



Asset Management Resources, LLC

J. Christopher Boyd, CFP®
Chief Investment Officer
One Sentry Plaza
1185 Falmouth Rd, Ste 101A
Centerville, MA 02632
508-771-8900
Toll 866-771-8901
info@amrfinancial.com
www.AMRfinancial.com

January started us off on an upswing. Hopefully, it is a predictor of the coming year. Look for your statements in the coming weeks. As always if you have any questions don't hesitate to call. Here's looking forward to a great year.

February 2012

Welcome George Fisher to AMR Retirement Plan and IRA Limits for 2012
2011 Tax Season Considerations
With mortgage rates so low, does it make sense to refinance?



eResources Review

Asset Management Resources' E-mail Newsletter

Welcome George Fisher to AMR

We wanted to introduce George Fisher as the newest Investment Advisor Representative to our growing team. George brings a variety of expertise to the firm, from personal investment planning and management to stock market analysis skills. He is a contributor on the leading financial website Seeking Alpha and the former creator of the investment newsletter Power Investing with DRIPs. George has also published two books through McGraw Hill: *All about DRIPs and DSPs* and the *StreetSmart Guide to Overlooked Stocks*. In his new role, George will assist clients with portfolio management and investment advice.

As you know we offer investment arrangements that are discretionary, nondiscretionary and third party managed. Our fastest area of growth is in discretionary investment management. George's analytical prowess in dividend stock selection enables us to continue to expand our expertise in this area and provide personalized investment services to those intent on enjoying a secure retirement. Read on for George's analysis of the stock market.

January 2012 - Equities Return Better than All of 2011; Higher Risk Fixed Income Continues Its Winning Ways

January 2012 brought out not only traditional New Year's Eve resolutions but also a strong market response for those who were resolved to have a good investment year. The S&P 500 was up 4.48% in January or about twice the Total Stock Return for all of 2011. However, many individual stocks, especially small- and mid-caps, have been screaming higher since the lows of last Oct with some up between 20% and 50%. If your objective is 10% to 12% annual Total Stock Returns, the market spike in January generated almost half the yearly goal, and value is becoming harder to find with the current market strength.

A friend recently said, "I'm sick of hearing about Greece." However, Europe's growing recession, especially in the Southern Euro-Zone, will negatively influence US and China exports, effectively slowing these economies in 2012. The markets in the first half of 2012 will continue to be volatile with an anticipated smoother and stronger second half. Stay nimble and continue to seek value where available.

Fixed income markets continue to perplex long-term income seekers. With the Federal Reserve announcing their desire to keep interest rates low until 2014, the bond market offers little in the way of inflation-adjusted income without moving up the risk scale. In addition, bond investors are beginning to show their unease with the prospects of future inflation as shown by the January outperformance of TIPS over fixed coupon Treasuries for the month. In January, Barclay's Capital TIPS Index was up +2.30% vs. Barclays Capital Treasury Index +0.42%. If the US economy continues to report progress, high-yield and municipal bonds will continue to gain attention as credit risk subsides with an expanding economic base. For the month, the Barclay's Capital Muni Index gained 2.31% while the Barclay's Capital High Yield gained 3.04%, both outstripping returns on Treasuries. The combination of capital preservation and "acceptable" income is difficult to find in today's low rate environment - and is just how the Fed wants it. More investors are turning to dividend-paying stocks, REITS, and MLPs to generate income. While a bit farther out on the safety scale than Treasuries, buying utility stocks for their yield and augmenting with a covered call strategy may be a partial solution for some income seekers willing to move up in risk. The current conundrum for fixed income investors is not unusual if viewed in the context of the 30-year bull market in bonds, starting in 1982 with rates at 14.0%, beginning to come to an end.*

*Data sourced from Morningstar Inc.

Retirement Plan and IRA Limits for 2012



A number of retirement plan and IRA limits are indexed for inflation each year. Many of the limits have increased for 2012.

Many retirement plan and IRA limits are indexed for inflation each year. Some of the key numbers for 2012 are discussed below.

Elective deferrals

If you're lucky enough to be eligible to participate in a 401(k), 403(b), 457(b), or SAR-SEP plan, you can make elective deferrals of up to \$17,000 in 2012, up from \$16,500 in 2011. If you're age 50 or older, you also can make a catch-up contribution of up to \$5,500 to these plans in 2012 (unchanged from 2011). (Special catch-up limits apply to certain participants in 403(b) and 457(b) plans.)

If your 401(k) or 403(b) plan allows Roth contributions, your total elective contributions, pretax and Roth, can't exceed \$17,000 (\$22,500 with catch-up contributions). You can split your contribution any way you wish. For example, you can make \$10,000 of Roth contributions and \$7,000 of pretax 401(k) contributions. It's up to you.

If you participate in a SIMPLE IRA or SIMPLE 401(k) plan, you can contribute up to \$11,500 in 2012 (unchanged from 2011). If you're age 50 or older, the maximum catch-up contribution to a SIMPLE IRA or SIMPLE 401(k) plan in 2012 is \$2,500 (unchanged from 2011).

