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**MONEY PLANS
ECONOMIC
REPORT
(Year End 2011)**

ECONOMIC OVERVIEW

U.S. Economy

It's always hard to imagine that yet another year has come to an end. And Money Plans can be counted among those who are delighted to turn out the lights on a year filled with unprecedented volatility and economic angst. While we are looking forward to a stronger economy in the year ahead, we are prepared for whatever the market throws our way. All in all, we wish you a happy, healthy and prosperous 2012!

Below is a recap of what happened in the markets in 2011!

For the 12 months of 2011 (your enclosed statement reflects the same period), the DJIA gained 5.5%, the NASDAQ lost (1.8%), the S&P flat at 0.0%, gold gained 7.9%, silver lost (10.0%), International markets measured by MSCI EAFE lost (14.9%), Mid-Cap lost (3.6%), and Small-Cap lost (5.1%). CD's and money market yields averaged .75% and bonds measured by the Barclays Capital Aggregate Bond Index rose 4.3%. A diversified portfolio's return is a blend of these numbers, depending on how risk adverse or how aggressive the portfolio. These are benchmark returns for the full 12 months and are gross returns before expenses (your enclosed statement are based on net returns – after expenses).

As you can see, 2011 was a difficult year. While being diversified helped,

it did not prevent losses. But it could have been worse as there were moments throughout the year when markets were down more significantly.

But now it's a New Year and the first few days of trading has ushered in new optimism. Yet there have been no solutions to the ongoing problems that plagued 2011. Investor enthusiasm may be about new beginnings, but it could also simply be about the hope of changing market psychology.

Recently there has been a plethora of good news regarding economic recovery in the US which most likely has contributed to the early optimism. But the stock market is skittish and doesn't want to reward good news for very long. Investor sentiment and economic recovery seem to be at odds end. In other words, investors seem to be saying I've been fooled once too many times and it will take much more evidence to convince me that things have turned around. But it is this type of caution and level of fear that bring investment opportunity. The best rewards are always made by a few investors, since it takes certain fortitude to go against the herd. It is for that reason we think the time has come to choose our entry points in areas where there has been the most devastation (discussed later).

Much of the good economic news was released only a few weeks ago. Most notably was the improvement in the unemployment rate which fell to 8.5% in December as non-farm payrolls expanded by 200,000. The large gain in the December ISM (Institute for Supply Management) Manufacturing Index also showed strong new orders. Holiday spending increased more than 8% and there was better numbers for

factory orders. Even construction spending was up for both residential and commercial building. With all this positive news, there's little doubt that the economy is recovering. But what still haunts the market is the turmoil in Europe. Things got so bad that when it became clear that German Chancellor Merkel was at a loss, the Fed and several central banks stepped in as lenders of last resort. **The Fed is expected to spend more on this effort than it did to save our economy from collapse back in 2009 and that amount may not even be enough to save the eurozone.** Since Europe's economy is the same size as the U.S., a breakup of the eurozone would affect world markets.

As excess credit continues to be unwound, the road to recovery will be a slow process. In our last newsletter we talked about muddling along; and muddling along is what we will probably see in 2012 as there are still too many handicaps to economic growth.

One major handicap to growth is the continued consumer deleveraging which has been going on for an unprecedented four years. Consumer debt is currently at 115% to disposable income, but this number should be at 80% and no higher than 90%. And without consumer income growing this consumer debt to income ratio is not likely to move downward. It will probably be another two to three years before this ratio gets to where it should be. Economic recovery needs to come from a strong consumer and currently the consumer is still overburdened with too much debt.

Another handicap to growth is from the ongoing de-leveraging through monetary policy both domestically and in Europe. Although the US economy shows improvement, we cannot grow

it alone as we are too global a market. We need other markets to buy from and we need other markets to sell to. The U.S., and the world, has become so interdependent that when one economy suffers – we all do – it's the contagion effect. While we see continued improvement to the economy on the jobs market here at home, we see further problems globally. We are keeping our eye on the United Kingdom and China where we think the next economic crisis might emerge. And it's not just the West who is having all the problems; fundamentalist, Islamic conservative governments are gaining power throughout the Arab world. Iran is flexing more muscle and it's determination to become nuclear can turn the world upside down. Yes, there are very big issues going on in many parts of the world and any one of these powder kegs could blow up at any time. The world is unpredictable and there are lots of changes going on making investing even more challenging. It is up to Money Plans to look for opportunities from those challenges.

What we are doing

We just completed a tax review of each client's portfolio under our management. Even though this year has been a difficult year for most investors, there were some bright spots which resulted in significant profits.

