Smart Insights

February 2012 | Vol. 5 | Smart Investments Advisory Inc.

Free Help

A lot of people we know work for companies that sponsor a 401(k) program. Of course, we encourage our clients to participate to the maximum extent they can. After all, most 401(k) plans offer some form of employer match – meaning the company will match your contribution on a dollar-for-dollar basis, up to a maximum amount. That's a 100% rate of return on the first day on those dollars. Also, there are great tax benefits attached to your contributions, as money deposited to a standard 401(k) are made from your payroll on a before tax basis. In other words, the IRS is permitting you to invest, and gain a return on funds that would otherwise go to pay taxes. This is a good deal! There are a couple of problems, though.

The problems arise after you've made your contribution. Where should you invest the cash? Most 401(k) plans offer a series of investment options, usually mutual funds. There can be 50 or more options. Which are right for you? Not too many employers offer professional help and guidance on the subject.

In our next article, Advisor Ali Arciniega writes about "Suitability" and what it means to you. Our job as Advisors is to help you decide what investments are correct for you. By having the opportunity to meet with an advisor and review your particular circumstances, you'll discover what investments are suitable for you. Also, you'll have a better understanding of your 401(k) and the options available to you. It's what we do every day.

Which brings us to the free part: We will review your 401(k) plan and its investment options, help you construct an investment program that fits your needs, and periodically review and update the plan at no charge. We are here to help. Schedule a few minutes to discuss your 401(k), and we'll help you set yourself up for a secure retirement.

Smart Investments
Advisory Incorporated
Morningstar

BARRICK SMART
bsmart@wbbsec.com
909-335-8565
www.smart-advisory.com

IRA Contribution Time!

Early in the year, everyone's thinking about taxes - or trying not to. We say think about it, at least long enough to decide to fund your IRA or ROTH for the 2011 tax year.

If you don't make a deposit to your account, you'll pay more taxes. Once we're past the deadline, it's money lost - gone forever.

Don't give money to the IRS that they want you to keep!

Make your deposit today, and while your at it, lets review your investments in the account and get lined up for a profitable 2012.

Thanks for your business.

Barrick Smart

What Did You Say?!?

Hello and welcome to "What did you say?!?" Last issue we covered Cost Basis, so I thought I would follow up with another investment staple which is Investment Suitability. As always, we are here to help, so if there is any phrase or word that you don't fully understand, please feel free to email me and I will include that in an upcoming issue.

Investment Suitability and why it's important:

Often times when you meet with your financial advisor, you are presented with a series of questions: What is your annual income, net worth, how long until you retire, etc. There is a distinct purpose for all of this even though at times it can seem intrusive. Like a doctor, a financial advisor needs to get your vitals. Instead of blood pressure, cholesterol and weight, we assess if you're financially fit by looking at things like your estimated net worth, investable assets, free cash flow & what tax bracket you are in. It is also important to assess what your goals and expectations are of your investments. What kind of investor are you? Going over your investment objectives and risk tolerance is a key vital in determining this. If you are extremely cautious and cannot afford a loss, Preservation of Capital would be your key investment objective, with a conservative risk tolerance. On the flip side, if you're a bit of a rebel and like to "play" the market, Speculation would be your objective with an aggressive approach to your risk. You simply cannot advise the two the same. Without going over your "financial" vitals, it's impossible for us to properly advise you.

Suitability and investment objectives should be a topic of discussion at least every 2-3 years. However, if an event like retirement or a baby on the way does present itself, please be sure to let your advisor know, so they can properly advise you along the way. Each person and situation is unique and that is why going over your suitability is so important. Life happens, people and situations change, as does your investment strategies. Like everything in life, it's a work in progress!