Contribution limits: 2012 tax year*		
Plan type	Annual dollar limit	Catch-up limit
401(k), 403(b), govt. 457(b) plans	\$17,000	\$5,500
SIMPLE plans	\$11,500	\$2,500
Traditional and Roth IRAs	\$5,000	\$1,000

*Contributions can't exceed 100% of your income. Special catch-up rules apply to 403(b) and governmental 457(b) plans.

IRA limits remain the same for 2012

The amount you can contribute to a traditional or Roth IRA remains at \$5,000 (or 100% of your earned income, if less) for 2012, and the maximum catch-up contribution for those age 50 or older remains at \$1,000. You can contribute to an IRA in addition to an employer-sponsored retirement plan. But if you (or your spouse) participate in an employer-sponsored plan, your ability to deduct

traditional IRA contributions may be limited, depending on your income. Roth contributions are also subject to income limits.

Some other key numbers for 2012

For 2012, the maximum amount of compensation your employer can take into account when calculating contributions and benefits in qualified plans (and certain other plans) is \$250,000 (up from \$245,000 in 2011).

The maximum annual benefit you can receive from a defined benefit pension plan is limited to \$200,000 in 2012 (up from \$195,000 in 2011).

And the maximum amount that can be allocated to your account in a defined contribution plan (for example, a 401(k) plan or profit-sharing plan) in 2012 is \$50,000 (up from \$49,000 in 2011), plus age-50 catch-up contributions. (This includes both your contributions and your employer's contributions. Special rules apply if your employer sponsors more than one retirement plan.)

Income phaseout range for determining deductibility of traditional IRA contributions in 2012	
1. Covered by an employer plan	
Single/head of household	\$58,000-\$68,000 (\$56,000-\$66,000 for 2011)
Married filing jointly	\$92,000-\$112,000 (\$90,000-\$110,000 for 2011)
Married filing separately	\$0-\$10,000
2. Not covered by an employer plan, but filing joint return with a spouse who is covered	\$173,000-\$183,000 (\$169,000-\$179,000 for 2011)
Income phaseout range for determining ability to fund Roth IRA in 2012	
Single/head of household	\$110,000-\$125,000 (\$107,000-\$122,000 for 2011)
Married filing jointly	\$173,000-\$183,000 (\$169,000-\$179,000 for 2011)
Married filing separately	\$0-\$10,000

2011 Tax Season Considerations



Roth recharacterizations

Did you convert a traditional IRA to a Roth IRA in 2011, only to see the account drop in value as a result of ongoing market volatility? Wish you could go back in time so that you wouldn't have to pay tax on the value of the IRA assets that was lost in the downturn? Turns out, you can.



You don't want to pay more in taxes than you have to. That means taking advantage of every deduction and credit that you're entitled to, and recognizing potential opportunities to save. It also means staying on top of deadlines, and avoiding mistakes that could prove costly down the road. So, here are some things to keep in mind this filing season.

Due date: April 17, 2012

The due date for 2011 federal income tax returns is April 17, 2012 (April 15 is a Sunday, and April 16 is Emancipation Day--a Washington, DC, holiday). Whether you're preparing your own taxes or paying someone else to do them for you, you'll want to start pulling things together sooner rather than later. That includes gathering a copy of last year's tax return, W-2s, 1099s, and deduction records.

If you're not going to be able to file your federal income tax return by the due date, file for an extension using IRS Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*. Filing this extension gives you an additional six months (to October 15, 2012) to file your return. Don't make the mistake of assuming that the extension gives you additional time to pay any taxes due, though. If you do not pay any taxes you owe by April 17, 2012, you'll owe interest on the tax due, and you may owe penalties as well. Special rules apply if you're living outside the country or serving in the military outside the country on April 17, 2012.

There's still time to contribute to an IRA

You generally have until the due date of your federal income tax return to make contributions to either a Roth IRA or a traditional IRA for the 2011 tax year. That means there's still time to set aside up to \$5,000 (\$6,000 if you're age 50 or older) in one of these retirement savings vehicles. It's worth considering, in part because contributing to an IRA can have an immediate tax benefit. That benefit comes in the form of a potential tax deduction--with a traditional IRA, if you're not covered by a 401(k) or other employer-sponsored retirement plan, you can generally deduct the full amount of your contribution. (If you're covered by an employer-sponsored retirement plan, whether or not you can deduct some or all of your traditional IRA contribution depends on your filing status and income.)

A Roth IRA is a little different; if you qualify to make contributions to a Roth IRA (whether you can contribute depends on your filing status and income), the contributions you make aren't deductible, so there's no 2011 tax benefit.

Nevertheless, a Roth IRA may be worth considering, because qualified Roth distributions will be completely free from federal income tax.

Roth conversion regret?

Did you convert a traditional IRA to a Roth IRA in 2011, only to see the account drop in value as a result of ongoing market volatility? Wish you could go back in time so that you wouldn't have to pay tax on the value of the IRA assets that was lost in the downturn? Turns out, you can.

