

## *Celebrating our 28th Year*

2012



**Meg Green, CFP®**  
*Founder and CEO*  
*Meg Green & Associates*

### *Dear Client/Friend,*

I hope this finds you well and ready for a great year. We surely are, in spite of these strange times. With crazy excesses in weather, extreme anger and ugliness in politics, fear of blowups worldwide and the continued shock of how low some can go to deceive and prosper, one has to ask, has the world changed? Has human nature? Is it really different this time? It always feels that way in the downside of cycles. There's always a first, a worst...a scariest. But as one who always looks to the bright side of things, I contemplate the eventual upside of this cycle with enthusiasm. There surely will be some new bests. Some wows. Some fixes. There will be an upside. It's the timing we struggle with, and of course the possibility of any black swans.

Somehow, though, it all comes back to basics and patience. If we've just experienced winter, spring can't be far behind. We're already seeing seedlings in the economy, which is encouraging. Todd, with Hugo, will endeavor to "bring it home" to you regarding the investment landscape.

We are also, like many businesses today, on a growth path in that we're focused upon adding additional services for our clients. As Wealth Managers and fiduciaries, our job is to help manage portfolios as well as quarterback our clients' financial life, along with their business, legal and tax advisors. Our comprehensive goal is to have as many bases covered as possible, few unanticipated surprises and a smart, easy "ride".

To that end, we're looking to further develop three areas of our practice this year. First, we're working to expand upon our research and investment capabilities for all the obvious reasons. We're also looking to add to our currently limited banking services, including investment banking, which many of you have approached us to provide in the past. Thirdly, we're looking to expand our Private Trust Service relationships, for now or down the road; for insurance trusts or as successor trustees to watch over the family when necessary. For those who wish, it will allow us and your other professionals to remain as your family's advisors, while any trust needs are met by a corporate trustee. We firmly believe a multigenerational approach to wealth management is crucial. Personally, I sleep well at night knowing this team will be there for my family, if needed. If you haven't yet, please introduce us to your children or grandchildren for mentoring, friendship and anything else we can do to help your family. That's what we're here for. Stay tuned, as we'll surely inform you as we stretch and grow. We're excited about 2012.

On behalf of our whole team, we wish you much peace and happiness, and the most positive of thinking. It's been said that wealth is a state of mind, more than a material gain. Sometimes, so is good health. Here's to being healthy and wealthy in 2012. Enjoy the newsletter, and thanks for being there.

Warmest regards,

A handwritten signature in blue ink, appearing to read 'Meg Green'.

Meg Green, CFP®  
CEO Meg Green & Associates

# Market Overview 2011



By: **Todd Battaglia**  
*President*

Once again, markets provided a wild year of gyrations, but this time, with little to show for it as US stocks spent nearly as many days below 12,000 on the Dow as it did above it, 116 days vs. 136 days, respectively. Meanwhile, international stocks fared much worse as the world spent the second half of the year fretting over potential outcomes of the European Debt Crisis. The tale of the tape is highlighted below:

2011 MARKET RESULTS		
INDEX	MARKET	RETURN
S&P 500	US Stock	2.11%
Russell 2000	US Small Cap Stock	-4.18%
MSCI EAFE	International Stock	-12.14%
MSCI EAFE EM	Emerging Mkt Stock	-18.42%
BarCap Aggregate	Gov't/Corp Bond	7.84%
BarCap Municipal	Municipal Bond	10.7%

*Source: FactSet, Zephyr and Morningstar as of 12/31/11*

*Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs and expenses. Past performance is not a guarantee of future results.*

One of the nice surprises of 2011 was the resiliency of the bond markets especially municipal bonds (munis). Several market pundits, turned doomsayers, predicted devastation and massive defaults for munis sending prices plunging in the first quarter of the year. In the end, defaults were actually way down from the year before, and state revenue collections were up nicely as munis staged an impressive rally. The lesson here is not to take the "talking heads" on TV too literally as they have a tendency to sensationalize. Remember this as we ride the waves of news stories and special reports in 2012...a tsunami of opinion and rhetoric is probably swirling from across the Atlantic right now.

