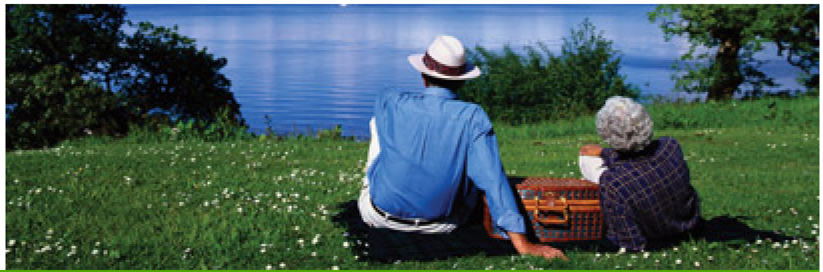

YOUR FINANCIAL FUTURE

Your Guide to Life Planning

March 2012

Our roads to success may have twists and turns and ups and downs; together we can navigate a course and enjoy the scenery along the way.

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In This Issue

Stocks in 2012: Look to the Consumer

Although consumers are not expected to go overboard in spending, moderate economic growth has helped to ease the pervasive gloom of several years ago.

Following a lackluster year-end performance in 2011, U.S. stocks, as measured by the S&P 500, advanced 8% between December 31, 2011, and February 23, 2012.[1] Although an early year surge is no guarantee that stocks will continue to advance for the remainder of 2012, investors appear willing to take more risk. What is fueling this change in attitude? Some market observers believe that better-than-expected U.S. economic reports, efforts by the European Central Bank to address the continent's sovereign and banking issues, and easier monetary policy in China and India have combined to ease investor concerns about stocks.[2]

Looking to the Consumer

Although consumers are not expected to go overboard in spending this year, the pervasive gloom that dominated Americans' thinking several years ago appears to have lessened. Currently, S&P Capital IQ recommends that stock investors overweight both the Consumer Discretionary and Consumer Staples sectors.[3] S&P Economics believes that U.S. gross domestic product, a measure of economic growth, will increase 2.1% this year, and consumer spending will increase 2.0%.

Consumer Discretionary, as the name suggests, consists of services that consumers enjoy but could live without. Examples include Cable and Satellite Television, Restaurants, and Movies/Entertainment. S&P Capital IQ anticipates that drivers of this sector will include a gradually improving U.S. economy, technology advances, continued expansion in emerging markets, and growth in digital media technology. Technology advances are making it possible for Consumer Discretionary companies to target consumers carefully, potentially increasing return on investment, especially when analyzing digital buying patterns.

An Ongoing Need

Even when economic times are uncertain, most consumers shop for staples that they use regularly. Examples of subsectors within the Consumer Staples sector include Soft Drinks, Packaged Foods/Meats, and Household Products. S&P Capital IQ believes that volume gains for Consumer Staples stocks are likely to be fueled by higher marketing expenses and robust sales in developing markets. In the minds of certain investors, Consumer Staples is considered a defensive sector that may be appropriate when the households are reluctant to purchase big-ticket items. This mindset may drive sales growth in private label goods and inhibit sales of more expensive branded items.

When crafting your portfolio, it is important to remember that investment in specialized industry sectors have additional risks when compared with a more diversified portfolio. Consider diversifying in an attempt to cushion yourself against market swings in one area.[4] Your risk tolerance and time horizon are factors to review when deciding the proportion of your portfolio to invest in stocks and other investments.

[1]*Source: Standard & Poor's. Past performance does not guarantee future results. You cannot invest directly in an index. Investing in stocks involves risks, including loss of principal.*

[2]*Source: S&P Capital IQ U.S. Sector Outlook, "Dead Money," February 23, 2012.*

[3]Sector funds may be more volatile than funds that diversify across many industries or sectors.

[4]There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not ensure against market risk.

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Tax Tips for 2012

It is important to monitor developments in Washington to make sure you understand how tax legislation could affect your situation.

When reviewing the impact of taxes on your investments, it is important to understand that many items currently in the federal tax code are scheduled to expire after December 31, 2012. Although future actions to amend tax rules are anyone's guess, keeping abreast of developments in this area may be to your advantage. Consider the following when making decisions about your investments during 2012.

