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AMR, LLC

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Preparing your finances for the Fiscal Cliff

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With only 17 days until next year, the potential realities of the “fiscal cliff” are coming more clearly into focus. The bottom line, should we actually land in next year with no deal to avert the fiscal cliff, is a jump in taxes for many and reduction in the rate of government spending.

The prospective divergent implications on the US economy are pronounced. If we go over the cliff and there is no subsequent deal, a recession is expected by the Congressional Budget Office and many economists, resulting in an estimated 2% to 3% decline in the economy. If a deal comes out of Washington, many economists expect 1% to 2% economic growth. This has a meaningful impact for jobs, income, growth of wealth, and government revenues.

Given the uncertainty of whether there will be a compromise from Washington within the next couple of weeks, what’s an investor to do?

Cliff Proof Planning:

- First, don’t lose your head about the whole thing. Keep working, keep saving, keep investing. The best way to create wealth over time is to spend less than you earn, and invest for the long-term. Keep contributing to retirement plans or some manner of systematic investment, dollar-cost-averaging monthly and using any potential market declines as a buying opportunity.

How to Give Wisely

Giving to charity has never been easier. You can donate the old-fashioned way--by mail--but you can also donate online, by text, or through social networking sites. According to the National Center for Charitable Statistics, over 1.4 million nonprofit organizations are registered with the IRS. With so many charities to choose from, it's more important than ever to ensure that your donation is well spent. Here are some tips that can help you become both a generous and wise donor

Choose your charities

Choosing worthy organizations that support the causes you care about can be tricky, but it doesn't have to be time-consuming. There are several well-known organizations that rate and review charities, and provide useful tips and information that can help you make wise choices when giving to charity (see sidebar). To get you started, here are some questions to ask:

How will your gift be used? It should be easy to get information about the charity's mission, accomplishments, financial status, and future growth by contacting the charity by phone or viewing online information.

How much does the charity spend on administrative costs? Charities with higher-than-average administrative costs may be spending less on programs and services than they should, or may even be in serious financial trouble. Some charities who use for-profit telemarketers get very little of the money they raise, so ask how much of your donation the charity will receive.

Is the charity legitimate? Ask for identification when approached by a solicitor, and never give out your Social Security number, credit card number, bank account number, account pass-

word, or personal information over the phone or in response to an e-mail you didn't initiate.

There's no rush--take time to check out the charity before you donate.

How much can you afford to give?

Stick to your giving goals, and learn to say no. Legitimate fundraisers will not try to make you feel guilty, and will be happy to send you information that can help you make an informed decision rather than pressure you to give now.

Harness the power of matching gifts

Many employers offer matching gift programs that will match charitable gifts made by their employees. You'll need to meet certain guidelines--for example, your employer may only match your gift up to a certain dollar limit--and the charity may need to provide information. Check with your employer's human resources department or the charity to find out how you can maximize your donations through a matching gift program.

Put your gifts on autopilot

If you're looking for an easy way to donate regularly to a favorite charity, look into setting up automatic donations from a financial account. When donors contribute automatically, the charity benefits by potentially lowering fundraising costs and by establishing a foundation of regular donors. And you'll benefit too, because spreading out your donations throughout the year may enable you to give more, and will simplify your record keeping.

Look for new ways to give

Although cash donations are always welcome, charities also encourage other types of gifts. For example, if you meet certain requirements, you may be able to give stock, direct

Charity Rating Services

These are a few of the organizations and agencies that publish reports and charity ratings, and/or give useful tips and information to consumers on choosing a charity and giving wisely:

**Better Business Bureau's
BBB Wise Giving
Alliance, www.bbb.org**
**Charity Navigator,
www.charitynavigator.org**
**CharityWatch,
www.charitywatch.org**
**Federal Trade Commission,
www.ftc.gov**

gifts from your IRA or other retirement account, real estate, or personal property (but check with your financial professional to assess potential income and estate tax consequences based on your individual circumstances). You can also volunteer your time, using your talents to improve the lives of others in your community. And taking a "volunteer vacation" can be a fun way to involve your family and meet other people across the country or world who share your enthusiasm for a particular cause.

