Holifield Huntley
Financial Advisers

Decemberr 2011 Volume 4 Issue 5 **Investment Updates**

Last Call For 2011 Gifts, Tax Moves

The giving season is upon us, and we're reminded again how fortunate we are in a world where most people have much less. If you're motivated to share what you have, warm feelings aren't your only potential reward. If you do things the right way, you could reap substantial benefits at tax time. Here are some tips to help you plan your giving:

● Get a receipt. It's required for any donation of $250 or more. For smaller donations, you can substitute a cancelled check or a payroll stub showing your contribution. The receipt should state the value of any goods or services provided in exchange for your contribution.

● Know your recipient. Not everybody who asks for a donation deserves one. It's best, of course, if you've seen the group in action and know first-hand about the good it does.

See **GIVING,** Page 2

Year-end Tax Tips

Remember to take retirement distributions before year-end if you're required. Required minimum withdrawals start the year you turn 70½. There's an exception to taking distributions from employer plans if you're still working, but you still must take distributions from traditional IRAs. Roth IRAs are exempt.

Long-term capital gains are tax-free if you're in the 15% tax bracket. If that's not the case for you, look for capital losses you can take to offset your gains. Just be careful about the wash sale rule. To claim a loss, you can't buy a substantially identical security within 30 days before or after the sale. The rule doesn't apply to gains.

See **TAX TIPS,** Page 2

Helen Huntley, CFP®
& Rhonda Holifield, CFP®
(727) 823-3801
www.holifieldhuntley.com

Adviser Corner

Holifield Huntley is a fee-only wealth management and financial planning firm. That means we are paid by our clients, who can count on us to be objective and have their best interests at heart. We do not receive commissions or compensation from others for selling their products.

NAPFA The National Association of Personal Financial Advisors

Our firm is proud to be affiliated with the National Association of Personal Financial Advisors.

Giving, from Page 1

You can also check out charities through Internet sites such as www.guidestar.org, www.charitynavigator.org and www.bbb.org.

● Clean out your closets and give away items in good condition. If you itemize deductions on your tax return, make a list of your donations so you can value them. Some charities that accept used goods offer valuation guides on their Web sites.

● Give appreciated securities such as stocks or mutual funds instead of cash. You avoid paying the capital gains tax, which is worthwhile even if you don't itemize. If you itemize, you also get a tax deduction for the full amount of your donation. Giving away securities is one way to deal with the problem of not having kept good records showing your cost. If you want to give away securities on which you have a loss, sell them first and donate the cash. That way you can take the tax loss, which doesn't do the charity any good.

● Donate money directly from your IRA if you are older than 70½. If your IRA custodian makes the check out directly to the charity, you never have to pay taxes on the distribution. The down side is that you don't get to take a charitable deduction. This technique is particularly valuable for people who don't itemize deductions on their tax returns.

● Consider making next year's contribution in advance. This can be a great strategy if you're in a higher tax bracket this year than you will be next year or if you itemize only in alternate years, taking the standard deduction in between.

● A charitable gift fund or foundation might be right for you. Want to get a tax deduction right now but have your favorite charity get the money over a period of years? A fund or foundation can be your intermediary. One also may be able to help if you want to give a gift such as real estate, life insurance policies or closely-held stock that your chosen charity might not be equipped to accept.

● Get advice. Talk to your tax or financial adviser if you're contemplating a really large gift. Your particular circumstances might make a difference in the best strategy for you to employ.

● Give your time and talents. Many organizations welcome volunteers. Hands-on help might be a particularly good idea if you aren't able to give as much money this year as you have in the past. Getting involved can be psychologically rewarding – good for you as well as for the charity. And your out-of-pocket costs may even be deductible.

Tax Tips, from Page 1

Start organizing your tax papers. Collect receipts for deductible expenses, your final 2011 pay stub and your 1099 forms as they arrive to get a head start on your tax return. If you think you might owe the IRS, calculate whether you need to send in an estimated tax payment by Jan. 17.

