

November - December 2012

Money Moxie®

What Does Money Mean To You?

*The Future Is
Better Than You Think*



SMEDLEY FINANCIAL SERVICES, INC.®

www.SmedleyFinancial.com

Happy Holidays

Dear Valued Clients,

A recent poll of investors with a household income of at least \$100,000 and assets of \$200,000 responded to this survey question, “To what extent do you trust or distrust...”

Financial Advisor	84 percent
Doctor	79 percent
Accountant	74 percent
Contractor	52 percent
Boss	49 percent

As you can see, financial advisors came out with an 84 percent level of trust followed by doctors at 79 percent. Bosses finished last. So, you may not want to immediately run and show this to your boss. (Source: John Hancock Trust Survey™)

In business, trust is everything. Stephen M. Covey, son of the late (great) Stephen R. Covey, wrote a book in 2008, entitled, “The Speed of Trust: The One Thing That Changes Everything.” Stephen M. Covey talks about the “ripple effect.”

With these uncertain financial times, it is good to know that there are places where you can turn for trusted financial advice. We deem it an honor to be among your most trusted professionals. We thank you for your continued patronage and loyalty.

Roger M. Smedley
President

ADV Offer and Annual Updates



Form ADV Part II annual offer: Smedley Financial Services, Inc.® is a federally Registered Investment Advisor (RIA) duly licensed under the Investment Advisors Act of 1940. Federal regulations require that we deliver, or offer to deliver, a copy of Form ADV Part II, at least annually. If you would like a complimentary copy of Form ADV Part II, scan the QR code with your smartphone or just let us know. We will provide a copy to you.

Financial changes: To offer you the best possible service, it is imperative for us to keep up with the changes in your life. Please keep us advised about changes in your address, telephone number(s), employment and/or income, birth and/or death of loved ones, marital status, tax status, and any changes with financial implications.

Beneficiary designations: With the continually changing tax laws, keeping your beneficiary and contingent beneficiary designations current on all of your retirement accounts is more important than ever. Don't forget beneficiary designations on life and health insurance policies, including any company-sponsored policies, as well. Let us help you review and monitor these important designations.

Privacy Policy: For your benefit, we are including a copy of our privacy policy in this mailing. Please let us know if you have any questions regarding this document.

Contact us with your questions, comments, or concerns at (801) 355-8888 or (800) 748-4788.

The Future Is Better Than You Think



By Sharla J. Jessop, CFP®

It's easy to look at the current state of the world, our country, and the problems we face and see only limitations. Let's take a step back, open our minds, and consider the possibilities that innovation presents as we peer into the future.

Innovation at an individual level has flourished. Research, that in the past was left to government funded agencies and contractors, is now accomplished by do-it-yourself (DIY) innovators at a fraction of the cost and time.

Apple iPad Faster than 1985 Supercomputer

	Cray 2 (1985)	iPad (4th Gen)	Difference
Size (inches)	45 h x 53 diameter	9.5 x 7.31 x 0.37	99.9% smaller
Weight (lbs)	5,500	1.44	99.9% lighter
Speed (MHz)	244	1,400	474% faster
Memory (GB RAM)	2	1	50% less memory
Power (Watts)	150-200	12	92% less power
Cost	\$17.5 Million in 1985	\$499	99% less expensive

Over the past 40 years, computers have grown to be an essential part of daily life. It's hard to remember a world without computers. Today, the 4th generation iPad is faster than a 1985 super computer, and we can use it literally anywhere. From one device, a Smartphone, we can watch a movie, shop, pay the bills, talk to someone almost anywhere in the world, and much more. There are over 900,000 apps that can be downloaded for immediate use. The reach of technology is amazing.

Take for instance the Human Genome Project that was launched in 1990 jointly by the U.S. Department of Energy (DOE) and the National Institute of Health (NIH). The project to sequence the three billion base pairs making up the human genome took ten years and cost \$1.5 billion. In 2000, DIY-er J. Craig Venter and his company Celera decided they wanted to get into the race. They completed the project in less than one year

Continued on next page

and at a cost of only \$100 million.

