



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 – Year End 2011

OUR THOUGHTS: The Higher Cost of Living

Inflation: A continuing rise in the general price level usually attributed to an increase in the volume of money and credit relative to available goods and services.

(Source: <http://www.merriam-webster.com/dictionary/inflation>)

There seems to be a lot of talk and unease about higher inflation in the future. There are a couple of reasons for the concern. One is the rise in inflation that can come from a surge in commodity prices. Emerging markets/economies like China, India, and Brazil are major contributors to raising the world's cost of goods and services. As these countries are using building materials, copper, gas, and oil, world demand for a limited supply of raw materials increases and drives prices up.

Some economists are also worried that prolonged low interest rates could cause higher inflation in the years to come. The Federal Reserve sets the interest rate as one of their tools to help control our economy, the money supply, and inflation.

One of the Federal Reserve's goals is to help spur economic growth with lower interest rates. The low interest rates have remained in place creating opportunity to help people refinance their mortgages, reduce other consumer debt payments, and to help encourage new home buying. Hopefully borrowers can refinance their debt to lower payments and make their household budget more manageable, freeing up more money for saving and spending. Of course the downside for savers is they are earning little to no interest on their savings solely using traditional bank savings and CD accounts.

To help keep ahead of inflation an investor needs to keep some savings in growth. With the current stock market volatility, remaining focused on long-term growth can be a challenge. It is important to shut out a lot of the noise from the talking-heads on news programs.

To find out more about inflation and the Consumer Price Index (CPI), you can go to: <http://www.bls.gov/cpi>. If you are into numbers, you will love this government website. It is estimated the current annual rate of inflation is about 3.5%.

You probably have heard of the term stagflation. That is a situation that our country could find itself in if we don't keep inflation in check. Stagflation is a condition of slow economic growth and relatively high unemployment (a time of stagnation) accompanied by a rise in prices, or inflation. Stagflation occurs when the economy isn't growing but prices are; which is not a good situation for a country to be in. <http://www.investopedia.com/terms/s/stagflation.asp>.

ROTH IRA Conversions

Don't forget that the IRS has given many of our clients (now also including those earning more than \$100,000 a year), the opportunity to convert traditional IRA's into ROTH IRA's. ROTH IRA conversions need to be completed by December 31st. Last year (2010), you were able to pay the taxes owed for the amount of the conversion over a two year period. However, for any monies converted this year (2011), the tax will all be owed next year. With the possibility of paying higher taxes in the future, you might want to consider this as a way to save additional money. A ROTH IRA not only grows tax-free, but is tax-free at the time of distribution whether it is for you or your heirs.

(Continued On Next Page...)

(Continued ...)

If you are considering making a new **ROTH IRA contribution**, that contribution can be made until April 15, 2012. The phase-out of the ROTH contribution eligibility for 2011 is as follows:

Joint	\$169,000 - \$179,000 MAGI (Modified adjusted gross income)
Single & HOH (Head of household)	\$107,000 - \$122,000 MAGI
Filing Separately	\$0 - \$10,000 MAGI

How to Avoid Holiday Credit Card Debt

The holidays can be a very stressful time, especially with the apprehension of impending credit card bills after the first of the year. It may not be unusual for you to go overboard when shopping for family and friends, and, it's often just plain difficult to resist those holiday sales. We have some tips for you to keep holiday costs under control.

Start by looking at who is on your holiday gift list. Maybe it's time to re-think whether it's really important that Great Uncle Ned's kids receive gifts from you. Limit your gifts to only close relatives and friends. For distant relationships opt for a holiday greeting card instead. It's okay to let family and friends know that you're cutting back. This can have the benefit of taking a load off your shopping list, as well as your bank account.

If you still want to give something to Uncle Ned's kids, consider making something homemade. Cookies and treats are appreciated, as is the thoughtfulness and time you put into them. Besides, it might be a great help to someone who doesn't have time for baking.

It's best not to apply for every store credit card just to save an additional ten percent now. In the long run it could cost you much more in higher interest rates if you can't pay the bill in full when due.

To help avoid spending too much, use credit cards only when necessary. Credit cards are generally best used for shopping online, over the phone, or when traveling. Otherwise, use cash and when you are out of money you are done shopping.

RFC NEWS:

Holiday Office Hours: Our Offices Will Be Closed Monday, December 26th and Monday January 2nd in observance of the holidays. Best wishes to you and your families!

DID YOU KNOW?

Kissing under the mistletoe, our favorite sprig of green leaves and white berries, dates back to a 17th century English custom. At that time, a berry was removed every time a kiss was made, which meant there were no kisses when there were no berries. We seem to have since forgotten about the berry removal – allowing us to fully concentrate on the kissing!

START EARLY - To accumulate 1,000,000 in a pre-tax account by **age 60**, a 25-year old would need to invest \$555 once a month for 35 years. For an individual who begins investing at age 40, the required **monthly deposit increases to \$1,920 for 20 years**. All calculations assume a 7% rate of return. The numbers ignore the ultimate impact of taxes on the account and are for illustrative purposes only and are not intended to reflect any specific investment alternative (source: RFC)

BIGGER NUMBERS, SIMILAR RATIO - The cost of **tuition, fees, room & board** at an average **private** college for the current school year (2011-2012) is \$38,589, **2.3** times the \$17,131 cost that a college student would pay this year at an average **in-state public** college. 30 years ago (i.e. the 1981-82 school year), the cost at an average private college (\$6,330) was **2.2** times the cost at an average in-state public college (\$2,870) (source: College Board)

SOUNDS HIGH - 40% of over 1,200 workers ages 56-65 believe that they will be able to **withdraw at least 7% per year** from their retirement assets **without ever depleting the funds** (source: MetLife)

(Note: This is for informational purposes only and should not be construed as tax advice. Please consult your tax advisor.)

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

ellen@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

Securities offered through Sigma Financial Corporation, Member FINRA/SIPC.

Fee-based investment advisory services offered through Sigma Planning Corporation, a registered investment advisor

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