- **When taking capital gains, make them long term.** Legislation passed by Congress in 2010 continues the 15% tax rate on long-term investment gains, those generated on investments held for more than one year, through December 31, 2012. In contrast, short-term capital gains on investments held for one year or less are taxed as ordinary income, where marginal tax rates currently can be as high as 35%, depending on how much you earn.
- **Tax rates on qualified dividends are subject to change.** Current tax rules maintain the favorable 15% tax rate on qualified dividends through December 31, 2012. Although dividends are not guaranteed, an allocation to dividend-paying investments may provide an ongoing source of income that can cushion the ups and downs of capital gains and losses. The opportunities are plentiful: As of February 2012, 395 of the 500 companies within the S&P 500 paid a dividend.[1]
- **Accelerate activities that generate higher taxes.** The top four federal income tax rates will be maintained at 25%, 28%, 33%, and 35% through December 31, 2012. If you are considering an activity that is likely to result in a bump in your income or a federal tax payment, you may want to complete it while the lower rates remain in effect. Examples could include converting a traditional IRA to a Roth IRA and selling real estate or a business that has appreciated significantly in value.[2]
- **Escalate gifting strategies.** Through December 31, 2012, estates valued at more than $5.12 million are subject to a federal estate tax rate of 35%. In addition, the tax code "unified" the estate tax and the gift tax, permitting an individual to gift $5.12 million between now and December 31, 2012, without triggering the federal gift tax. Rules relating to estate planning are complex, so be sure to seek counsel from a qualified attorney before taking action.
- **Capitalize on tax-advantaged accounts.** By contributing regularly to an IRA, and keeping the money invested until qualified withdrawals are made, you can benefit from tax-free compounding. With a traditional IRA, qualified withdrawals after age 70½ are taxed as income. In certain instances, if investors adhere to income thresholds established by the Internal Revenue Service, contributions may be tax deductible. With a Roth IRA, contributions are never tax deductible but qualified withdrawals after age 59½ are tax free. Maximum contributions for either the 2011 tax year (must be made by April 15, 2012) or the 2012 tax year (must be made by April 15, 2013) are $5,000 per taxpayer, plus an additional $1,000 catch-up contribution for those aged 50 and older.

There may be additional items unique to your situation, but these tax moves can help you make the most of your hard-earned dollars during 2012.

[1]*Source: Standard & Poor's.*

[2]*Restrictions, penalties, and taxes may apply. Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted.*

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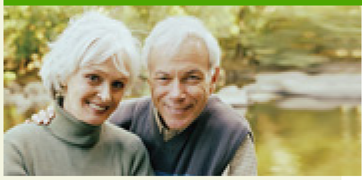

In Volatile Markets, Investors May Find Comfort in Dividends

Dividend payouts are often seen as a sign of a company's financial health and management's confidence in future cash flow.

As uncertainty at home and abroad roils the financial markets, income-minded investors seeking protection from the bumpy road ahead may find dividend-paying stocks offer an attractive mix of features and warrant a place in their equity portfolios.

The appeal is simple: Dividend-paying stocks can provide investors with tangible returns on a regular basis regardless of market conditions.

The Benefits of Dividend-Paying Stocks

If you own stock in a company that has announced it will be issuing a dividend, or if you are proactively considering adding an allocation to dividend-paying stocks, history provides compelling evidence of the long-term benefits of dividends and their reinvestment.

- **A sign of corporate financial health.** Dividend payouts are often seen as a sign of a company's financial health and management's confidence in future cash flow. Dividends also communicate a positive message to investors who perceive a long-term dividend as a sign of corporate maturity and strength.
- **A key driver of total return.** There are several factors that may contribute to the superior total return of dividend-paying stocks over the long term. One of them is dividend reinvestment. The longer the period in which dividends are reinvested, the greater the spread between price return and dividend reinvested total return.
- **Potentially stronger returns, lower volatility.** Dividends may help to mitigate portfolio losses when stock prices decline, and over long time horizons, stocks with a history of increasing their dividend each year have also produced higher returns with considerably less risk than non-dividend-paying stocks. For instance, since 1990, the S&P 500 Dividend Aristocrats -- those stocks within the S&P 500 that have increased their dividends each year for the past 25 years -- produced annualized returns of 11.04% vs. 8.23% for the S&P 500 overall, with less volatility (14.14% vs. 15.22%, respectively).[1]

The Growth of Dividend-Paying Stocks, 1950-2011[2]

If you are considering adding dividend-paying stocks to your investment mix, keep the following thoughts in mind.

