional rules sorted if you're still wondering which option is best for you. One IRA strategy that we're particularly fond of combines teaching children about money and making estate-tax saving gifts. If you’ve got a child or grandchild, AND that child or grandchild has at least a little income from a job, you may want to consider making a contribution to their Roth IRA. Couple things to keep in mind:

- Contributions are limited to $5,000/year OR 100% of their earned income, whichever is less.
- The gift is irrevocable. Good news it’s out of your estate. Potentially bad news, if the child or grandchild isn’t “money mature” it’s still their money and can be withdrawn by them.
- Mutual funds are ideal investments for Roth IRAs. Call if you need help picking one.
- Consider encouraging long-term savings by matching your child or grandchild’s own contribution. Example: Your granddaughter earns $4,200 this summer working as a life guard. She’s eligible to contribute $4,200 (100% of her earnings) into an IRA for 2012 but feels she needs most of the money for personal expenses at college. You offer to match whatever she invests in a Roth IRA up to $2,100.
- Your total gifts to anyone person in 2012, including these Roth contributions, cannot exceed $13,000 per person without the potential of triggering a taxable gift.

We’ve seen this work beautifully over the years for many families. Let us know if we can help you get a good habit started for someone.

Finally, we want to simply say thank you. This year we celebrate our 30th anniversary in business. We are grateful for your trust, honored by your commitment and dedicated to delivering the excellent advice you so rightly deserve.