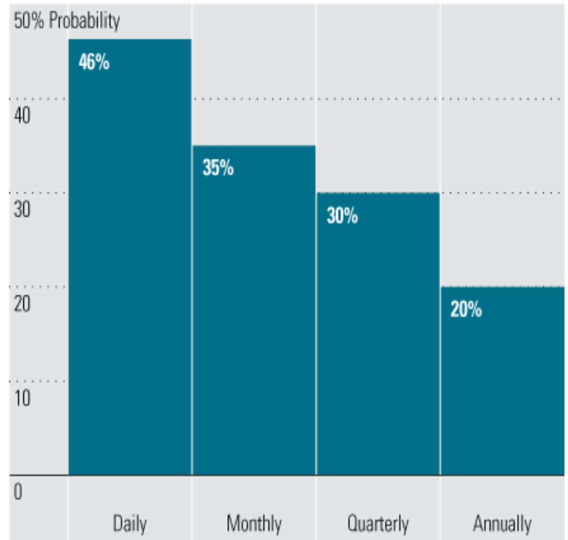
-Ali Arciniega

aarciniega@wbbsec.com

Short-Term Focus: Coping with Near-Term Fluctuations

Instant access to real-time quotes and media reports can make it difficult for investors with a long-term investment horizon to stay focused on their goals. In reality, these daily market movements may not be as extreme as they seem. As investors look longer term, their perception often changes. Short-term market fluctuations can be quite volatile, and the probability of realizing a loss within any given day is high. However, the likelihood of realizing a loss has historically decreased over longer holding periods. The image illustrates that while the probability of losing money on a daily basis over the past 20 years was 46%, the probability dropped dramatically when analyzing an annual time period—20%. Periodic review of an investment portfolio is necessary, but investors shouldn't let short-term swings affect their view of the future.

Probability of losing money in the market 1991–2010



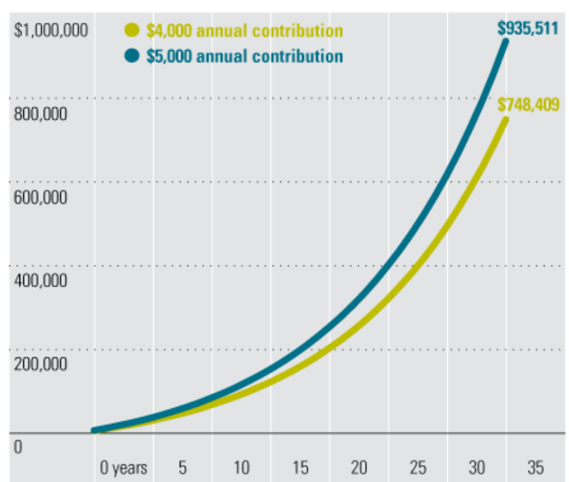
Source: Stocks are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. An investment cannot be made directly in an index. Returns and principal invested in stocks are not guaranteed. Probability of loss is calculated as the number of negative periods divided by the number of total periods using the specified frequency of data.

Don't Forget to Raise Your IRA Contribution

In 2012, contribution limits for both traditional and Roth IRAs (individual retirement accounts) will remain the same as in 2011: $5,000 a year for those 49 years of age or younger. If you are 50 or older, the maximum contribution is $6,000. This limit can be split between a traditional and a Roth IRA. These annual contribution limits are imposed by the Federal Government.

The graph shows both a $4,000 and $5,000 annual contribution growing at a hypothetical 8% annual return. Notice the dramatic impact on the ending value of the portfolio. This may be a great time to re-evaluate your financial situation and increase your annual investment to your IRA. Even if you are unable to max out your contribution, any increase you can afford may help you reach your savings goals more easily in the long run.

Hypothetical Growth of Annual IRA Contribution



This is for illustrative purposes only and not indicative of any investment. Funds in a regular IRA grow tax-deferred and are taxed at ordinary income tax rates when withdrawn. Contributions to a Roth IRA are not tax-deductible, but funds grow tax-free as money withdrawn is not taxed. Penalties may apply for withdrawals prior to the age of 59 1/2.

Now, Time for Some Fun Presidential Facts!!

George Washington was the only President to have a state named after him.

Abraham Lincoln was the first President to have his face on a coin.

Barack Obama is our 44th president, but there actually have only been 43 presidents: Cleveland was elected for two nonconsecutive terms and is counted twice, as our 22nd and 24th president. The tallest president was Lincoln at 6'4"; at 5'4", Madison was the shortest.

The term "First Lady" was used first in 1849 when President Zachary Taylor called Dolley Madison "First Lady" at her state funeral. It gained popularity in 1877 when used in reference to Lucy Ware Webb Hayes. Most First Ladies, including Jackie Kennedy, are said to have hated the label.

Vice Presidents were originally the presidential candidates receiving the second-largest number of electoral votes. The Twelfth Amendment, passed in 1804, changed the system so that the electoral college voted separately for president and vice president. The presidential candidate, however, gradually gained power over the nominating convention to choose his own running mate.

Presidents Adams, Jefferson, and Monroe all died on the 4th of July; Coolidge was born on that day.

While president, Ulysses S. Grant was arrested for driving his horse too fast and was fined $ 20.

SMART INVESTMENTS ADVISORY INCORPORATED BARRICK SMART
1706 PLUM LANE, SUITE 103
REDLANDS, California 92374
bsmart@wbbsec.com
www.smart-advisory.com
Tel:909-335-8565
Fax:909-335-8573