## What should one expect in 2012?

When it comes to investment opportunity, it appears that there is "no place like home". Historically speaking, elections years are only second to pre-election years for market returns as both political parties promising brighter tomorrows boost American's confidence. Also, an accommodating Federal Reserve that is maintaining 0% short-term interest rates, flattening the yield curve via operation twist, and promising to keep rates low for 2 more years is incredibly bullish for stocks. My economics professor (Philadelphia Federal Reserve President, Charles Plosser) taught me that you "Don't Fight the Fed." With US stocks priced at approximately 20% cheaper than their historical averages and yielding more than the 10-year Treasury, surprisingly, this may be a nice year for stocks (JP Morgan, January 2012).

This may also be the year that US investors jump off the pile of cash that's been building since the Great Recession started (cash is currently about 20% of household financial assets) as cash vehicles are yielding close to nothing with no hint of that changing soon. In this low, stable interest rate environment, there are several income investments that can assist clients looking for more cashflow in the New Year, see [Is Cash King?](#) to learn more.

We are watching the situation in Europe closely, too. Capital markets should continue to be volatile in the first half of the year as the world watches and reacts to every single news report (material, or immaterial) coming out of Europe. While we don't have the crystal ball to know what's going to happen, we feel strongly that our dynamic investment process that emphasizes a professionally managed, diversified portfolio of stocks, bonds, alternatives and real estate has worked well in these uncertain times and is up for the challenges that lay ahead([checkout \*Portfolio Management in the 21 Century\*](#)).

We look forward to working with you in the New Year and continuing our mission to protect and grow your wealth. Every year has its unique set of challenges and opportunities and we feel confident that our combined experience of over 150 years will help investors navigate successfully through whatever lies ahead.

# Is Cash King?

The risk-averse investor sitting in cash may be in a “riskier” position than they realize. After suffering through low and declining interest rates for over 2 years and no end in sight, cash is beginning to feel like an anchor instead of a cushion of safety or for opportunity. The chart on the right highlights the plight for conservative investors.

## CDS VS. MUNIS

	INVEST IN CDS	INVEST IN MUNIS
Initial investment:	\$1,000,000	\$250,000
Rate of interest:	.52%	2.82%
Annualized income:	\$5,200	\$7,050
Tax bill:	\$1,716	\$0
After-tax income:	\$3,484	\$7,050

Source: Putnam Investments, Bankrate.com and Barclay Capital Market Bond Yield-To-Worst 12/31/11.

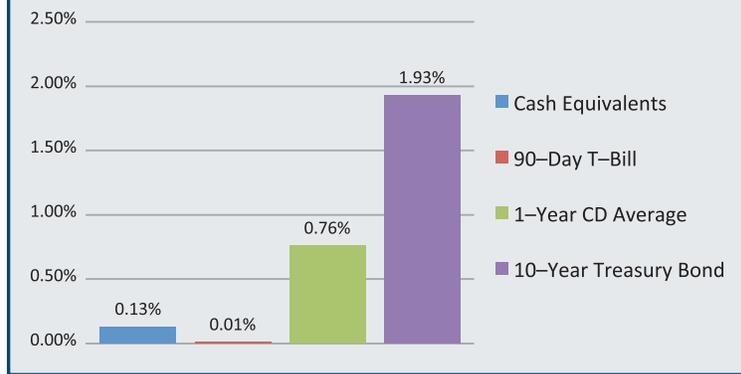
Perhaps, for some, it is time to consider the potential rewards of dialing up risk a notch or two. The CD vs. Muni hypothetical comparison above offers compelling motivation: In this example, it would take a relatively modest investment in municipal bonds (\$250,000) to generate approximately twice the after-tax income on a \$1,000,000 investment in CD's. Making matters worse, after factoring in taxes and inflation, the CD investor is actually losing money in real terms. While cash investments may help preserve principal in the short-run, failing to protect purchasing power over time can also be a risk.

## Municipal bonds are just part of the story.

The following chart, *Potential Income Opportunity*, highlights the different types of investments that we use to generate income in portfolios and where they fall on the risk spectrum.

