RFC FINANCIAL PLANNERS

Organize. Simplify. Plan.

MICHAEL D. RAUTIOLA, CFP®, ELIZABETH A. ALLEN, CFP®, ADAM J. FINCH, CFP®
CERTIFIED FINANCIAL PLANNER™ Professionals

Planning Points

Quarterly Newsletter – Winter 2011

OUR THOUGHTS:

Asset Allocation & Alternative Classes

Getting the right asset allocation for our clients is extremely important. It helps us to steer portfolios in the right direction to achieve your investment goals within your risk tolerance. The availability of various asset classes has expanded dramatically in recent years. For example, the options within exchanged traded funds and mutual funds allow investors to participate in more than just stocks and bonds. A particular topic that has been featured at many of our professional education workshops has been the use of alternative classes and how we might be able to utilize those in a client's portfolio. To help our clients have a better understanding, let's first begin with a definition of what asset allocation means.

A common definition of asset allocation is the process of choosing among possible asset classes to achieve diversification. Asset classes can be defined with examples such as:

- *cash (e.g., money market funds)*
- *bonds: investment-grade or junk (high-yield); government or corporate; short-term, intermediate, long-term; domestic, foreign, emerging markets*
- *stocks: value or growth; large-cap versus small-cap; public equities versus private equities, domestic, foreign, emerging markets*
- *real estate (also REITs)*
- *foreign currency*
- commodities & natural *resources: oil, coal, cotton, wheat, precious metals*
- *collectibles such as art, coins, or stamps*
- *insurance products (life settlements, catastrophe bonds, personal life insurance products, etc.)*

Asset classes are further broken down into additional asset sub-classes. What is considered in this case is size and style: Large-cap, Mid-cap, Small-cap and Growth, Blend, Value.

Note that 'funds' are not an asset class; funds are filed under what they own, e.g. stocks for stock funds, bonds for bond funds, et cetera.

Part of a financial planning strategy consists of finding an asset allocation that is appropriate for a given investor in terms of his/her appetite for, and ability to shoulder, risk based on their investor profile. Asset Allocation is the product of an examination of an investor's needs and objectives and when done well, results in a plan to invest using asset classes which will best meet the needs and objectives of the client. When referring to alternative investments we look beyond the usual stocks and bonds to diversify risk and return. The best way we can manage a completely diversified portfolio for our clients is under our fee-based managed strategy. If you are currently not taking advantage of our fee-based managed strategy we would be happy to present a personal proposal to you.[1]

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"A penny saved is a penny earned." Benjamin Franklin

Those are great words to remember as the deadline for investing in a traditional or Roth IRA is April 18th this year. Remember no money is too small to save for your future. We would appreciate it if you are going to send a check for your account to our office for deposit that we receive it no later than April 12th for processing. Thank you!

Another great idea to save money: Under the Tax Relief Act of 2010, the employee-portion of Social Security taxes will be reduced from the current 6.2% to a temporary rate of 4.2% for 2011 only. (source: US Treasury Dept.) »» Employees may want to consider increasing their 401(k) contributions to take advantage of this temporary tax reduction.

Marriage in your future? The month of June seems to be the most popular month for marriages. You are probably familiar with the saying love is blind, but marriage can be a real eye-opener. It is important that each soon to be spouse has a good idea of the other's credit worthiness and amount of debt. More marriages are broken up over money compared to anything else. One of the best ways to start a marriage is with a good financial plan. It can be an excellent wedding gift from parents to their children.

RFC NEWS:

We are pleased to announce the addition of another member to our team. Some of you have already spoken to or even met our newest administrative assistant, Zac Fineberg. Zac will be working along with both Laura and Lisa and is currently training and studying to take a number of licensing and certification exams to allow him to practice comprehensive financial planning. He began an internship with us last fall, while he was completing a bachelor's degree in Finance from Eastern Michigan University and has since graduated Magna Cum Laude. At the beginning of 2011, Zac officially joined our firm and is now providing various client services and business operational assistance. Please feel free to contact him with any service related questions.

DID YOU KNOW?

Record Deficit - The **biggest monthly deficit** was in February, 2011 at **$223 Billion**, which exceeded last year's February, 2010 deficit by almost $2 Million. The US Government has had **29** continuous months of deficits (source: Treasury Department)
Modified Mortgages - The (MHAP) Making Home Affordable Program, a government program, has helped to permanently modify over **530,000** home mortgages as of the end of January, 2011. Over **740,000 homeowners started the process of loan modification, but have dropped out of the program since it began in 02/01/2009.** MHAP was designed to help 3 – 4 million US mortgage holders. The program is scheduled to run until June 30, 2011. (source: MHAP)
Exports Increasing - US exports to China **grew** over the past five years, increasing from $42 billion in 2005 to $92 billion in 2010 (source: Commerce Department)

RFC EVENTS:

We enjoyed visiting with many of you at our recent client appreciation event and hope everyone enjoyed themselves. Please keep an eye out for an upcoming client event this summer. We teach adult / community education classes at the locations listed below. If interested, please see below for contact information to register.

Washtenaw Community College – Lifelong Learning (734) 677-5060 or http://www.wccnet.edu/lifelong-learning/
• "Roadmap for Retirement"
Ann Arbor Community Education / Rec & Ed (734) 994-2300 or http://www.aareced.com
• "Roadmap for Retirement"
Plymouth Community Education (734) 416-2937 or http://communityeducation.pccs.k12.mi.us/
• "Roadmap for Retirement"
• "College Savings Plan Options"
***All classes resume again this fall.*

Our business continues to be successful because of great clients like you. If you know anyone else who is looking to simplify and organize their financial lives, please let us know. With their permission, we would be happy to contact them and introduce ourselves.

RFC Financial Planners
Local: 734.272.4224
Fax: 734.272.4223
529 S. Ashley St.
Ann Arbor, MI 48103
Toll Free: 800.203.9117
www.rfcfinancialplanners.com
Organize. Simplify. Plan.

Elizabeth A. Allen, *CFP*®
Local: 248.522.2249
Fax: 248.522.2251
25348 Farmington Road
Farmington Hills, MI 48336
eallen@sigmarep.com

If you would prefer to receive our quarterly newsletter via e-mail instead of by mail, please e-mail us at info@rfcfinancialplanners.com

[1]Asset Allocation or Diversification does not ensure a profit or guarantee against loss; it is a method used to help manage risk.