Creative thinking and problem solving skills are helping to make the world a better, safer place for all inhabitants. In the book *Abundance: The Future Is Better Than You Think*, co-authors Peter H. Diamandis and Steven Kotler share examples of how innovation coupled with technology is making what seemed impossible, possible.

Imagine a world where everyone has food to eat, clean water to drink, a disease-free and safe place to live, and an education. Add to that the opportunity for free enterprise that will allow people living in developing countries to create jobs where they can provide for their families. Does it sound too good to be true? There are many companies developing technologies that will help to accomplish all of this.

Envision an educational setting where children use technology to study that which intrigues, inspires, and motivates them. In other words they become passionate, creating an insatiable desire for knowledge.

Open architecture and shared knowledge are allowing children to learn from the experiences and ideas of their counterparts throughout the world. Their classmates are no longer sitting beside them, they are sitting at their computers in other countries.



How about natural energy? Solving the world's energy crisis is a major concern. The developed countries are eating away at today's most widely used energy sources at an alarming rate. We say "the world's concern" because energy consumption is one of this planet's greatest obstacles. Innovation, collaboration, and connectivity will be central in finding viable, lasting solutions.

Where does this lead us? As bleak as the world is portrayed, it is important to remember there are good things happening now, and good things to come in the future. We encourage you to push through the short-term negativity and see the incredible opportunities that lie ahead. SS

3 Tax Tips for 2012

As the year draws to a close, there is still time to maximize your taxes for 2012. Here are a few options to consider.

1. Charitable donations can be made up to December 31, 2012. As always, you can donate cash but did you know that you can avoid paying capital gains tax when you donate appreciated stock? If you have owned a stock for at least one year and one day, you can donate that stock to charity. You receive a deduction for the value of the stock on the date of the donation. The charity sells the stock without paying capital gains taxes. You can then invest the cash you would have donated for future donations.

Unfortunately, the federal law that allowed taxpayers aged 70 ½ or older to make direct distributions from an IRA account to a qualified [501(c)(3)] charity expired in 2011. As we go to press, there has been no affirmative action by Congress to renew this popular tax provision.

2. Bundle your deductions. If you fall short when it comes to itemized deductions, consider bundling your deductions every other year. For example, you could make charitable donations for the current year and for the following year at the same time.



3. Gift appreciated stock rather than cash. If you plan to give money to your children you can avoid paying capital gains tax by gifting appreciated stock. They can then sell the stock and pay the tax at their lower tax bracket.

For year-end tax planning ideas use this QR code or visit us at www.SmedleyFinancial.com and see "The Investment Tax Landscape: Countdown to 2013" and "2012 Key Numbers."

Elections Over. Fiscal Cliff in Focus.

By James R. Derrick Jr., CFA

Economic growth in the United States is ready to explode in a positive way. Corporations have cash, housing prices are rising, employment is improving, and consumers are spending. The potential is there. Uncertainty over the Fiscal Cliff is holding us back. Investors are getting impatient.

are working on laws to slow the growth of the national debt. They hope this will ignite growth in the economy.

The stock market typically predicts economic activity 6 to 12 months into the future. There are times of uncertainty when myopic perspective leads to counter-

productive behavior for investors.

One political mandate that emerged from the elections was a greater willingness to compromise. Political leaders of both parties have even found some common ground. We will find out how true their statements are soon.