- **Dividend-paying stocks may help diversify an income-generating portfolio.** Income-oriented investors may want to diversify potential sources of income within their portfolios. Given current realities present in the bond market, stocks with above-average dividend yields may compare favorably with bonds and may act as a buffer should conditions turn negative within the bond market.
- **Dividends benefit from continued favorable tax treatment.** The extension of the Bush-era tax cuts helps to reinforce the current case for dividend stocks. The tax bill that passed in late 2010 extended the 15% tax on qualifying dividends and other forms of investment income through December 31, 2012.

Note that dividends can be increased, decreased, and/or eliminated at any time without prior notice.

[1]*Volatility is measured by standard deviation. Past performance is no guarantee of future results.*
[2]*Source: Standard & Poor's. Stocks are represented by the S&P 500, an unmanaged index considered representative of the broad U.S. stock market. For the period January 1, 1950, through December 31, 2011. Past performance is not indicative of future results. Investors cannot invest directly in any index.*

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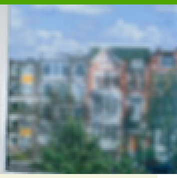
The Search for Income | Q4 2011

The Search for Income publication is a quarterly guide to our best ideas for income-producing securities and strategies. This publication offers active and passive income suggestions from our current mutual fund recommended list, along with suggested exchange-traded products (ETPs). Many of the asset classes/sectors can be used individually or in a diversified portfolio, and several are currently employed in our model portfolios.

Fixed income markets continue to provide opportunity for investors. Our top ideas for income generation are the following:

- High-Yield Bonds (Taxable and Tax-Free)
- Emerging Market Debt (EMD)
- Investment-Grade Corporate Bonds
- Preferred Stocks
- Build America Bonds (BABs)

For the complete client report, please click here.

For working women, employer-sponsored retirement plans, such as a 401(k) or 403(b), are probably the most important saving and investing tool they will ever use.

Financial Confidence a Chief Concern for Women

Women seem to be of two minds when it comes to their relationship with money and investing. On the one hand, two-thirds of women polled recently consider themselves to be the "CFOs" of their households -- strong, even dominant, managers of family finances.[1] Yet another study found that women are significantly less confident about making their own investment decisions than men.[2]

Whatever the reasons, there are real, tangible reasons why gender plays a critical role in an individual's long-term financial well-being.

The Gender Gap -- A Reality Check

Here are the facts. Generally speaking, women earn less than men, live longer than men, and often take time out of the workforce to have children or to care for aging parents. As a result, women are often playing "catch up" when it comes to saving for important life goals, such as funding their own retirement.

	Men	Women
Life expectancy at age 65	17.2	19.9
Average wage differential	$1.00	$0.77
Receive pension benefits	43.2%	29.4%
Average annual pension payout	$19,557	$12,127

Sources: CDC, National Center for Health Statistics, National Vital Statistics Report, August 2009 (based on 2006 and 2007 data); Institute for Women's Policy Research, September 2010; Employee Benefit Research Institute, "Retirement Annuity and Employment-Based Pension Income, Among Individuals Age 50 and Over: 2008" (most recent data available).

Beating the Odds

Despite these challenges, all women -- whether single, married, or divorced -- should make planning for retirement a lifelong endeavor. No matter what your age or situation, it's important to start planning for your future now. Here's how to get started.

- **Have a clear picture of your current finances.** Create a net worth statement that defines your assets minus your liabilities. In order to determine if your net worth is appropriate for your age, income, and personal circumstances, you'll need to analyze your spending and saving habits and create a workable monthly budget.
- **Save as much as you can.** For working women, employer-sponsored retirement plans, such as a 401(k) or 403(b), are probably the most important saving and investing tool they will ever use. In 2012, most individuals enrolled in such a plan can put away up to $17,000, plus an extra $5,500 in "catch up" contributions for those aged 50 or older. Traditional and Roth IRAs offer another way to save for retirement, even if you're married and don't work outside of your home.
- **Be realistic about how much it will cost to live.** The costs of health care, housing, and many other basics are rising faster than the overall cost of living, Be sure to factor that reality into your overall financial plan.

[1]*Source: Women & Co., March 2011.*

[2]*Source: MassMutual Retirement Services, March 2011.*