For example, assume you converted a fully taxable traditional IRA worth \$100,000 to a Roth IRA in 2011, but that Roth IRA is now worth only \$60,000. If you don't undo the conversion you'll pay federal income tax on \$100,000, even though the current value of those assets is only \$60,000. If you undo the conversion, you'll be treated for tax purposes as if the conversion never happened, and you'll wind up with a traditional IRA worth \$60,000--and no resulting tax bill. You generally have until the due date of your 2011 return, including extensions, to recharacterize your 2011 Roth conversion (note that special rules allow individuals who file timely 2011 returns to recharacterize up until October 15, 2012--talk to a tax professional for details).

If you do recharacterize your 2011 conversion, you're allowed to convert those dollars (and any earnings) to a Roth IRA again ("reconvert") but you'll have to wait 30 days, starting with the day you transferred the Roth dollars back to a traditional IRA. If you do reconvert in 2012, then all taxes due as a result of the reconversion will be included on your 2012 federal income tax return.

Expiring provisions

A number of key provisions have expired. So, without additional legislation, 2011 will be your last chance to take advantage of these opportunities. These now-expired provisions include increased "bonus" depreciation and IRC Section 179 expense limits that drop significantly in 2012. Additionally, 2011 will be the last year that individuals who itemize deductions will be able to elect to deduct state and local general sales tax in lieu of state and local income tax. And, both the above-the-line deduction for qualified higher education expenses and the above-the-line deduction for up to \$250 of out-of-pocket classroom expenses paid by education professionals will not be available starting with the 2012 tax year.

Ask the Experts

Asset Management Resources, LLC

J. Christopher Boyd, CFP®
Chief Investment Officer
One Sentry Plaza
1185 Falmouth Rd, Ste 101A
Centerville, MA 02632
508-771-8900
Toll 866-771-8901
info@amrfinancial.com
www.AMRfinancial.com

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.



With mortgage rates so low, does it make sense to refinance?

Historically low mortgage interest rates have prompted many homeowners to think seriously about refinancing, but there's a lot you need to consider before filling out a loan application.

Start by determining why you want to refinance. Is it primarily to reduce your monthly payments? Do you want to shorten your loan term so that you can save interest and possibly pay off your mortgage earlier? Are you interested in refinancing from one type of mortgage to another (e.g., from an adjustable rate mortgage to a fixed-rate mortgage)? Establishing a goal will help you determine if refinancing makes sense for you and which type of loan will best suit your needs.

Keep in mind that the low mortgage rates that are advertised aren't available to everyone. To get the best rate, you'll need to meet the lender's criteria. For example, you generally need to have an excellent credit score, stable income, and substantial equity in your home--e.g., 20% or more. The type and length of the loan will also affect the rate you receive--in general, the shorter the loan term,

the lower the rate. Advertised mortgage rates sometimes also include points that you'll have to pay to obtain the lower rate--each point is equal to 1% of the mortgage amount. Because so much can affect the rate you receive, it's important to shop around and compare interest rates, loan terms, and costs to make sure you're getting the best deal.

Finally, you'll need to consider refinancing costs as well as the new interest rate you'll receive. Refinancing costs may include points, closing costs, and private mortgage insurance premiums (if any) that you'll have to pay when you take out the new loan. Will you be able to recoup these costs while you still own the home? To calculate this, divide your total refinancing costs by the monthly mortgage payment savings you'll realize by refinancing. The result indicates how many months you'll need to stay in the home to recoup your costs. If you don't plan to remain in your home long enough to recoup your costs, then refinancing may not be worthwhile, no matter how low your new interest rate is.



If I owe more than my home is worth, will I be able to refinance?

Home values across the country have declined, and many homeowners owe more on their mortgages than their homes are worth. When you're "underwater" on your mortgage, it may be possible to refinance, but it will depend on your circumstances and the type of mortgage you have.

Refinancing an underwater mortgage is usually difficult, because lenders generally require that you have equity in your property. However, if you meet certain criteria, you may be eligible to refinance your mortgage through the federal Home Affordable Refinance Program (HARP). This program targets homeowners who are underwater but who are having no trouble making their mortgage payments.

To qualify for HARP, your mortgage must be owned or guaranteed by Freddie Mac or Fannie Mae, and you must be current on your mortgage at the time of the refinance. In addition, you must have made no late payments within the past six months, and no more than one late payment in the past twelve months. Other eligibility criteria also apply.

To find out if you're eligible for HARP, start by

verifying that your mortgage is backed by Freddie Mac or Fannie Mae. You can do this by visiting www.freddiemac.com or www.fanniemae.com and using their lookup tools. Once you've established that your mortgage meets this basic criteria, contact your current lender or other lenders to see if they offer HARP refinances--not all lenders do. For more information about HARP, visit www.makinghomeaffordable.gov.

Another option you might have is a cash-in refinance. With this type of refinance, you bring cash to the closing to reduce your mortgage balance and increase your home equity, enabling you to meet the lender's loan requirements. Underwater borrowers who can also afford to refinance to a shorter loan term (e.g., from 30 to 15 years) might especially benefit because they may boost their equity stake more quickly. However, home equity isn't liquid and it's possible that home values will continue to decline, sinking borrowers further underwater, so a cash-in refinance is only an option if you have substantial savings and can ride out the ups and downs of the housing market.