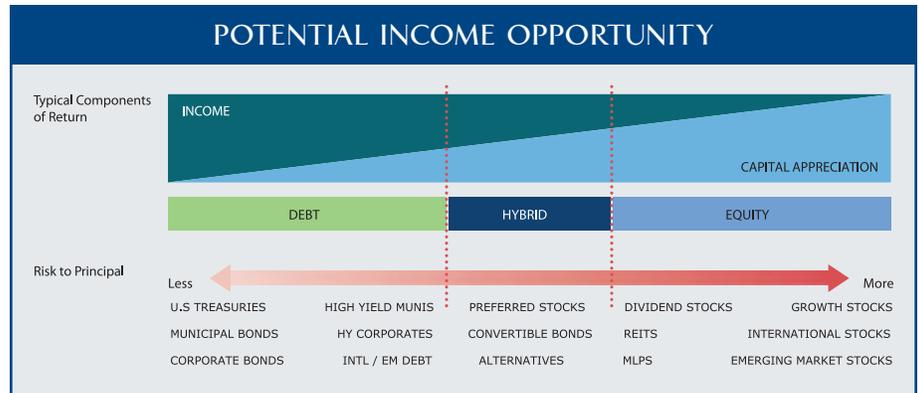
For too many years, investors have been waiting for the rates to turn up or markets to settle down and in the meantime missed out on potentially much higher income returns. Moving money from bank to bank to maintain FDIC limits and in search of the highest CD yield may be an exercise in futility. Perhaps it's time to consider redeploying “parked” assets into a more productive income allocation strategy. The risks are higher than cash of course, but a carefully positioned strategy designed for your comfort level, time horizon and income goals could make a world of difference to your portfolio and more importantly your pocket book. Our investment team has extensive experience in this area and can help explain the various options and design a custom strategy that fits you.

## SLIM PICKINS' FOR CONSERVATIVE INVESTMENTS



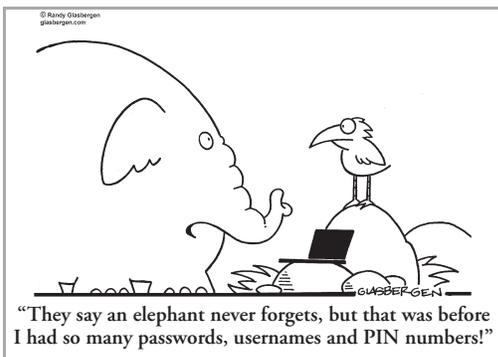
Source: Bloomberg and MorningStar

## POTENTIAL INCOME OPPORTUNITY



Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Please note that individual situations can vary, therefore, these strategies may not be suitable for all investors. The information presented here should only be relied upon when coordinated with individual professional advice.

## Something to think about



Do you know how many different things in your life require a password? It's an eye opener.

Many of us, for the sake of ease and memory, utilize one word (the dog's name?) and go with it on everything. That's not ok, these days. It's more protective to have both letters and numbers in your password, (Fido138), and to change them up from time to time, just to be extra safe.

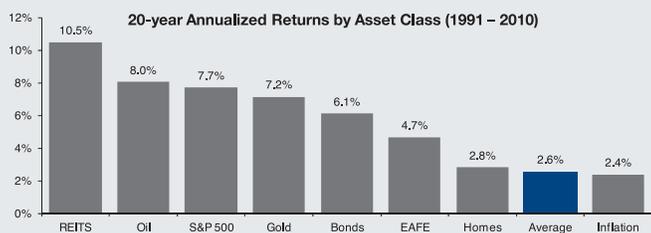
**Who can remember all of those?** And who would have your current passwords if you were suddenly compromised? Finding the Holy Grail could be easier than making it through the maze of different accounts and passwords to unlock them, if necessary.

Think about where you can keep this information...that doesn't need a password. Perhaps keep a notebook, with easy codes if you wish, in a personal filing cabinet or secret drawer (that you can share), and be sure to change the data every time you change a password. **Just in case.**

# Portfolio Management in the 21st Century

Today, investors need to recognize that their portfolios and how they are managed need to adapt to the world we live in. A sign that this has yet to happen can be found in the chart below.

