

January - February 2012

# Money Moxie®

What Does Money Mean To You?

*Defining  
Financial Security*



SMEDLEY FINANCIAL SERVICES, INC.®

[www.SmedleyFinancial.com](http://www.SmedleyFinancial.com)

# Celebrating 30 Years

Dear Valued Clients,

This year Smedley Financial Services, Inc.® is celebrating 30 years in business. This only has been made possible because of you, our loyal clients. Thank you for your many years of referrals, but most especially for your continued confidence and trust!

Through client surveys and conversations, we have listened to you and are pleased to announce that we have substantially upgraded the editorial content, features, and format of our bi-monthly publication, Money Moxie®. The ViewPoint, regularly authored by our Chief Investment Strategist James R. Derrick, Jr. CFA, is now incorporated as a regular feature in the new Money Moxie®.

As always, an electronic version of the Money Moxie® can be found at our website: [www.SmedleyFinancial.com](http://www.SmedleyFinancial.com) under Publications. You may read it there and/or forward it to your family and friends.

Again, it is our privilege and pleasure at Smedley Financial Services, Inc.® to be on your investment management and financial planning team.

With Bullish Best Wishes for your Health and Wealth in 2012,



Roger M. Smedley, CFP®  
President

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## Upcoming Events

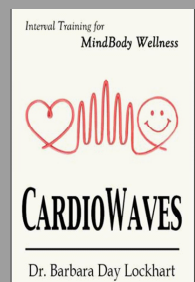
### Health and Wealth Go Hand In Hand Seminar

Your health and your ability to enjoy the wealth you've created are interconnected.



Dr. Barbara Lockhart, Olympian, professor at BYU, and author of CardioWaves will show us how average people can strengthen their heart through cardio training. Dr. Lockhart's method is easy and only takes a few minutes a day to master while delivering vastly superior results.

Join us at the Hotel Monaco on Thursday, February 23<sup>rd</sup>, at 6:00 PM. Seating is limited and RSVP is required. Call us today at (800) 748-4788 to reserve your seat. Refreshments will be served.



### 1<sup>st</sup> Quarter Webinar: Federal Income Tax Landscape 2012 & 2013



Learn about upcoming changes in the tax law and how they may affect you. Join us on Tuesday, February 28<sup>th</sup> at 2:00 PM or on Thursday, March 1<sup>st</sup> at 10:00 AM. Email us at [info@SmedleyFinancial.com](mailto:info@SmedleyFinancial.com) for registration information.



## How do you define *Financial Security?*

By Sharla Jessop, CFP®

**F**inancial security means something different to everyone. Financial security is a deep-rooted emotion giving individuals a psychological hall pass saying “*It’s going to be okay.*”

As we move through the stages of life, our definition of financial security morphs as do the behaviors that help us gain that positive feeling. We asked people in different stages of life, “*What does financial security mean to you?*” and “*What concerns you about the future?*” While there are some common threads to their responses, each one has specific ideas. Here’s what they had to say.

**Living debt-free** gives people freedom to have a more enjoyable lifestyle and increases their feeling of financial security. There is something empowering that comes from knowing you do not owe money to anyone. As young business owners raising a family, Randon and Cami face unique challenges. They said, “*Being debt-free allows us to weather the ups and downs often experienced by business owners.*” After being retired for many years, Phil and Reesa said, “*We spend our retirement years doing the things we want.*” They cited their ability to live responsibly in their early years as the reason they believe they have financial security. “*Getting out of debt and saving for retirement, while also raising a family, was often a trial but always a goal,*” Phil said.

**Managing income** during our working years is important. Managing income during retirement is crucial. Retirees do not have the luxury of working more hours or increasing

their sales to offset additional spending. A retiree’s income is often fixed and compresses over time. Tom and Laura retired early. Laura explains, “*Paying the bills – being able to create and maintain an enjoyable lifestyle—is important to us. Tom retired early and health insurance premiums were eating away at our monthly income.*” Laura has gone back to work to help offset the impact. Now she values the health insurance benefits as much as her paycheck.

**Defining sources of retirement income** is essential. Having a plan that addresses your future income needs and the sources for that income can help create financial security. While saving money is the action behind reaching goals, identifying how and when your retirement nest egg will be converted into income is the end result. For Rod and Jodene retirement is on the horizon. Rod states, “*Knowing that a portion of our income during retirement is guaranteed by a pension is comforting to us. Our nest egg will help provide the extra income to make our retirement lifestyle more enjoyable.*” Retirement pensions are becoming a benefit of the past. It’s evident that future retirees will be responsible for supplying a greater portion of their retirement income.

