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Sent: Thursday, December 15, 2011 10:45 AM
To: jclair@leahyandclair.com
Subject: Still a Wonderful Life - Leahy & Clair eNews, Dec '11

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December 2011

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Did You Know?



6.0%...US personal savings rate in 2010, up from 2.9 percent in 2008 and 4.3 percent in 2009. (1)

64%...Percentage of college students who would choose an Internet connection over having a car; 40% feel the Internet is more important than dating, going out with friends, or listening to music. (1)

\$25,760...Average total amount paid by high-income families (annual income of \$100,000 or more) to meet college costs in the last academic year (2010-2011), compared with \$31,245 in the previous year. (1)

Dear Friends,

Happy Holidays to you and your family!



In this issue:

With the daily barrage of bad news these days, do you find yourself longing for "the good old days?" A fitting column to remind us that certain things weren't always so great back then either - and that there are great things happening today we often take for granted. [Read More](#)

Looking for last minute financial tips before year-end? Check out a few ideas that may save you money on your tax bill to Uncle Sam this year. [Read More](#)

Ever wonder what to do with your old PC equipment? Check-out a local non-profit that will happily take it off your hands. [Read More](#)

With 2012 being an election year and the persistence of global economic issues and clean-up, it promises to be an eventful year. We'll be here to help see you through. Call anytime if you'd like to talk about it.



Happy Holidays!

John & Tom

3.6...Percentage cost-of-living adjustment increase in monthly Social Security income benefits for more than 60 million Americans in 2012; the first COLA since 2009. (2)

Sources

1. *Journal of Financial Planning*, November 2011
2. *Journal of Financial Planning*, December 2011

The Good Old Days?

It Wasn't Always So Good - Nor Will It Always Be So Bad

In his "Outside the Flaps" column this month, Jim Parker, writes that as bad as things appear to be - it's worth looking at our past to see it wasn't always so rosy...but also to see how many great things continue to happen today that are often trumped in the media by negative headlines. An affirming reflection as we head into a new year.

"The hardest arithmetic for human beings to master," wrote the great American working man's philosopher Eric Hoffer, "is that which enables us to count our blessings."



It's a piece of wisdom worth recalling after another year that has tested the nerve of many investors and prompted questions about what current generations have done to deserve to live in such a tempestuous stage of history.

As the year winds down (if that's the word for it!), financial markets are gripped by uncertainty over developments in the Eurozone crisis. Each day brings fresh headlines that send investors scrambling from virtual despair to tentative optimism.

While not seeking to downplay the very real anxiety generated by these events, particularly in relation to their effects on investment portfolios, it's worth reflecting critically on our often second-hand memories of the "good old days."

A Brief History of the 20th Century

Nearly 100 years ago, Europe was engulfed by a war that destroyed two centuries-old empires, redrew the map of the continent, and left more than 15 million people dead and another 20 million wounded. The economic effects were significant, with widespread rationing in many countries, labor shortages, and massive government borrowing.

Just as the Great War was ending, the world was struck by a deadly pandemic - the Spanish flu, which, by conservative estimates killed some 50 million people. About a third of the world's population was infected over a two-year period.

A little over a decade after the Great War and the pandemic, the Great Depression cut a swath through the global economy. Industrial production collapsed, international trade broke down, unemployment tripled or quadrupled in some cases, and deflation made already groaning debt burdens even larger.

In the meantime, resentment was growing in Germany over its Great War reparations to the Allied powers. Berlin resorted to printing money to pay its debts, which in turn led to hyperinflation. At one point, one US dollar converted to 4 trillion marks.

In a new militaristic and nationalist climate, fascist regimes arose in Germany, Italy, and Spain. Under Hitler, Germany defied international treaties and began annexing surrounding regions in Austria and Czechoslovakia before finally attacking Poland in 1939.



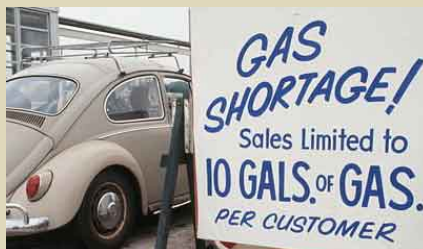
This led to the Second World War, a conflict that engulfed almost the entire globe while Japan pushed its imperial ambitions in Asia, and Germany sought to conquer Europe. More than 50 million died in ensuing conflict, including a holocaust of 6 million Jews. The war ended with the invasion of

Berlin by Russian and western forces, while Japan surrendered only after the US dropped nuclear bombs on two cities, killing a quarter of a million civilians.

In economic terms, the war's impact was profound. Most of Europe's infrastructure was destroyed, millions of people were left homeless, much of the UK's urban areas were devastated, labor shortages were rife, and rationing was prevalent.

While the thirty-five years after World War II were seen as a golden age in comparison, the geopolitical situation remained fraught as the nuclear armed superpowers, The Soviet Union and the US, eyed each other. The breakdown of the older European empires and growing east-west tensions led the US and its allies into wars in Korea and Vietnam.

The cost of Vietnam and cold wars created enormous pressures concerning the balance of payments and inflation for the US and led in 1971 to the end of the post-WWII Bretton Woods system of monetary management. The US dollar came off the gold standard, and the world gradually moved to a system of floating exchange rates.



In the mid-1970's, the depreciation of the value of the

US dollar and the breakdown of the monetary system combined with war in the Middle East to encourage major oil producers to quadruple oil prices. Stock markets collapsed and stagflation - a combination of rising inflation alongside rising unemployment - gripped many countries.

While the 1980's and 1990's were a relative oasis of calm - aided by the end of the cold war - there was still no shortage of bad news, including the Balkan wars, Rwandan genocide, and recessions in the early part of both decades.

