



Clarion Newsletter

September 2011

The Clarion Returns—But On-line Only

We are pleased to announce the return of The Clarion. We ceased publication of our periodic newsletter in June 2010 for several reasons, including limited resources, both monetary and personnel, and the impact on our environment to print and deliver over 3,000 six-page, multi-colored newsletters.

We have had many inquiries from our readers requesting the return of The Clarion. In response, we have decided to start production again but to limit distribution to email and a posting on our website, www.cvwm.com. We recognize and are very disappointed fewer of our past readers will receive future issues since we will not be mailing a printed newsletter, however, emailing The Clarion still enables us to reach over 1600 readers, including 99% of our clients.

As you can see, we have a new format and design. We have fewer articles and have merged The Clarion and The ClearView Perspective to reduce the number of emails we send and increase the quality of The Clarion.

Every issue of The Clarion will be sent to you via email and will be posted on our website. There will be no set schedule for publication. Each issue will be timely, topical and will vary in length. If you decide you do not want to receive future issues of The Clarion, please reply to this email and we will remove you from our Clarion distribution list. Otherwise, I hope you enjoy our new format and find the articles we publish to be useful and informative.

As always, we seek your feedback and input. Please let me know how we can improve this service, what issues and topics you would like us to write about and your ideas for how we can continue to serve you better.

Contact Us
866-557-1031



President's Message
**Return of the Crystal Ball...
And Other Blindfolded Visions of the Future**

At the end of a conversation the second week of August, a client asked if I had a few more minutes to talk before we finished the call. He wanted to know my opinion on the current economic malaise and geo-political quagmire with which we all now struggle. He recalled during The Great Recession (does anyone really think it is over?) I offered my opinion to clients, seminar attendees and readers of The Clarion as to when the bottom of the recession would arrive and it might be followed by a long, slow, jobless recovery. He asked me to look once again into The Crystal Ball and offer up my current observations. Now you know how this article got its sub-title!



In my view, three things have to happen for our economy to recover and begin to rebuild the wealth lost (and not gained) during the "lost decade". First and foremost, elected officials at all levels of government have to stop squabbling amongst themselves over their personal ideals and partisan politics, to do what they were elected to do; lead this nation forward. Secondly, the banks have to stop hoarding money and return to normal, safe lending policies. If the banks do not lend money, our economy can not thrive. Banks currently have historically high ratios of cash assets to outstanding loans. They have plenty of money to lend and should be strongly encouraged to do so. The third, and most fickle requirement, can only follow these two; the return of consumer and investor confidence in our economy and our country.

When these three events occur our economy should begin to grow. How long will that take, what will happen between now and then? Who knows?

The Crystal Ball projects near term continued instability and volatility in the broad markets and especially in Europe. The fourth quarter could be the strongest of the year. While that would not be too much of an accomplishment this year, a strong fourth quarter can help set the stage for economic growth beginning in the spring of 2012.

Believe it or not, one of the best things we may have going for us is that 2012 is a presidential election year. Somehow, the politicians usually find ways to stimulate the economy while they are seeking re-election. None of the incumbents will want to run on their performance in 2010-2011, that much is certain. As they run for office, they often pass legislation extending benefits, creating jobs in government, and new private sector jobs in construction, housing, roads and highways, etc. They usually find ways to put people back to work before facing the voters. If Carnac The Magnificent (a TV character of the late, great Jonny Carson) was here, he would quip, "And the envelope says....It's the economy stupid!"

Another positive now clear is this recessionary period has had little impact on many thriving economies around the world including Norway, Singapore, Brazil, Australia, Chile, Viet Nam, Canada, India, and China. These countries, among others, have successfully positioned themselves to benefit the most from rapid economic growth when this current financial crises ends in Europe and the U.S. A deeper look into the

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crystal ball could reveal that investors seeking a strong growth component in their portfolio in the years to come might be investing internationally to achieve that growth. Investors seeking long-term safety and stability might be choosing domestic investments here at home.

Beyond 2012, it could take several years to fully rebuild our economy and create a robust economic engine generating sustainable annual growth of 4-6 %. Cable news has reported for the first time in our history we have almost five million people living on food stamps; that is approximately one in six Americans. One of the talking heads on TV recently said the 400 wealthiest people in the U.S. have more collective wealth than the poorest 150 million people. Depending on who is counted and why, true unemployment is somewhere between 14% and 25% according to the Department of Labor. The DOL also reports there are one million unemployed construction workers. Given these astonishing numbers, it is clear to me there are tens of millions of people in this country ready, willing and able to work as hard it takes to achieve their share of the Great American Dream. Our political and business leaders must WORK TOGETHER to develop economic policies and programs to put this country back to work. Anything less is unacceptable.

America is still the greatest and most stable country in the world, despite Standard & Poor's. The Crystal Ball says if politicians lead, banks lend and investors and consumers regain confidence in their economic future, we can once again crank up this huge machine known as the American economy to create prosperity for years to come. Look for signs of recovery and growth in the spring of 2012, right around the time the primaries kick into full swing!

Bob Cannon

ClearView Turns 25 **The ClearView Group has a Birthday**

There was no birthday party, but ClearView celebrated its 25th anniversary in August, 2011. ClearView Wealth Management, LLC (CVWM) is a member of The ClearView Group of companies. Bob and Leslie founded The ClearView Group as a management consulting firm that served a wide variety of clients ranging from the Arizona State Supreme Court, REI and Arthur Anderson to IBM, Starbucks and the 3M Corporation. In 1996 ClearView turned its focus solely to financial services operating as The ClearView Group, Inc. In 2004 CVWM was formed to more clearly define the company's focus as an investment advisory firm for our clients.