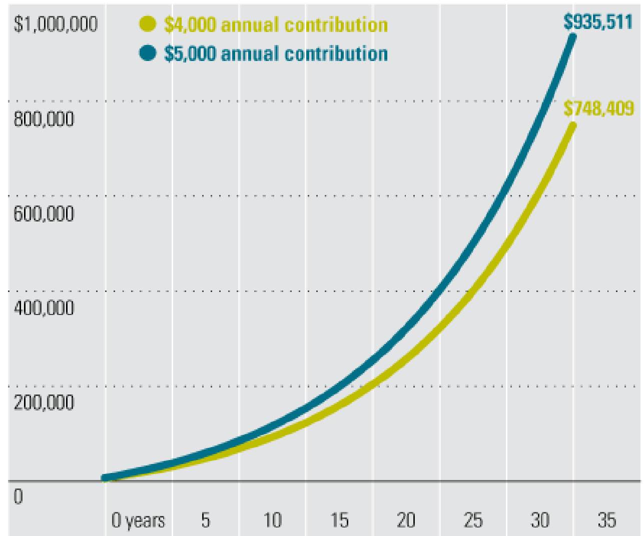
Prepay deductible expenses if you itemize. College tuition, charitable gifts and business expenses are all good candidates. The exception to this rule: You expect to be in a higher tax bracket next year.

Max Out Your IRA Contribution

In 2012, contribution limits for both traditional and Roth IRAs (individual retirement accounts) will remain the same as in 2011: $5,000 a year for those 49 years of age or younger. If you are 50 or older, the maximum contribution is $6,000. This limit can be split between a traditional and a Roth IRA. These annual contribution limits are imposed by the federal government.

The graph shows a $4,000 and $5,000 annual contribution growing at a hypothetical 8% annual return. Notice the dramatic impact on the ending value of the portfolio. This may be a great time to re-evaluate your financial situation and plan to max out your annual investment to your IRA. Even if you are unable to max out your contribution, any increase you can afford may help you reach your savings goals more easily in the long run. You have till April 17 to fund your IRA for 2011.

Hypothetical Growth of Annual IRA Contribution



This is for illustrative purposes only and not indicative of any investment. Funds in a regular IRA grow tax-deferred and are taxed at ordinary income tax rates when withdrawn. Contributions to a Roth IRA are not tax-deductible, but funds grow tax-free as money withdrawn is not taxed. Penalties may apply for withdrawals prior to the age of 59 1/2.

Simple Steps For Late Savers

The sooner you start putting aside money for retirement, the more you might have once that much-anticipated day arrives. Saving for college tuition, purchasing a new home, unforeseen medical expenses, or life's other necessities, surprises, or even enjoyments can cause investors to postpone saving. Starting the retirement planning process late in one's life can be daunting, but it is by no means impossible.

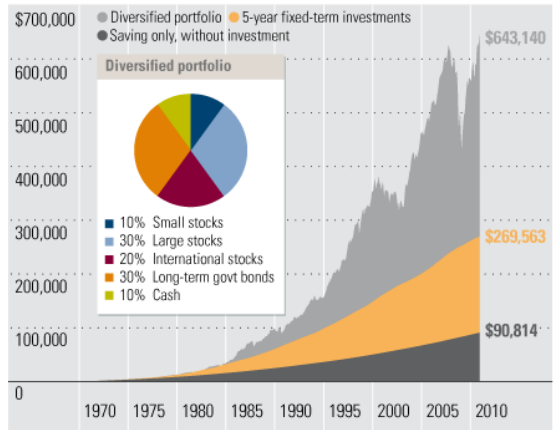
Crunch the Numbers: The first step to getting back on track is to put together a budget — this will force you to focus on your financial situation and can serve as a roadmap to success. Once you have outlined all of your expenses, simply subtract the total from your net income. The result will give you a clear indication of how much you can potentially save, and also help you identify areas in which you may be spending too much.

Cut Unnecessary Expenses: There are essential expenses that cannot be eliminated: food, electricity, etc. However, most people can identify some areas, like entertainment, that are not vital to one's existence and can be cut back on. The more areas that you can trim will lead to more money that can be earmarked for retirement.

Take Advantage of Catch-up Contributions: Catch-up contribution limits allow investors age 50 and older to increase their contribution. For example, they can make an extra contribution of $5,500 to their 401(k) in 2011, equating to a maximum contribution of $22,000. IRA catch-ups are $1,000 in 2011, leading to a maximum contribution of $6,000.