**Preparing and following a plan** can make the difference between getting by and living comfortably in retirement. In the early years, plans typically focus on getting out of debt, college planning for children, and some retirement planning. As we move through the stages of


Continued on next page

*“As a lay person, making good financial decisions is hard. Having a plan to follow and reviewing it often helps me deal with the changing investment and economic landscape.”*

life, retirement planning becomes the main focus. Carol is on the cusp of retirement. Carol said, *“As a lay person, making good financial decisions is hard. Having a plan to follow and reviewing it often helps me deal with the changing investment and economic landscape.”* Carol also believes, *“At this season of my life keeping my nest egg intact is vital.”*

**Maintaining self-sufficiency** is a growing concern among boomers. Living longer comes with greater expenses and an increased probability that we may need assistance as we age. Another common thread that was shared in our discussions was that no one wants to be a burden to their children or family members as they age. Phil and Reesa said, *“Our biggest financial concern for the future is making sure our assets are sufficient should we have a long-term care need.”* Covering the growing costs of long-term care is a challenge. Amazingly, long-term care planning is often overlooked as an essential part of a retirement plan.

**Concerns for the future** also vary with the stages. Some of those we visited with were concerned about the future of government programs such as Social Security and Medicare. Others were concerned about the volatile economic situation in the United States and throughout the world. Rod said, *“I am concerned about the role government plays in stabilizing the nation’s economy and even the world’s.”* While expressing these concerns, the conversation circled back to the importance of continuing behaviors that helped these individuals feel they were on the path to financial security.

Now ask yourself, “What does financial security mean to me? What am I doing to create a plan of action that will help me reach that emotional state of *‘it’s going to be okay?’*” We encourage you to contact one of the wealth management consultants at Smedley Financial Services to discuss your vision of financial security and let us help you put a plan into action. Call us at (800) 748-4788, visit us at [www.SmedleyFinancial.com](http://www.SmedleyFinancial.com), or email us at [info@SmedleyFinancial.com](mailto:info@SmedleyFinancial.com). 

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## Employee Spotlight: Lorena Iorg



If you’ve had the opportunity to talk with Lorena you know that she is a fun, energetic person. But we want to share what we see behind the scenes.

Lorena has unique problem solving and organizational skills that are often hard to find and extremely valuable.

Lorena joined our firm in the fall of 2010 and has been progressing in knowledge ever since. Tackling her securities licensing will be the next step in her career and Lorena looks forward to the challenge.

Lorena has a love of the outdoors as you can see by the accompanying pictures. She enjoys reading and learning new things. 

# Right Back Where We Began

By James R. Derrick, Jr., CFA

If you fell asleep last January and woke up a year later, you might think nothing had happened in the stock market.

After an entire year, the S&P 500 Index, which includes 500 of the largest U.S. companies, returned nothing. Stocks of most U.S. small companies and foreign companies were even less fortunate, which means that global diversification did not necessarily yield positive results last year.

Investors were hoping for much better. One year ago, the Great Recession was 18 months in the rearview mirror. Employers were adding jobs and the stock market was climbing higher. Then the disasters came.

International and emerging market stocks in general had a terrible year. Over the last 12 months investors have endured the news of protests, wars, and revolutions in the Middle East. Oil supplies dropped and prices rose. President Obama even opened the nation's oil reserve. A massive earthquake and tsunami struck Japan. Manufacturing slowed down. Greece, Italy, and others in the European Union faced (and still face) overwhelming debt.

Investing closer to home was better but not without its own challenges. The U.S. Congress brought the country to the brink until finally agreeing to make payments on existing debt. This conflict in Washington was the final straw that led Standard & Poor's to downgrade its rating

on U.S. bonds. State and local governments also reduced their workforce in record numbers.


In light of all this commotion, the fact that the U.S. stock market was able to finish the year flat could be seen as a positive sign. There certainly must be some signs of strength in the United States.

Perhaps with the new year, investors will take a step back and focus on some positive news.

The majority of the economy is driven by U.S. consumers. Surveys now show that these consumers are beginning to feel better about their financial situation. Optimism led to a rise in holiday spending.

The Federal Reserve is certainly still committed to growth in the United States. Interest rates are low and inflation is still tame. Investors are closer to understanding Europe. Corporations, on average, are making record profits.

New claims of unemployment are dropping and hiring has been rising. This cycle of better jobs and higher spending may continue to grow.

Should investors expect to be rewarded in 2012 or will they have more volatility? The answer may be "yes" to both. For now, momentum is on the side of U.S. investors. Economic news is generally positive and improving. Of course, there are no guarantees. 

## Major Markets Update

	2007	2008	2009	2010	2011
<b>Dow*</b>	<b>+6.43%</b>	<b>-33.84%</b>	<b>+18.82%</b>	<b>+11.02%</b>	<b>+5.53%</b>
<b>S&amp;P 500*</b>	<b>+3.53%</b>	<b>-38.49%</b>	<b>+23.45%</b>	<b>+12.78%</b>	<b>+0.00%</b>
<b>NASDAQ*</b>	<b>+9.81%</b>	<b>-40.54%</b>	<b>+43.89%</b>	<b>+16.91%</b>	<b>-1.80%</b>

\*Research by Smedley Financial Services, Inc.® Data provided by public sources. The Dow, S&P 500, and NASDAQ are indexes often used to represent the U.S. stock market. One cannot invest directly in an index. Investing involves risk, including potential loss of principal. Diversification does not guarantee positive results. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security or investment plan.