We are blessed and thankful to now represent clients all over the country who seek a broad array of non-correlated, alternative investment products to diversify their portfolio and potentially reduce volatility and uncertainty in these most uncertain times. Thank you to all of our clients for choosing ClearView to represent you over the years. We are very excited about the opportunity to work closely with all of you in the months and years to come. Here's to the next 25 years!



Your Financial To-Do List

Things you can do before and for the New Year

The end of the year is a good time to review your personal finances. What are your financial, business or life priorities for 2012? Try to specify the goals you want to accomplish. Think about the consistent investing, saving or budgeting methods you could use to realize them. Also, consider these year-end moves.

Think about adjusting or timing your income and tax deductions. If you earn a lot of money and have the option of postponing a portion of the taxable income you will make in 2011 until 2012, this decision can bring you some tax savings. You might also consider accelerating payment of deductible expenses if you are close to the line on itemized deductions - another way to potentially save some bucks.

Think about putting more in your 401(k) or 403(b). The IRS hasn't announced the contribution limit for 2012 yet. Given the moderate inflation of late, we might see the annual limit rise to \$17,000 from the present \$16,500, or not. In 2011, you can contribute up to \$16,500 per year to these accounts with a \$5,500 catch-up contribution also allowed if you are age 50 or older. Has your 2011 contribution reached the annual limit? There is still time to put more into your employer-sponsored retirement plan.¹

Can you max out your IRA contribution at the start of 2012? If you can do it, do it early - the sooner you make your contribution, the more interest those assets will earn. (If you haven't yet made your 2011 IRA contribution, you can still do so through April 17, 2012.)¹

We don't yet know if the 2012 contribution limits on traditional and Roth IRAs will rise from 2011 levels. If the IRS leaves limits where they are now, you will be able to contribute up to \$5,000 to your IRA next year if you are age 49 or younger, and up to \$6,000 if you are age 50 and older.²

Should you go Roth between now and the end of 2012? While you can no longer divide the income from a Roth IRA conversion across two years of federal tax returns, converting a traditional IRA into a Roth before 2013 may make sense for another reason: federal taxes might be higher in 2013. Congress extended the Bush-era tax cuts through the end of 2012; their sunset may not be delayed any further.³

Some MAGI phase-out limits affect Roth IRA contributions. If the phase-out limits aren't adjusted north for 2012, phase-outs will kick in at \$169,000 for joint filers and \$107,000 for single filers. Should your MAGI exceed those limits, you still have a chance to contribute to a traditional IRA in 2012 and then roll those IRA assets over into a Roth.⁴

Consult a tax or financial professional before you make any IRA moves. You will want see how it may affect your overall financial picture. The tax consequences of a Roth conversion can get sticky if you own multiple traditional IRAs.

If you are retired and older than 70½, don't forget an RMD. Retirees over age 70½ must take Required Minimum Distributions from traditional IRAs and 401(k)s by December 31, 2012. Remember that the IRS penalty for failing to take an RMD equals 50% of the RMD amount.⁵

If you have turned or will turn 70½ in 2011, you can postpone your first IRA RMD until April 1, 2012. The downside

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of that is that you will have to take two IRA RMDs next year, both taxable events - you will have to make your 2011 tax year withdrawal by April 1, 2012 and your 2012 tax year withdrawal by December 31, 2012.⁵

Plan your RMDs wisely. If you do so, you may end up limiting or avoiding possible taxes on your Social Security income. Some Social Security recipients don't know about the "provisional income" rule - if your modified AGI plus 50% of your Social Security benefits surpasses a certain level, then a portion of your Social Security benefits become taxable. For tax year 2011, Social Security benefits start to be taxed at provisional income levels of \$32,000 for joint filers and \$25,000 for single filers.⁶

Consider the tax impact of any 2011 transactions. Did you sell any real property this year - or do you plan to before the year ends? Did you start a business? Are you thinking about exercising a stock option? Could any large commissions or bonuses come your way before the end of the year? Did you sell an investment that was held outside of a tax-deferred account? Any of these moves might have a big impact on your taxes.

You may wish to make a charitable gift before New Year's Day. Make a charitable contribution this year and you can claim the deduction on your 2011 return.

You could make December the "13th month". Can you make a January mortgage payment in December, or make a lump sum payment on your mortgage balance? If you have a fixed-rate mortgage, a lump sum payment can reduce the home loan amount and the total interest paid on the loan by that much more. In a sense, paying down a debt is almost like getting a risk-free return.

Are you marrying next year, or do you know someone who is? The top of 2012 is a good time to review (and possibly change) beneficiaries to your 401(k) or 403(b) account, your IRA, your insurance policy and other assets. You may want to change beneficiaries in your will. It is also wise to take a look at your insurance coverage. If your last name is changing, you will need a new Social Security card. Lastly, assess your debts and the merits of your existing financial plans.

Are you returning from active duty? If so, go ahead and check the status of your credit, and the state of any tax and legal proceedings that might have been preempted by your orders. Review the status of your employee health insurance, and revoke any power of attorney you may have granted to another person.

Don't delay - get it done. Talk with a qualified financial or tax professional today, so you can focus on being healthy and wealthy in the New Year.

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Citations.

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