A true profit occurs only when the profit is realized and that happens when the investment is sold at a price that is more than the purchase price. Otherwise, the profit is just a change in account value that reflects market volatility.

The bright spots came from when we sold some of our client's position in currency trades, particularly the US

dollar and from selling positions in gold and silver earlier in the year. The recent correction in the metals has made those commodities once again attractive and we have already begun re-purchasing them.

We used the month of December to do some tax loss harvesting. We determined the amount of realized gain in our clients account and then determined if there were losses we could realize to offset those gains for the purpose of minimizing their taxes.

While these steps are easy, the decision making process isn't...We don't want to take a loss only to miss out on a rally in which the security we just sold takes off. And we need to be careful too because there is an IRS rule regarding selling stock at a loss. The rule called "wash sale" prevents selling just for a capital loss. And, you are prevented from taking the loss on your taxes if you buy the same or substantially identical security within 31 days before or after the sale. Because of this rule, we have to be certain that we no longer want a position in this security. In the past, we could sell the security in a taxable account, take the loss and repurchase it in a tax deferred account, thus being able to maintain the position. But a new IRS ruling put a stop to this practice making the decision to harvest tax losses even more challenging.

We also just completed a performance review to make changes to portfolios Money Plans deemed to be too volatile. As we make adjustments to our clients managed portfolios, we continue to invest for income and growth through preferred and dividend stocks, sector stocks such as utilities and telecommunications, Real Estate Investment Trusts (REITs'), fixed income securities especially in high

yield bonds and Treasury Inflation Protected Securities, and in Master Limited Partnerships (MLP's) such as pipelines and storage containers. We purchase these investments through stocks, mutual funds and exchange traded funds. Since the average annual income from these investments yield in excess of 5% to 6%, this is a great way to sit and wait for the market to turn around.

We are also maintaining larger than normal money market balances for two purposes: to reduce account volatility and to use in anticipation of a great buying opportunity we believe might be coming our way. Because of computer investing during a huge rally, there is no good way to raise cash in a timely manner, so cash must be kept ready.

Finally, we want to add investments that have been off our radar for awhile. As we stated in the beginning, we believe now is the time to pick our entry points in sectors that have been the most devastated. **We are targeting home builders and the financial sector.** Since a market cannot recover without a strong real estate and banking environment, this may be the time to purchase some great franchises at incredibly low multiples. Finally, we want to invest in companies that provide **data security**. We see this sector as an investment opportunity from a world filled with powder kegs. We think that personal and company data will be aggressively attacked as more personal data goes electronic. Plus as defense budgets get slashed and traditional wars have become extremely unpopular, cyber wars seem to be a likely alternative.

Tax Changes

Be sure to adjust your tax deferred retirement savings at work to the

maximum contribution. If you are age 50 and over, you can add even more through the Catch-Up provision. Since your contributions need to come out of your salary, it is difficult to make up your contributions later in the year. If you are eligible to contribute to a Roth IRA, be sure to do this too. Roth IRA's are one of the very best ways to save for your future. Remember, the income limits are based on your salary AFTER contributions to your tax deferred savings plan – so be sure to file your 2011 tax return early enough to make good contribution decisions for 2012.

In 2012, the new limit for salary deferral retirement plans will rise to \$17,000 from \$16,500. This new limit applies to 401(k) s, 403(b) s, the government's Thrift Savings Plan, and some 457 plans. Income limits for Roth IRA eligibility will increase to \$183,000 for married couples filing jointly and \$122,000 for single.

If you are a managed client of ours, we will begin calculating and taking your 2012 Required Minimum Distribution (RMD).

EMAIL ADDRESSES

We ask that all clients provide an email address SO WE can get out timely information. Send your email address to deniseleish@moneyplans.com. Please visit us at www.moneyplans.com.

Quarterly Statements

If we are managing your investments, you will find a personalized report:

The "Position Performance Summary Report" which shows your performance for the period 12/31/10 through 12/31/11 (twelve months of 2011).

The net flow column when positive shows monies used to purchase new investments after 12/31/2010 and a negative means monies flowing from the investment into the money market account either from the sale of an investment after 12/31/2010 or from a dividend payment.

A positive or negative in the net flow column for cash/money market means that money flowed in or out of your money market, i.e., money flowing in from the sale of a security, money flowing out for investment purchases, management fees, etc.

The Actual IRR Column is a percentage change (not a dollar change) for the twelve months of 2011 (it is not annualized). The IRR discounts all cash flows and is net of fees (after Money Plans fees and all trading costs).

Our ADV Part II and Code of Ethics are available upon request and can also be found on our website at www.moneyplans.com

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