## THE AVERAGE INVESTOR IS BELOW THE AVERAGES



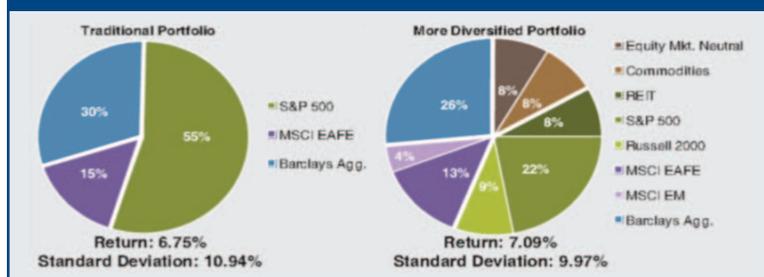
Source: J.P. Morgan, 2011. Past performance is no guarantee of future results.

At Meg Green & Associates we have responded to these challenges brought on by globalization of markets. Consider just a few of the portfolio management enhancements we have made in recent years:

### ⇒ Increased Asset Class Diversification

This can potentially help to increase returns and reduce risk as demonstrated in the chart below, [Maximizing the Power of Diversification](#). Today our portfolios go beyond US stocks and bonds to include high yield corporate bonds, high yield municipal bonds, preferred stocks, convertible bonds, international stocks and bonds, emerging stocks and bonds, real estate, and alternatives. The grouping of investments in each client portfolio is truly customized to each client's unique set of goals and circumstances.

## MAXIMIZING THE POWER OF DIVERSIFICATION (1994-2011)



*There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. No investment strategy, such as asset allocation, can guarantee a profit or protect against loss in periods of declining values.*

## Hurry up and slow down

The average investor has **only** outperformed inflation in this recent 20 year period (and that's before taxes!). Why? In the 80's and 90's investors were spoiled by a raging Bull market and a sky's the limit mentality, CNBC playing in every deli, dry cleaner, and doughnut shop should have been the signal that black swans were circling. Discouraged and confused by unfamiliar market volatility from 2000-2002 and 2008, investors have resorted to a tried and true way of **losing** money, making emotionally-charged investment decisions in pursuit of a portfolio elixir. The truth is that investors, left to their own devices, tend to seek the wrong thing. It's not the next great investment that is going to "fix" the portfolio, but the adherence to and confidence in a well-defined investment process that is dynamic and flexible. The bullish 80's and 90's masked the importance of this, but today it appears more vital than ever.

### ⇒ Increased Focus On Risk Management

This is critical for helping investors curb their innate tendency to "fight or flight" when markets get volatile. Depending on your individual situation, we adopt traditional and non-traditional risk management techniques into your portfolio. Our goal is to seek strategies that help smooth out portfolio volatility and provide some comfort when world events are not cooperating.

### ⇒ Enhanced Portfolio Tax-Management

This is a special strength of ours as we have been guiding wealthy investors for over 27 years on managing their investments. Taxes are a fact of life, and our investment process is hard-wired to account for and reduce the tax-bite from a portfolio point of view. Our approach emphasizes the following; the use of tax-managed and tax-preferenced investments, tax-overlay money managers, tax-loss harvesting, interactive relationships with CPAs and other advisors to understand the complete tax picture, and integrating personal tax issues (such as tax loss carryforwards, NOL's, charitable endeavors, etc) into the actual design and management of the portfolio.

Our investment process is dynamic and we are constantly searching for and evaluating new ideas and strategies to keep portfolios up-to-date. It is also client centric, so your involvement and feedback is essential to make sure your goals, circumstances and comfort level match your portfolio. Believe in our process and avoid being an "average investor".

By: Kevin B. McGann  
VP, Chief Operations Officer

The advent of fax machines, emails, and scanned images have made communicating practically instantaneous, these days. However, with convenience must come many words of caution.

While the main purpose of the Patriot Act of 2001 was to deter terrorism, it also established stricter guidelines for financial institutions to follow so that terrorism could not be financed through money laundering and false identities. In addition, we've seen a proliferation of scam artists looking to profit from ill gotten gains.

Our industry has since instituted stringent procedures to ensure everyone's protection, yours and ours, while our internal procedures have been established to always verify who we speak to and to confirm that any documents or inquiries we receive are directly from our clients.