Investing: Where to Begin

Shying Away from Investing Can Cost You
Jan 1970–Dec 2010



Past performance is no guarantee of future results. This hypothetical example is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Holding a portfolio of securities for the long term does not ensure a profitable outcome and investing in securities always involves risk of loss. Diversified portfolio was created for illustrative purposes only; it is neither a recommendation, nor an actual portfolio. Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than bonds. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, and differences in accounting and financial standards. Diversification does not eliminate the risk of experiencing investment losses. The data assumes reinvestment of income and does not account for taxes or transaction costs. Annual 10% savings rate is based off the average wage of each year from 1970 to 2010. The 2010 number is an estimate.

Source: Small stocks—the fifth capitalization quintile of stocks on the NYSE for 1970–1981 and the performance of the Dimensional Fund Advisors, Inc. (DFA) U.S. Micro Cap Portfolio thereafter. Large stocks—Standard & Poor's 500®, an unmanaged group of securities considered to be representative of the U.S. stock market. International stocks—Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE®) index. Long-term government bonds—20-year U.S. government bond. 5-year fixed-term investments—yield on a 5-year U.S. government bond. Cash—30-day U.S. Treasury bill. Average wage—National Average Wage Index, Social Security Administration.

You know the importance of saving and you've been making efforts to put aside a certain percentage of your income each month. (Let's assume 10% for purposes of this example). However, letting the money just sit in your bank account may not be enough. If you want to maximize the potential of your savings, you may have to invest it. As the attached image illustrates, saving without investing over a 41-year period would have resulted in an accumulated wealth value of only $90,814. Placing your money in 5-year fixed-term investments (a relatively low-risk choice) would have accumulated $269,563, and a diversified portfolio would have provided the highest ending wealth value: $643,140. Here are some options for you to consider.

Financial adviser: An attractive option for a beginner investor may be to employ the services of a financial advisor — a professional who would manage your money for you. When choosing a financial adviser, you must carefully research his or her credentials, qualifications and experience. Look for professional certifications such as CFP® (Certified Financial Planner™) and ensure they are valid and current. Check the National Association of Personal Financial Advisors, a financial-planning organization whose members have to meet high standards for professional competency and knowledge. Most important, inquire about how the adviser gets paid: hourly rate, fee or commission. (At Holifield Huntley, we are paid only by our clients and we take no commissions or other compensation from outside sources. We believe that is the best way to keep our interests aligned with our clients.)

Retirement accounts: There are two major types of retirement accounts, 401(k) plans and IRAs. A 401(k) is a tax-deferred retirement account established through your employer. Your contributions are deducted pre-tax from your salary, and your company may match a certain percentage of what you're contributing. You should make every effort to contribute to your 401(k) and to maximize the employer match.

A traditional IRA is similar to a 401(k) in that it allows you to make pre-tax contributions, but the account is not linked to your employer. There are various types of IRAs and it is best to be informed and research them to determine which type of account will suit your needs. As to where to open the account, many banks, credit unions, and brokers offer IRAs, but again, you must research and ask questions before making your final choice.

Brokerage account: If you're a more experienced investor and want to invest in individual stocks, bonds, or mutual funds, one option is to open a brokerage account. This type of account allows you to buy and sell investments by paying professionals to execute trades for you. (Of course, they'll charge you for it.) Traditional brokers offer more services and may also advise you as to which investments are right for you, and therefore charge steeper commissions. Discount brokers cater to more independent, self-directed investors who already know what investments they want, and their commissions are generally lower.

Monthly Market Commentary

Strong retail sales, an improving employment report, falling gasoline prices, and rising auto sales all painted a picture of a stronger U.S. economy these past few weeks

GDP: GDP for the third quarter was revised downward to 2.0% from 2.5%, based on a larger-than-estimated inventory reduction and lower-than-expected imports. Fourth-quarter GDP estimates remain in the 2.5% to 3.0% range, which would bring the full year to the 1.5% to 1.75% range. One of the strongest determinants that could make these numbers true is consumer demand, which is expected to remain high at least during the holidays.