In the past decade, there have been the tragedies of 9/11; the 2004 Asian tsunami; the 2011 Japanese earthquake, tsunami, and nuclear crisis; and now, the financial crisis sparked by irresponsible lending, complex derivatives, and excessive leverage.

Another Perspective

So from this history, it seems fairly clear that tragedy and uncertainty will always be with us. But the important point to take away from it is that previous generations have stared down and overcome far greater obstacles than those we face today. And while it is easy to focus on the bad news, we mustn't overlook the good either.



Alongside the wars, depressions, and natural disasters of the past century, there were some notable achievements for humanity - like women's suffrage, the development of antibiotics, civil rights, economic liberalization, the spread of prosperity and democracy, space travel, advances in

our understanding of the natural world, and enormous advances in telecommunication. (Oh, and the Beatles.)



Today, while the US and Europe are gripped by tough economic times, much of the developing world is thriving. Populous nations such as China and India are emerging as prosperous nations with large middle classes. And smaller, poorer economies are making advances too.

The United Nations in the year 2000 adopted a Millennium Declaration that set specific targets for ending extreme poverty, reducing child mortality, and raising education and environmental standards by 2015. In East Asia, the majority of twenty-one targets have already been met or are expected to be met by the deadline. In Africa, about half the targets are on track, including those for poverty and hunger.



Alongside these gains, new communications technology is improving our understanding of different cultures and increasing tolerance across borders while providing new avenues for the spread of ideas in education, health care, technology, and business.



Through forums such as the G20 and APEC, international cooperation is increasing in the field of trade, addressing climate change, and lifting the ability of the developing world to more fully participate in the global economy.

Rising levels of education and health, and workforce participation also mean the foundations are being built for a healthier and peaceful global economy, dependent not on debt, fancy derivatives, and fast profits but on sustainable, long-term wealth building.

Anxiety over recent market developments is completely understandable, and it is quite human to feel concerned about events in Europe. But amid all the bad news, it is also clear that the world is changing in positive ways that provide plenty of cause for hope and, at the very least, gratitude for what we already have. These are ideas to keep in mind when we scan the news and long for the "good old days."

Financial Tips for Year-End Take a Quick Look to See if Any Apply to You!

As we do every year, here are some planning items you may want to consider heading into tax filing season. If you have specific questions or think one of these might work for you, make sure to consult your tax advisor - or give us a call. We'd be happy to suggest one.



Did you experience any basic life changes in 2011?

- Marital or filing status changed?
- Employment situation changed?
- Did you start a home business?
- Changes in the number of dependents?
- Verify ages of dependents - for additional benefits or credits.
- Did you retire?
- Were you the victim of identity theft or actual theft?

"Harvest" your capital losses

Do you have unrealized losses in certain investments? Consider selling some of these positions to offset long-term capital gains you may have in other positions. You can net them out dollar for dollar to neutralize your tax bill.

Don't "Harvest" your capital losses

If you're in the lowest two marginal tax brackets (i.e. retirees on fixed incomes), don't harvest your losses. You're already in a 0% long-term capital gains bracket. Save the losses for the future if you can.

"Harvest" your capital gains

If you're in the lowest two marginal tax brackets (i.e. again, retirees on fixed incomes are a good example), consider selling certain positions with unrealized long-term capital gains. You are in a 0% long-term capital gains bracket. No telling how long the capital gains tax rates will be zero for you. (important note: make sure you don't sell so much that you jump into the next marginal tax bracket!)



Make your charitable contributions by year's end

Do something good for someone else - and get a tax deduction at the same time. Remember you can deduct donations of stock, cash, or goods. Look out for employer programs that will match your donation and make an even

greater impact on your favorite charity.

Prepay deductible expenses

Consider making your January mortgage payment in December. By doing so you'll have made 13 payments this year and receive a slightly higher mortgage interest deduction.

Spend what's in your flexible spending account

If you have one, you'll need to spend the entire balance before the end of the year (or if your plan allows it, before whatever longer grace period expires) since the FSA is a "use it or lose it" benefit offered by employers. Be careful, the definition of what you can use these funds for has changed slightly this year!

Review your investment portfolio

Check how your investments have done for the year. Are you on track with your financial objectives? Do you even have financial objectives? It may be time to consider getting a fee-only advisor to assist you in the process. Check out www.napfa.org to find an advisor near you - simply give us a call, we're happy to help.



In the Community

Local Non-Profit Wants Your Old Computer Equipment

If you're like me, you've got old computers and computer-related equipment scattered throughout your home. Have you ever wondered how to get rid of this stuff? Well, you may want to check out a non-profit organization called Computer Recycling of Virginia (CRVA).

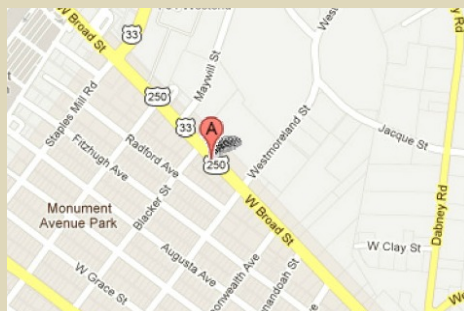


CRVA's mission is to place educationally useful equipment into Virginia's schools and non-profit organizations and promote electronics recycling through the Commonwealth of Virginia. Since

2001, CRVA has donated over 20,000 pieces of equipment to Virginia schools and diverted over 14,000 tons of "e-Waste" from Virginia's landfills.

For a list of acceptable items you can donate, [click here](#).

Drop site in Richmond:
Computer World
4619 West Broad Street
Richmond, VA 23230



In other community news, Tom Leahy has been named to the Bon Secours St. Francis Medical Center Community Advisory Board.



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