Without any action this nation will arrive at the “Fiscal Cliff” on January 1, 2013. On that date government spending is scheduled to be slashed and taxes

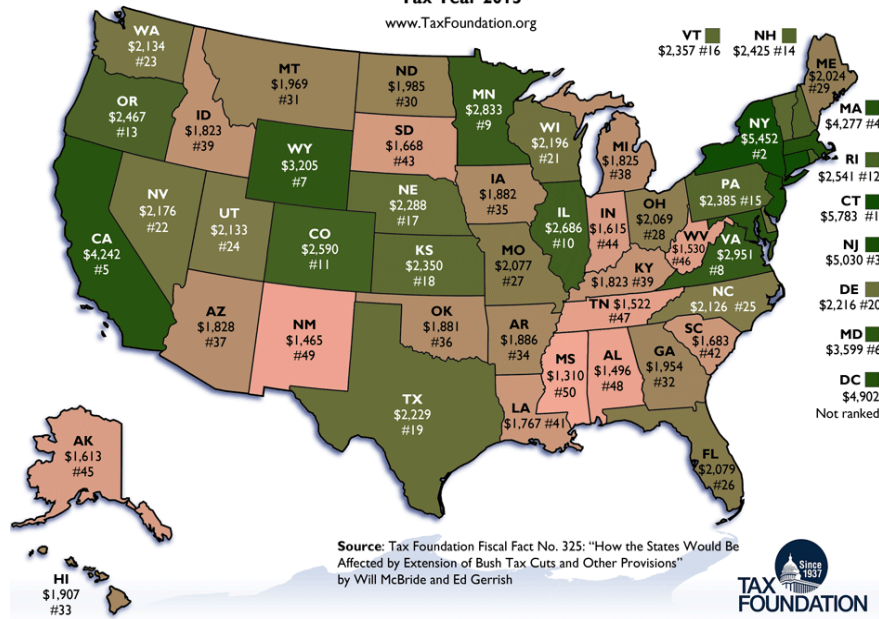
will rise. Many economists believe an economic drop of 3 to 5 percent could follow. The impact would most certainly lead to higher unemployment as well.

Politicians must work together to avert the cliff. Any compromise seems destined to impact the top 1 percent of income earners. One likely scenario is that tax rates will not go up, but deductions and loopholes will become smaller.

There is an overwhelming belief in the business world that if politicians would provide certainty (get out of the way) then the economy will “boom.”

Simply extending the status quo for another 6 to 12 months would avert the cliff, but will not give businesses the clarity they would like. Politicians are discussing plans beyond just a simple extension. They

Average Tax Savings from One Year Extension of Bush Tax Cuts



In the Summer of 2011 lawmakers did not come to an agreement over the debt ceiling. Government debt was downgraded by Standard and Poor’s rating agency and the value of stock markets all over the world plummeted. Politicians got the message and the market has rallied over 20 percent since then.

Despite current concerns regarding the economy there are a lot of good things happening. Interest rates are low and projected to stay low for a few more years. Housing prices appear to have bottomed. Housing construction is already behind demand and will improve. This will lead to more jobs. Employment numbers have consistently been improving.

This economy may be ready to ignite. Uncertainty from the looming Fiscal Cliff is holding us back. If the issues are resolved as expected then we may look back at this as just another budget meeting. The Fiscal Cliff may be remembered as an overhyped event like Y2K.

What Americans want now is a swift agreement that provides clarity for years to come. That will help ignite this slow economy into the powerhouse we know it could be. SFS

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Real Estate Is on the Rise

By Rodney A. Walker, CFP®

Has real estate finally hit bottom? This question has been answered for many. Others are still unsure. CNN Money surveyed 14 economists with topics dealing with home prices, and discovered 9 economists felt housing prices already had turned or will have turned by the end of 2012.

MarketWatch in October reported new home construction increased 15 percent in September which brought a four year high to new home construction for the year at 872,000. Building permits reached 894,000 for the year and also set a four year high with September's increase of 11.6 percent.

With all the good news coming out in the housing market, are individuals ready to apply lessons learned and purchase homes again? Here are a few instructions that can help future home buyers enjoy the American dream of owning a home — a home they can afford.


1. Don't assume home values will increase at 10% each year. You could experience negative returns as we have seen over the last four years. Historically, home prices have risen an average of 4 to 5 percent per year.



2. Make living in your home your primary goal. Many investors at the height of the real estate bubble were attempting to flip a home for huge returns and discovered losses similar to the dot-com bubble.

