STAFFORD WELLS

personal wealth management newsletter

October 27, 2011

Dear Clients & Friends,

Today we received good news that last quarter our economy showed a 2.5% GDP growth as consumers and business's stepped up spending, and that unemployment in the US held steady. We learned that the Euro zone leaders struck a deal with private banks and insurers on a deal that will lower Greece's debt burden. The GDP number is positive in that it is the best we have seen in a year, but does need to be better. The results of the Euro zone agreement on Greece is a step in the right direction but according to most analysts, does not mean the Euro zone is out of the woods as of yet.

As we reflect on the most recent quarter and look forward at our investment climate, I wanted to share with you a couple of observations.

I recently had an opportunity to attend a dinner where Austan Goolsbee, the former chairman of President Obama's Council of Economic Advisors, shared his outlook regarding our future economic climate.

Goolsbee is of the opinion that over the last 12 months we were on track to slowly grow our way out of this difficult period of unemployment, housing default crisis and the deleveraging of the consumer. However, we stumbled along the way due to the earthquake and loss of productivity in Japan, the economic issues and threat of default in Greece and the high oil prices leading to higher costs at the gas pump, which transferred spending from other goods and services to filling our gas tanks.

Goolsbee feels that absent any major shock going forward, the U.S. economy will continue to expand slowly out of this difficult time of almost nonexistent GDP growth. The news we heard today (so far) supports his theory.

To offset that cautious optimism, I then had the opportunity to meet with David Walker, a former U.S. Comptroller General who has served Republican and Democratic administrations. Walker has made it his mission to inform the public about the improper accounting that is going on in Washington. He has argued the credit crunch is far worse than what the federal government is reporting, and the United States is "underwater to the tune of $50 trillion" in long-term obligations.

In my opinion, it appears the world's economic problems are too big to solve at one. Instead, they can be managed over time. I see the European crisis and US deficit being resolved in this manner, and many years before there is a true and final conclusion. With that comes uncertainty and volatility in the markets. I also believe that the past correlations of risk vs. return have changed. If we want returns, we are going to have to take on even more risk in our portfolios. Given these times and looking back historically during volatile investment periods, I believe it is essential that conservative well diversified portfolio is the best path forward for individual investors.

When we look at the recent third quarter performance of the various indexes that reflect a portion of most diversified portfolios, we see evidence of that uncertainty.

Index	**Q3 2011**	**YTD- 9/30/2011**
DJIA	-14.90%	-9.49%
S&P 500	-13.84%	-8.69%
Energy (US)	-21.02%	11.90%
U.S. Real Estate	-14.76%	-4.55%
Global Real Estate (ex-U.S.)	-19.09%	-16.59%
EAFE (developed Europe)	-18.98%	-15.43%
Emerging Markets	-22.56%	-21.88%
Gold Bullion	7.61%	15.26%
Commodities	-11.69%	-9.30%
Intermediate Inv Grade Bonds	0.94%	4.16%
Treasury Bonds (7-10 yr.)	10.11%	14.05%

As we head into the fall, many of us look for ways to contribute to our favorite charities and start to organize our financial picture so we can minimize taxes.

Tax Planning

I can speak from personal experience and am convinced this is one of the greatest bottom line strategies that will benefit you. Sit down with your tax advisor and spend some time estimating your tax bill before year's end. With that information in hand, you have an opportunity to make some strategic deductions or investments that can reduce your tax bill. The taxes I have saved over the years have greatly exceeded the cost of my time, effort and expense on this exercise.

Charitable Giving

As you consider the charities to which you would like to make donations, keep in mind a few strategies that will help you come tax time:

Consider cleaning out unused items in your home and donating them to charity. Depending on your tax bracket and the deduction you can take on the items' values, you may be better off deducting the donation, as opposed to holding on to them and selling in a garage sale or on Ebay.

Be sure to consider gifting appreciated stock as opposed to giving cash. You will get the benefit of the deduction and avoid paying tax on your gains.

Did you know you can also give real estate, art and other items of value? Not only do you get the

deduction for the item’s fair value, but you do not have to go through the work of having to sell the item.
Consider the many options of planned charitable giving. Through planned giving, you can make a gift now to support your favorite charity, but you do not have to give up assets today. This is ideal for families or those who do not know their financial futures.

To make a charitable bequest, you need a current will or revocable living trust. You can make a gift a percentage of your estate, or you can make a specific bequest by giving a certain amount of cash, securities or property. After your lifetime, the foundation receives your gift and will use it to support the charity as you specify. You just need to add a few sentences to your will or trust. You can change your mind at any time. Be sure to let your charity know so that they may recognize and thank you for your generous contribution.

Even easier, you can change your IRA beneficiary to the charity of your choice. You can designate what percentage of the proceeds goes to the charity.

Another popular option is a charitable gift annuity (wee my blog on charitable gift annuities in Today’s Chicago Woman) where you receive fixed payments for life. This is a contract between you and the organization. You give money or other assets, such as stock, in exchange for you or someone who you designate to receive fixed payments each year for your lifetime. Subsequently, the remaining amount becomes an asset of your charity. Gift annuities offer generous payouts (a recent quote: 75 years old – a rate of 6.5 percent) and you also benefit from attractive tax treatment.

As always, if I may be of service, I hope you will reach out and call.

My best,

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