THE QUARTERLY

THE BOTSFORD GROUP – WINTER 2012 NEWSLETTER

Letter from the President

BY ERIN BOTSFORD, CFP®

Happy New Year! As we enter 2012, let us take a moment to reflect on the year that has passed. 2011 was the year of Japan's catastrophic earthquake, tsunami and nuclear disaster. It was the year in which a disgruntled fruit vendor's public suicide ignited the "Arab Spring," which toppled decades old dictatorships in Tunisia, Egypt, and Libya and led to the death of one of the most notorious and violent dictators of the past half-century, Muammar Gaddafi. In another corner of the world, another brutal dictator, North Korea's Kim Jong-il, also met his end. 2011 saw relations deteriorate between America and one of its strategic allies, Pakistan; it also witnessed the successful elimination of Osama Bin Laden after a decade long manhunt. And perhaps most importantly in the world of finance and investing, 2011 was the year of the European sovereign debt crisis—a crisis that remains unresolved.

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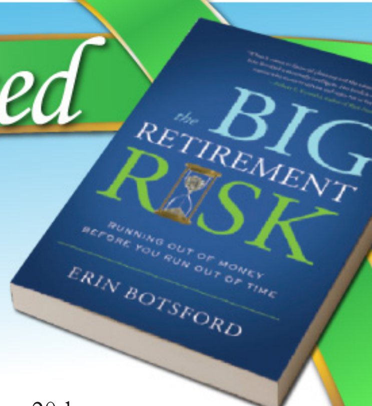
You Are Invited



Book Launch Celebration Reception
Tuesday, January 24th from 5pm – 7pm
Northwood Club
6524 Alpha Rd.
Dallas, TX 75240

Please R.S.V.P. to Nicole Denson by January 20th
Call (214) 423-4203 or email ndenson@botsfordfinancial.com

Welcome to 2012!

We are excited to ring in a New Year and especially excited about the memorable experiences that await you on The Botsford Group's cruise to the Mediterranean on the 6-star Regent Seven Seas Mariner. We will soon be announcing several surprises that are yet to be revealed about this magnificent trip.

David Morris International is honored to be collaborating with us, working together to make this a "Top Ten" trip of a lifetime. Erin is presenting two onboard lectures to all cruise guests along with book signing parties, sure to be the talk of the promenade. As one of our valued clients, should you decide to join us, you will receive exclusive invitations to Erin's hosted parties, dinners, and events in addition to receiving special pillow gifts personally selected by her.

If you are interested in joining us for the cruise, please contact Nicole Denson at ndenson@botsfordfinancial.com or 214-423-4203 for more information. See you on the MED!

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Collectively, all of these events and others contributed to making 2011 one of the most volatile years in the history of the stock market. Ironically, if you became marooned on a deserted island on January 1 and were rescued on December 31, having missed a year's headlines, you might have assumed it was an uneventful year. The S&P 500 started the year at 1,257 and finished the year at 1,257, giving an investor that stayed the course a return of exactly zero for their troubles, excluding dividends.

In years like 2011 we at The Botsford Group are grateful for our Lifestyle Driven approach to investing. Our objective is not to "beat the market" or achieve some predetermined rate of return, two objectives that have eluded investors for more than a decade. Instead, our objective is to plan for and help safeguard our clients' lifestyles by helping to secure predictable streams of income to sustain their preferred way of life.

Looking into 2012, we are cautiously optimistic. Unemployment, though still very high, declined in 2011 and early signs in 2012 are that the employment picture continues to improve. More Americans working means more Americans spending, which in turn drives more demand for yet more workers. It's a virtuous cycle.

The housing market looks to be showing mild signs of life, as well. We remember the real estate boom of the early-2000s, but we may not see conditions like those again in our lifetimes. However, the housing market does appear to be slowly getting back on its feet.

Stocks, by and large, are cheap as measured by earnings, sales, and book value. And dividends continue to be a stronger and growing focus. Investors have come to realize the benefits of being paid in cash, and many company managements have become more shareholder friendly by increasing their dividends and by using cash on hand to buy back shares. Overall, investors and management alike seem to be taking a more sober view of the markets, viewing stocks more as a longterm, wealth building vehicle and less as a get rich quick scheme. I view this as a welcome development and am glad to see it.

But although I see much to give me optimism, I also see quite a bit to give me pause. Europe's debt crisis is still unresolved, and we can likely expect 2011's volatility to continue into 2012 until a resolution occurs. Unfortunately, it's difficult to see what the end result will be for Europe. Debts must be repaid, which likely means more pain and austerity for its citizens. Japan—which best-selling author John Mauldin has called "a bug in search of a windshield"—may be in for a debt crisis of its own. Japan's debts make Europe's look miniscule, and the country's aging demographics may be described as a death spiral. A crisis in Japan could almost certainly spill over into American markets, just as Europe's has.

Adding to the list, the Middle East is also flashing warning signs. Iran has threatened to close the Straits of Hormuz, which would likely create an energy crisis similar to that of the 1970's and possibly another costly war for America.

In summary, there are still economic issues of concern, which is why our game plan remains unchanged. We will stay committed to our investment philosophy to help secure our clients lifestyles first, and then address capital appreciation. We believe to do otherwise in this uncertain environment would be less than prudent.

We are looking forward to another year of helping our clients get what they want out of life–to plan for and eventually enjoy the retirement lifestyle they have worked so hard to achieve!