3. Be aware of the "Wealth Effect." As a home appreciates in value the owner may begin to feel richer. The owner often taps the equity in their home to purchase other items. As your home appreciates don't sabotage your financial well-being by increasing your debt. Capture the growth when you sell, not before.

4. Take advantage of record-low, fixed interest rates. Interest only and variable rate loans do have a purpose for some, but why subject yourself to fluctuating payments. Low fixed rate terms of 15, 20, and 30 years are available and bring steady payment without the fear of interest rates increasing. For most potential home owners, fixed rates loans are optimal.

As real estate continues to improve and home ownership increases, here are a few helping words attributed to Brandon Mull: "Smart people learn from their mistakes. But the real sharp ones learn from the mistakes of others." 

Holiday Tech Tip: Manage Your Memory

The holiday season is upon us and with that comes gatherings of family and friends. Chances are there will be plenty of opportunities for pictures. Before you head over the hills or through the woods, take a moment and save the pictures you have already taken on to your computer. Then you will have plenty of space on your memory card to capture all the fun memories this time of year brings. For any of you that love to take pictures with your smartphones, remember to save those pictures off to your computer as well in the event your phone doesn't make it through the season. It's also a good time of year to make sure all your files are being backed up. Can you afford to lose those precious moments?

Should You Buy Guns or Gold?

By Mikal B. Aune

With recent events that have transpired, some people in the news are telling us that the sky is falling. One critic went as far as advising investors to “buy themselves a machine gun”.¹ Others have suggested that we should run out and buy gold.² So what should we do? First we need to understand why these suggestions are coming about and then know how to react.

These suggestions are coming because people are worried that after the election: 1) nothing has improved; 2) that Congress and the President cannot get their jobs done; 3) That we are going to go over the Fiscal Cliff; 4) And this could potentially lead to another recession. There are others warning of even worse things to come. This kind of negative press drives fear.

Fear is one of our strongest motivational emotions. Where other emotions may leave you warm and fuzzy, they don’t lead to actions like fear does. We hear that the sky is falling, and we react.

Now, everything isn’t rosy and there is room to be concerned. However, we should be careful and not react purely based on what others say.


So, how should we react? Should we run out and buy guns? Yes, maybe for a hunting trip or home defense. However, please make sure you are properly trained to handle and store a weapon safely. Otherwise, you may do more damage to yourself or home than to any criminal.

1. AdvisorOne, Nov 8, 2012, “These Economic Gurus Are Hopping Mad Over Obama’s Victory,” John Sullivan <http://www.advisorone.com/2012/11/08/these-economic-gurus-are-hopping-mad-over-obamas-v>
 2. <http://articles.latimes.com/2009/dec/09/entertainment/la-et-onthedia9-2009dec09>
 3 <http://pragcap.com/is-gold-really-an-inflation-hedge>



Gold has been a hot topic ever since 2008. The two reasons to buy gold are either as an inflation hedge or as a protection for the worst case scenario. Research suggests that gold has been an inflation hedge in the past, but hasn’t followed this trend recently.³ Also, gold as an investment is very volatile, and like all investments, doesn’t always go up. You also have to pay attention to what you may pay in fees. Most managers only recommend a small allocation of gold in a portfolio.

If you are buying gold for the worst case scenario, there is one question: Will you get full value for your gold? After a major event, will you be able to purchase \$1800 in groceries for one gold coin? This doesn’t mean that gold is bad. It just means that you shouldn’t put all of your “golden” eggs in one basket.

So while politics and the news may be pushing your panic button, just look around and ask: Is the sky falling? If you would like to discuss how to protect your assets, without buying guns or gold, please give us a call. We would be happy to meet with you. 

Your SFS Team

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Some of the following products and services 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

Long-term Care Insurance

- Traditional
- Hybrid

Health Insurance

- Individual
- Medicare Supplement

Social Security

Strategies & Options

Disability Insurance

- Long-Term
- Short-Term



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