Employment: November employment numbers continued on a slow but steady upward trend. Although the recession officially ended in June 2009, private employment continued to decline until Feb. 2010. Overall, 8.9 million private-sector jobs were lost during the recession, and only 3.0 million were recovered since the February 2010 bottom (roughly equivalent to a 140,000 to 150,000 per month average). Consistent along these lines, employment numbers in November increased by 140,000 (better than 117,000 in October, but not as good as 220,000 in September). Longer store hours this holiday season translated into 50,000 jobs added in the past month, but these positions are mostly temporary, and the trend will find itself reversed once the busy season is over.

Unemployment: The drop in the unemployment rate to 8.6% from 9.0% may well be the best news. However, only half of the decline was due to people actually finding jobs. The other half of the decline happened because of people who stopped looking, which is unusual, to say the least, in a still-uncertain economy. While a decline in the unemployment rate is good, the key metric that will move the economy forward is the number of new jobs added, which has been good, but not stellar, so far.

Income data: Real disposable income grew by 0.3% in October after declining three months in a row because of high inflation, falling Medicaid payments, and collapsing interest receipts. Consumption slowed from 0.5% in September to an even more depressing 0.1% in October. But then again, a year-over-year analysis using a three-month moving average shows consumption more steady, at about 2%.

However, the biggest detriment to consumer incomes has been taxes. Cessation of various stimulus programs, increases in state tax rates, and the progressive federal tax system mean that a 2.7% jump in incomes has been accompanied by a 15.9% jump in taxes. High earners were probably the ones who felt it most, but a look at luxury retailers contradicts this, as high-end spending has remained fairly constant.

Retail sales: In terms of year-over-year percentage change data, retail sales seem to be slowing down, but the comparison is very tough, since November was one of the strongest months in 2010.

Auto industry: Automakers recently reported new U.S. light-vehicle sales with the best seasonally adjusted annualized selling rate since Cash for Clunkers in August 2009. In absolute terms, November sales totaled 994,786, up 13.9% from November 2010, and every major auto manufacturer except Honda posted a year-over-year sales increase.

In light of these mostly positive economic indicators, the overall consensus seems to finally indicate that the U.S. economy will not double dip. On the other hand, nobody is yet willing to project a robust 2012 either.

A Quick Guide to Home Equity Loans

If you as a consumer need an additional line of credit, a home equity loan is one of several options that you can choose from. A home equity loan is a second mortgage where your home serves as collateral. There are two major advantages of home equity loans. First, the interest rate on home equity loans is usually lower than credit cards and other consumer loans. Second, you can usually deduct the interest on home equity loans, unlike other loans. There are two types of home equity loans: fixed-rate loans and lines of credit.

A fixed-rate loan provides a single, lump-sum payment to the borrower and is repaid over a fixed period of time at a pre-determined interest rate. This is useful if you know how much you would need and when you would be able to pay off the loan.

A home equity line of credit (HELOC) is a variable rate loan that works like a credit card. Borrowers are pre-approved for a specific spending limit and can withdraw money when needed via a credit card or special checks. Similar to a fixed-rate loan, the outstanding loan amount must be repaid in full at the end of the term. However, unlike a fixed-rate loan, HELOC interest rates float up or down, generally adjusted based on the current prime rate. A HELOC is a convenient way to cover short-term, recurring costs, such as quarterly tuition for a college degree.

Although home equity loans do provide attractive rates of financing, we caution consumers to think twice about the reasons why one would need an additional line of credit. If you are thinking about using a home equity loan for day-to-day expenses, you should examine whether you are overspending and possibly sinking deeper into debt. If you end up taking out more money than your house is worth, some of the interest paid on the loan may not be tax deductible.

2012 Holiday Closings

Holifield Huntley will be closed:
- Monday, January 2 (New Year's)
- Monday, January 16 (ML King Jr Day)
- Monday, February 20 (Presidents Day)
- Friday, April 6 (Good Friday)
- Monday, May 28 (Memorial Day)
- Wednesday, July 4 (Independence Day)
- Monday, September 3 (Labor Day)
- Thursday, November 22, (Thanksgiving)
- Tuesday, December 25 (Christmas)

As an independent Registered Investment Adviser, Holifield Huntley is committed to putting its clients first. Read more about why more investors are turning to RIAs for help with their complex financial problems: www.RIAStandsForYou.com.

"RIA" means we are registered with the US Securities and Exchange Commission. The government does not approve advisers or their qualifications.

RIA STANDS FOR YOU.

Discover the difference with a Registered Investment Advisor.