3 Tips to Lower Your Energy Costs Year-Round

Winter weather has been erratic at the start of the New Year, with wild temperature swings in several parts of the country. Summers can be equally unpredictable—as can spring and fall, for that matter—but one thing that you can count on is that your utility company will send the heating and cooling bills like clockwork. Here are three quick tips to help you keep energy costs low year-round, and help the environment in the process:

Get a Tune-Up. Have your central heating and air conditioning system checked twice a year—once in the spring and once in the fall—to ensure that it will cool and heat properly when temperatures are more extreme. Make sure filters are changed, the evaporator coil is free of build-up, and the outside condenser coil is clean to reduce the discharge pressure on the compressor. Doing so will ensure that your system operates at a higher capacity, keeping energy consumption low. Regular maintenance will also prolong the life of your A/C unit and heat pump, helping you save on repair and replacement costs.

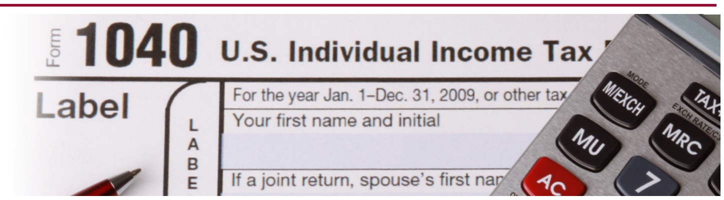
Seal Off Spaces. Close vents in closets, pantries, and other low-traffic areas of your house. Also, close doors to closets, laundry rooms and any unused spaces to avoid heating or cooling more square footage than is necessary.

Optimize Your Attic. If you have an attic, install a fan to help keep the house cool in the summer by removing hot air above your living space. Insulating the cooling ducts that pass through the attic can also minimize heat build-up inside your house.

Other small fixes, like turning off your pilot light in the summer, insulating your water heater, and adding weather stripping around all windows and doors can also add up to big savings when it comes to your utility costs. For dozens of additional tips to save money and safeguard the environment, visit the Energy Savers website from the Department of Energy at www.energysavers.gov.

Tax Update for 2012

By Bryan Strike, CFP®, CPA



It's a new year, and fortunately, this year is not like the last. In December 2010, Congress passed a new set of tax laws, which extended the Bush Tax cuts for two additional years—through 2012. They also snuck in a payroll tax cut for 2011 only.

The downside with this year is the debate about extending the payroll tax cut for 2012. Congress finally figured out what it wanted to do, sort of, and passed a two-month extension to the payroll tax cut. Therefore, the Old Age, Survivor, and Disability Insurance (OASDI) payroll tax for employees continues to be 4.2%. The employer piece is still 6.2%, so the total rate is 10.4% for self-employed individuals. The Medicare rate stays the same at 1.45% for the employee and employer or 2.9% for self-employed individuals.

Since this is a partial year extension Congress did not want high-income individuals to shift income or recognize more than the annualized OASDI threshold ($110,100 for 2012). Therefore, any individual recognizing more than $18,350 during the first two months of 2012 will recognize a 2% surtax when filing their income tax return by April 2013. (Source: IRS.gov) This provision may be adjusted if Congress decides to extend the payroll tax cut for the entire year.

Other changes are primarily due to inflation adjustments. Qualified retirement savings plans allow for deferrals up to $17,000 with a $5,500 catch-up contribution. Total contributions are now $50,000 with the $5,500 catch-up contribution. IRA contributions remain the same at $5,000 with a $1,000 catch-up.

From a tax return perspective, personal and dependency exemptions increased to $3,800, standard deductions are up $300 for married couples filing jointly or $150 for single individuals, investment taxes stayed the same, education credits stayed the same but the lifetime learning credit phase-out was increased $2,000 for married couples and $1,000 for single individuals, and the gift and estate exclusion amount increased $120,000 to $5,120,000 per person and is still portable through the end of the year. (Source: IRS.gov)

For additional details and commentary, please call your relationship manager.

New Year New Botsford Babies

Over the past year, we have welcomed several new additions to the Botsford family, as associates celebrated five births in 11 months. Please join us in welcoming these precious little ones into the world!

James Arthur Malcolm
Third son for Blaine and Heather Malcolm
April 25, 2011
7 lbs. 14.5 oz and 19¾ inches

Conley James Beckerley
Born to Zac and Holly Beckerley
October 6, 2011
6 lbs. 13 oz. and 20 inches

Brynn Lyndlie Pattinson
Born to JP and Leslie Pattinson
January 3, 2012
5 lbs. 14oz. and 18½ inches

Hannah Grace Curtis
Born to Ben and Beth Curtis
February 9, 2011
7 lbs. 10 oz. and 19½ inches

Keaton Gregory Mayhue
(pictured here with siblings Madison and Bowen)
Born to Greg and Kay Lynn Mayhue
December 17, 2011
6 lbs. 11 oz. and 19¾ inches

WATCH US GROW

We are pleased to announce the addition of Zac Beckerley to the team as a Wealth Advisor.

Prior to joining The Botsford Group in 2011, Zac worked as a financial planner for an independent firm in Dallas, Texas, where he delivered comprehensive financial planning and investment management to retirees for more than three years. He currently teaches a CFP® Board certified tax planning class for Texas A&M University – Commerce. Zac is a CERTIFIED FINANCIAL PLANNER™ practitioner and also holds his Series 65 – Uniform Investment Advisor, Series 7 – General Securities Representative, and Series 63 registrations and General Insurance License. He attended Texas Tech University, where he received a Bachelor of Science in Human Development and Family Studies and a Master of Science in Personal Financial Planning.

Zac is a member of the Dallas Fort Worth Chapter of the Financial Planning Association. Through the Financial Planning Association Pro Bono Committee, he has worked with Junior Achievement of Dallas and advised pro bono clients on everyday financial issues. Zac lives in Plano, Texas with his wife Holly, their new son Conley, and two dogs.

THE BOTSFORD GROUP

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