So if we ask for more information or additional signatures at any point in the future, you'll know that we're not trying to make it more difficult for you...just more secure.

## Taxes...here's what we know!

- The \$5,120,000 (yes, it was indexed up for inflation this year) maximum lifetime gift and estate tax exclusion expires at the end of 2012. Without a change in the law, it will revert back to \$1,000,000. \$13,000 is still the gift exclusion...per gift.
- The ability to make charitable contributions from your IRA, without incurring income taxes, came to an end in 2011.
- For those of us still working, there will be an increase on the Social Security portion of your wage base, taking the cut off up to \$110,100 for 2012. This is up from the previous ceiling of \$106,800.
- 2012 will also see increases in the amount that you are allowed to contribute to a 401(k), 403(b), and a 457 plan. Additionally, income limit restrictions will be relaxed a bit for IRA deductibility and ROTH IRA eligibility. Check it out at [MegGreen.com](http://MegGreen.com)...and with your tax advisor.
- Many of the Bush tax cuts on capital gains rates, dividend tax rates, deductions, and income tax brackets expire at the end of this year. As always, we will continue to monitor these developments and endeavor to make sure your portfolio is properly designed around the changes as we know them.

This is just the tip of the tax iceberg! For more information on tax changes, please visit our website at [MegGreen.com](http://MegGreen.com) and click on the link in the Featured Articles section of our homepage.

## Estate planning alert...



This is not about inheritance taxes or probate; this is about control. A Durable Power of Attorney grants powers to someone to legally act on your behalf, usually under certain circumstances, and is most often executed as part of your estate plan.

Christina Allman, CFP®, has alerted us to new Power of Attorney rules recently established through the passage of Florida Senate Bill 670. This applies to any Durable Power of Attorney executed in Florida after October 1, 2011, with a few of the new rules retroactive. Her more thorough explanation of parts of this bill can be found on our website, [MegGreen.com](http://MegGreen.com). Here are a few points:

- Some powers, previously presumed, will now have to be specified and initialed when drawing up a new DPOA.
- If you have named two or more people to serve, it is now presumed any can act alone, unless otherwise specified. You may or may not want that. This one's retroactive.
- Photo copies of your DPOA, no matter when drawn, must now be accepted by financial institutions, which could be a good or bad thing.
- The new law eliminates the "springing power" feature which allows the DPOA to be in effect only when you're incapacitated. This could be worrisome.

Know exactly what current powers you're giving if you execute a Durable Power of Attorney, and be aware of what you've signed already. As always, we encourage you to consult with your estate lawyer to make sure your documents, as well as those of your close family, are in sync with your wishes.

Thank you, Christina!



## Communicating with you



We are always looking for new ways to deliver timely and relevant market information and also educate you on how world events impact your portfolio. For years now we have been offering online account reporting which many of you frequently use. We began offering WebEx online web conferencing this year for our clients who may live out of the area or travel frequently which gives us a secure way to meet and review your portfolio from the comfort of your home or office.

Some of you have found us on LinkedIn and we are currently in the process of launching our Meg Green & Associates Facebook page. While we realize these services are not new, only recently have regulatory guidelines allowed wealth advisors to establish a presence on sites such as LinkedIn, Facebook and Twitter. So 'like', 'link' or 'subscribe' to our pages on these sites to be included in the loop. Also look for our newly designed website at [MegGreen.com](http://MegGreen.com).



## Our Team



Top left to right

**Sean O'Halloran, AWMA®**, Sr. Wealth Manager; **Gigi Wright**, Executive Assistant; **Christina Allman, CFP®**, Sr. Financial Planner, Wealth Manager; **Mallory Mangrum**, Chief Information & Compliance Officer; **Kevin McGann**, VP, Director of Operations; **Todd Battaglia**, President; **Meg Green, CFP®**, Chief Executive Officer; **Jeremy Bailey**, Wealth Management Associate; **Amy Ortigosa**, Client Services Associate

Seated left to right

**Hugo Calenzani**, Sr. Investment Strategist; **Tere Spiegel**, Sr. Client Services Associate

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