

For the Week December 19, 2011

THE MARKETS

U.S. stocks rallied Thursday after the release of strong U.S. economic data, snapping a three-day losing streak created by euro worries. Jobless claims fell to a three and a half year low last week, and factory activity in parts of the Northeast U.S. picked up in December. The rally continued early on Friday, but the session finished with only modest gains after more warnings about how Europe's sovereign-debt crisis could affect the U.S. For the week, the Dow lost 2.54 percent to close at 11,866.39. The S&P fell 2.79 percent to finish at 1,219.66 and the NASDAQ dropped 3.46 percent to end the week at 2,555.33.

Returns Through 12/16/11	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.54	5.24	5.98	13.16	1.81
NASDAQ Composite (PR)	-3.46	-3.68	-3.11	17.14	0.79
S&P 500 (TR)	-2.79	-1.05	0.19	12.56	-0.98
BarCap US Agg Bond (TR)	0.63	7.72	8.87	7.11	6.43
MSCI EAFE (TR)	-4.01	-14.79	-13.25	7.14	-5.17

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, BarCap US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Recessions – The U.S. has survived 13 recessions during the past 75 years, an average of one every 5.8 years (source: National Bureau of Economic Research, BTN Research).

As The Economy Goes, So Go Babies – The greatest number of births in a single year in the history of the United States was 4.32 million in 2007, completing five consecutive years of increasing births in the country. Since 2007, the total has fallen three straight years to 4 million in 2010 (source: Centers for Disease Control, BTN Research).

You Start On Monday – There were 3.35 million job openings nationwide at the end of September 2011, an increase of 225,000 job openings from just one month earlier (source: Department of Labor, BTN Research).

WEEKLY FOCUS – Give the Gift of Education

If your holiday shopping includes finding gifts for pre-teens, teens and young adults, your selection may receive a lukewarm response. Most of us have difficulty choosing gifts for this age group, and we resort to including the gift receipt so the item can be exchanged.

With the nation still focused on frugality, 2012 may be the perfect year to rethink what you're giving your children or grandchildren for birthdays, holidays and graduations. Rather than agonize over a present that meets their approval, opt for the gift of education with a contribution to their college fund.

The latest Hartford Financial Services Group study found 65 percent of grandparents surveyed intend to contribute financially to their grandchildren's education. Yet less than a third have discussed a plan with their children. Rules for certain types of college funding vehicles, such as 529 plans and Coverdell Savings Plans, require family members to coordinate their contributions to stay within plan limits.

College costs have been increasing for many years, often at a rate higher than inflation. The College Board said the average cost for one year at an in-state public college is \$17,131 for the 2011-2012 school year (including tuition, fees, room and board). The total one-year cost has increased 6.1 percent per year over the past 30 years. If that same rate of inflation continues, then a first grader today will pay \$153,000 for his or her four years of education at an in-state public college during the years 2023-2027.

If you already have a plan in place for your child or grandchild's college education, then consider contributions to savings accounts for extra educational incentives such as funding for study abroad opportunities, postgraduate education or an all-inclusive vacation reward after they receive their college degree.

Call our office to discuss ways you can start a 2012 plan to help your child or grandchild save for college. We are happy to include multiple family generations in those discussions. And sure, your teenager may be less than enthusiastic about a contribution to a college fund for the holidays – but chances are he may not like his other gifts either!

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI#430551