## The Art of *Conversation*

By Rodney A. Walker, CFP®

**E**ach event that occurs in the world presents an opportunity to engage in meaningful and free-thinking conversation. Information, good and bad, is driving society through outlets such as newspapers, television, radio, cell phones, Facebook, Twitter, and blogs.

With so much information becoming available immediately and on demand, opinions are created without ever engaging in thought-provoking conversation. This is unfortunate. Where different points of view are shared, there is potential for greater knowledge and understanding.

When people are unwilling to listen and discuss different points of view, relationships suffer. Conversations often end with tempers lost and feelings hurt. So, keep an open mind and remember it is okay to have a difference of opinion, as long as we treat each other with respect.


The Roman philosopher Cicero established rules for employing a good conversation in his essay *De Officiis*.

These rules are simple and can increase opportunities to develop and enjoy the art of conversation in life.

### Rules of Conversation

1. Speak clearly
2. Speak easily, but give others their turn
3. Do not interrupt
4. Be courteous
5. Deal seriously with serious matters, gracefully with lighter ones
6. Never criticize people behind their backs
7. Stick to subjects of general interest
8. Do not talk about yourself
9. Never lose your temper

Another suggestion is to practice active listening. Don't let your mind wander and don't spend too much time thinking about what you want to say. Listen carefully.

Having genuine conversations can strengthen relationships, build confidence, increase knowledge, and assist individuals with opinions in discovering what matters most in life. 

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View new updates to the 2012 Contributions Limits and Tax Tables at [www.SmedleyFinancial.com](http://www.SmedleyFinancial.com). Scan this QR code with your smartphone to be directed to those tables on the website.



# Will the Presidential Election Be Good for the Stock Market?

By Mikal B. Aune

**I**t seems like the recent uncertainty and volatility in the stock market has investors nervously watching and wondering what the future will hold. We often turn to trends to divine the future. Among the top questions is whether or not the presidential election will be good for the stock market.

Using history as a guide, *“Presidential elections every four years have a profound impact on the economy and the stock market. Wars, recessions and bear markets tend to start or occur in the first half of the term and bull markets, in the latter half.”*<sup>1</sup> So, that would lead us to believe that now may be a good time to invest.

Statistics would also bear that conclusion out since *“of the last 21 election years there have been only 3 years where the S&P 500 Index had a negative return during an election year.”*<sup>2</sup> Another study found *“the average market return in the fourth year of a presidential term is twice that of the return in the first year of a president’s term.”*<sup>3</sup>

Is this information useful? Only if the pattern continues. Just keep in mind that during the last

presidential election year, 2008, the S&P 500 was down 37 percent.<sup>4</sup> That begs the question, *“Should I be doing anything different with my money right now?”* If you have already established a smart investment strategy, the answer is usually no. If you haven’t established a solid financial plan or even just have nagging doubts, now would be a great time to sit down with your private wealth manager to create or review your plan to make sure it will help you reach your goals.

Who will likely win this next election? We don’t really know. But, there are some trends that work for or against the incumbent. If consumer confidence is below 100 or GDP is less than 3 percent, voters typically don’t give the incumbent a second term unless there is marked improvement and they believe it will continue.<sup>5</sup>

In December 2011 consumer confidence was at 64.5<sup>6</sup>, and in the third quarter of 2011 GDP had an increase of 1.8 percent.<sup>7</sup> So, while the trends in the economy are improving, they may not improve enough to maintain the position of the incumbent. SS

1. <http://gbr.pepperdine.edu/2010/08/presidential-elections-and-stock-market-cycles/>

2. <http://moneyover55.about.com/od/howtoinvest/a/electionmarket.htm>

3. <http://moneyover55.about.com/od/howtoinvest/a/electionmarket.htm>

4. <http://moneyover55.about.com/od/howtoinvest/a/electionmarket.htm>

5. <http://finance.yahoo.com/blogs/breakout/trend-obama-friend-election-bid-153741958.html>

6. <http://www.tradingeconomics.com/united-states/consumer-confidence>

7. <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

The S&P 500 is an index often used to represent the U.S. stock market. One cannot invest directly in an index. Investing involves risk, including potential loss of principal. Diversification does not guarantee positive results. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security or investment plan.

# Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work only for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the investment strategies that work towards each client's needs, risk tolerance, and goals. We are never in a position where we are required to recommend a product we do not believe best serves the needs of our clients. We work with individuals, businesses, and family estates.

Some of the following products may be used to implement the plans we create.

## Investments

- Managed Accounts
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks
- Bonds
- Non-managed
- Alternative Investments

## Annuities

- Fixed
- Variable
- Indexed
- Immediate
- Deferred

## Life Insurance

- Term
- Whole Life
- Universal Life
- Variable Universal Life

## Disability Insurance

- Long-Term
- Short-Term

## Long-term Care Insurance

- Traditional
- Hybrid

## Health Insurance

- Individual
- Medicare Supplement



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