



**PREMIER  
FINANCIAL  
PLANNING, INC.**  
*Planning Makes It Possible™*  
A Registered Investment Advisor

## 1st Quarter 2012 Commentary | April 2012

**America Keeps on Trucking:** After a nice 4<sup>th</sup> quarter, our stock markets continue to maintain values, with 3/31/12 closings of 13,212 for the Dow and 1,408 for the S&P 500. In the past 3 years, these indices have recovered nicely from their lows on 3/09/09 of only 6,547 for the Dow and 676 for the S&P 500. Since volatile short-term swings will undoubtedly continue in today's economic

climate, this is why we like to look longer term (3 years) to better judge performance.

**What's in store for 2012?** Most investors are now well aware of the risks and concerns over such topics as European sovereign debt (primarily Greece), depressed home prices, and high levels of unemployment. These issues dominated headlines for most of 2011 and helped keep a lid on equity prices despite strong performance at the corporate level. Fortunately, these concerns have moderated somewhat (so far) in 2012 which is helping to drive equity prices up across the board. However, just like teeth in a shark, when one issue disappears, another stands ready in its place. Currently, it is concerns over a dramatic slowdown in China and higher gasoline prices that has everyone alarmed. Given China is now the world's second largest economy, it bears to reason that it can't continue to grow at the 10.5% clip it has averaged over the last five years as this could cause inflation to increase too quickly and asset bubbles to form. Concerning gasoline prices, we do feel the recent uptick in prices (about 35% in the last six months!) could prove to be a drag on the U.S. economy; however, it is coming in conjunction with an offsetting decrease of 43% in natural gas over the same period. Clearly consumers' wallets aren't being hit as hard as advertised. Bottom line: we do have headwinds to navigate, but they always need to be weighed with the potential tailwinds to help us decide our course of action. When we view them together, we still believe it is highly beneficial to maintain an asset allocation that includes the proper mix of equity exposure.

**Are defensive measures in order?** While it is a presidential election year, which gives us a historical likelihood of a continued good market, we need to recognize that 2012 is a year of change. Without intervention before year-end, we may see an end to our 15% flat long term capital gains tax rate and increases in income and estate taxes. Our country needs to take some hard steps to cap and then decrease our debt levels while continuing to slowly grow our economy. Interest rates continue to be manipulated by the Federal Reserve, but this simply can't continue long term. We can go for a period of time doing what we are doing right now, but we have a window to start attacking our fiscal excesses. If prudent action isn't taken in a timely fashion, we will all end up paying a stiff price.

Therefore, while we are enjoying a strong market and lower tax rates, this might be a good time to consider replenishing your cash reserves. There is an adage I like: "You never know the value of liquidity until you need it and don't have access to it." Please review and compare your current level of reserves against your future spending needs over the next 12 months. If prudent, please let us know if you would like to increase your cash reserves. Also, if you haven't already and assuming your loan to value ratio will support it, please consider lining up a home equity line of credit now as a secondary source of emergency cash reserves.

### March 31, 2012 Benchmark Returns

2012	1 <sup>st</sup> Quarter
<b>Large-Cap US Indices</b>	
Dow Jones Industrial	8.84%
Standard & Poor's 500	12.00%
NASDAQ Composite	18.67%
Russell 1000 Growth	14.69%
Russell 1000 Value	11.12%
<b>Small-Cap Indices</b>	
Russell 2000 Growth	13.28%
Russell 2000 Value	11.59%
<b>Large Cap International Indices</b>	
MSCI EAFE (Local Currency)	9.34%
MSCI EAFE (US Currency)	10.86%
<b>Fixed Income Indices</b>	
Barclay's Cap Aggregate Bond	0.30%
Citigroup World Govt. Bond	-0.22%
<b>Real Estate Indices</b>	
Dow Jones US Select REIT	10.76%

*\* Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.*

### Financial Life Planning Tip

Fighting Wolves. This title refers to a story about a Native American elder, who says that the world makes him feel like wolves are fighting in his heart. One is full of anger and hatred; the other is full of love, forgiveness and peace. Which will win? The elder replies: "The one I feed." Many of us have a pessimistic wolf inside fighting against the optimistic one. Which will be fed? We certainly get plenty of negativity from the media. One wolf says that Europe is doomed. The other sees European stocks at bargain prices. One wolf says our national debt and deficit will bankrupt the country and our way of life. The other says that the deficit has never attracted so much attention, and that the leaders in Washington will have no choice but to attack the problem. The negative headlines have taken a toll on all of us.

As you may know, I am a planner by nature. Part of my job is to help find balance to feed the other wolf and provide a voice of reason and optimism. I like to "hedge my bets" whenever possible to offset potential pitfalls and systematically plan for tomorrow's needs and objectives; all while enjoying today as much as possible. I do like to have fun when possible! ☺ Which wolf will *you* feed today?

### Enclosed Investment Reports

#### 1<sup>st</sup> Quarter 2012 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Statement of Fees for the 2<sup>nd</sup> Quarter 2012 (based on 03/31/12 values)*
- *Disclosure Statement*

*Please remember that this investment reporting is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian.*

As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,



Patricia C. Patterson, CFP<sup>®</sup>, CMFC<sup>®</sup>