Use planned giving to leave a legacy

You can leave an enduring gift through your estate. For example, you might leave a will bequest, give life insurance, or use a charitable gift annuity, charitable remainder annuity trust, or charitable unitrust that may help you give away the asset now, while retaining a lifetime interest--check with your financial or tax professional regarding any

potential estate or tax benefits or consequences.

Keep good records

If you itemize when you file your taxes, you can deduct donations you've made to a tax-qualified charity, but you may need

documentation. Keep copies of cancelled checks, bank statements, credit card statements, or receipts from the charity showing the charity's name and the date and amount of the contribution. For donations or contributions of \$250 or more, you'll need a more

detailed written acknowledgment from the charity. For more information and a list of requirements, see IRS Publication 526, Charitable Contributions.

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- Plan for some short-term uncertainties by maintaining a sufficient amount of cash for emergency spending, and so you won't need to sell securities at inopportune times. By keeping these reserves, you can allow yourself to ride out the bumps with the rest of your diversified portfolio.
- Revisit your estate plan in 2013 – estate tax rates and thresholds will likely change.
- Year-end Tax Planning this year is turned upside-down. Because of anticipated higher tax rates, realize long-term capital gains this year, rather than next year when there are higher rates. Save capital losses for next year, but if there are many, offset gains with losses and carry forward losses for future use.
- Contribute to a Roth IRA instead of a taking a tax deduction in 2012 for a contribution to a Traditional IRA. This can be done in 2013 prior to tax filing in April.
- Whether to convert an IRA to a Roth IRA is more complex and subject to various considerations. Primary considerations are: do you expect to be paying a lower tax rate now while earning or later in retirement? If the answer is now, then convert to a Roth IRA. Be sure to have cash on hand to pay the taxes caused by the Roth IRA Conversion. Check with a qualified tax advisor for the best tax tips.
- Do charitable giving. Because we don't know what, if any, limitations to deductions may come with a deal, it seems reasonable to make charitable contributions sooner rather than later, particularly for the wealthy.
- Portfolio design revisions – Consider where you hold which investments. For example, it may make sense to hold income generating assets (dividend paying stocks, corporate bonds, etc.) in your retirement accounts, so that income is not taxed unless withdrawn. Conversely, focus on growth stocks, not dividend stocks, in taxable investment accounts. Tax-free municipal bonds may take on greater appeal for those in higher tax brackets.
- Tax Deferral will become more attractive for those in their peak earning years. Life insurance and annuity products can have higher costs and the potential for long surrender charges, so use of such products should be deliberate and well informed, however, these could be useful tools to postponing or even potentially avoiding some taxation.

Are markets poised for a tumble? It seems likely that uncertainty caused by Washington's dysfunction may result in a temporary slowdown in the economy, but it is important to keep in mind the long view. Will companies continue to be profitable, and will market prices recognize that profitability? The likely answer is "yes." Eventually, investors will benefit by taking risk. How long before they are compensated for those risks can vary, but as we look out several years, it certainly seems likely that taking risk will be rewarded, particularly with ownership of equities. It's okay to be a bit tactical on the edges right now, but don't just run scared.

With only a couple weeks remaining in the year, there is much to consider with your investments and planning. Take a little time now, the long-term results could pay dividends for years.

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Tune in to "Something More with Chris Boyd" WXTK 98.5 FM, Sat. at 3pm

AMR is in their new location !



Chris and Kristen on the day we moved into our new office.



As I am sure you know by now we have moved the Centerville office down the street to Hyannis. We are down the street next door to CVS.

Our new address is: Centerville Gardens, 1060 Falmouth Rd, Suite B2, Hyannis MA.



Jennifer hard at work in a sea of boxes.



The wonderful gang from Vanguard Moving Services. They were so helpful !



George, Chris, Mike, Jennifer, Kristen and Consuelo

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