



Registered Investment Advisor

Index Returns

Fourth Quarter 2012

- S&P 500 -0.4%
- Dow Jones Industrial 0.1%
- Russell 2000 1.9%
- EAFE (Int'l Index) 6.6%
- Barclays Cap Agg. Bond 0.2%
- S&P GSCI Commodity Ind -3.3%
- DJ US Real Estate Index 2.0%

MANAGER of the YEAR

T. Rowe Price Capital Appreciation Fund (PRWCX)

PRWCX is a balanced fund that ARS utilizes for smaller accounts. This fund's manager was recently awarded Morningstar's Allocation Manager of the Year award based on his 2012 performance earning Morningstar's highest 5 Star rating.

Cliffs, Ceilings, & Deficits !!! – Tony Anderson, President

Given all the recent talk about the Fiscal Cliff, Raising the Debt Ceiling, and the Budget Deficit, I thought it would be beneficial to review some of the actual numbers and discuss how ARS is working to grow and protect your money.

The U.S. didn't arrive in its current financial state overnight and as you'll see from the charts and tables below the reckless spending and lack of financial discipline that got us here crosses multiple administrations and party leadership.

Unfortunately, much of the volatility and uncertainty that we face today in trying to make investment decisions is a by-product of the ineptitude and lack of leadership in Washington (from both parties). We witness the stock market move dramatically one direction in response to one politician's comments only to watch it move dramatically the other

direction 15 minutes later based on another politician's comment. Given the seriousness of the financial issues our country faces, we need all the politicians in Washington to grow up and address the problems head-on. As a firm, our approach to dealing with the uncertainty coming out of Washington, is to position portfolios in a way to minimize volatility, while still capturing a majority of the upside growth.

U.S. Federal Debt:

The chart below shows how the U.S. Debt has grown over the past 45 years.

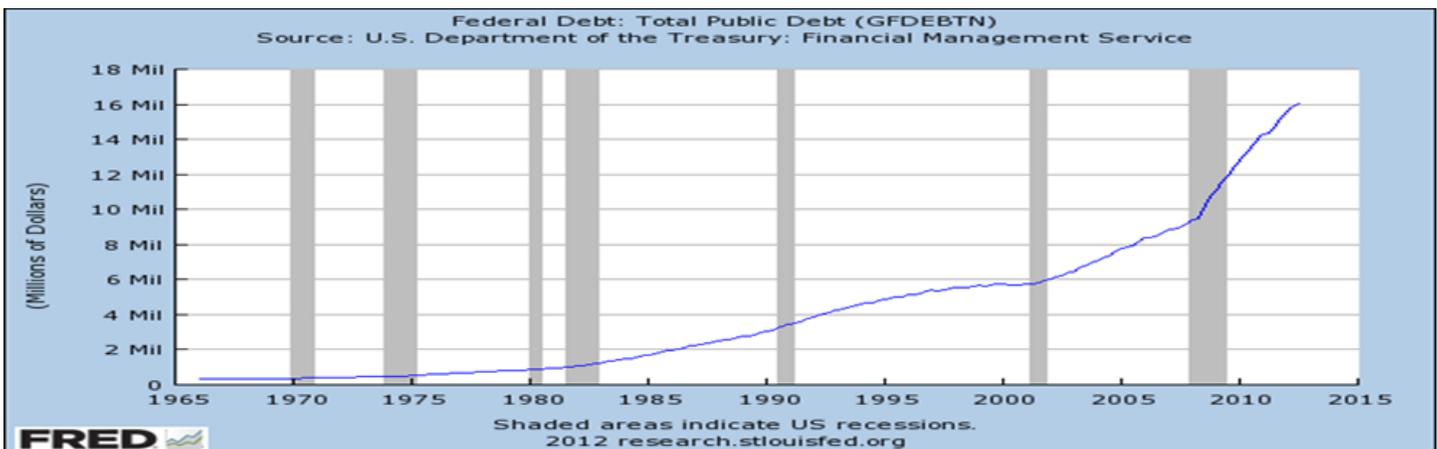
Over the past ten years, the federal debt has increased by more than \$10.0 trillion to \$16.43 trillion. That is "trillion" with a "T". At current rates over the next 5 years, the U.S. Treasury projects that the US debt will increase by another \$6.1 trillion to \$22.5 trillion. This year, the Federal Government

will spend \$265 billion dollars on interest alone.

Budget Deficits:

The easiest way to understand budget deficits is to think about your own finances. In your home you have to live within your means. But, thanks to credit cards and debt, if you choose to live beyond your means you can for a period of time 'til the credit card gets "maxed out". Our government isn't any different. It has money coming in (from taxes) and it has money going out (spending). If it has more going out than coming in, it is running a "budget deficit". Like individuals, the Federal Government can make up the difference by borrowing (issuing debt). Also like individuals, if it keeps borrowing and borrowing, at some point the Government will reach its limit and find it more difficult to meet its obligations.

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ARS Wealth Advisors has made a strong commitment in talent, resources, and technology to address the financial needs of affluent individuals and their families. ARS is committed to finding solutions for building and preserving wealth for our clients. ARS offers objective, independent fee-only investment advice to our clients. We are able to offer choices and flexibility that many other investment managers can't even consider. ARS has been managing assets for our clients since 1997. Our affiliation with Spoor & Associates, P.A., a CPA firm with over 35 years experience, means we have the knowledge and expertise to handle our clients' unique financial needs.

If you would like additional information about the services offered by ARS Wealth Advisors, please contact us at (727) 322-7681.

111 2nd Avenue NE, Suite 1600
St. Petersburg, FL 33701

Phone: 727-322-7681 Toll Free: 888-322-7681
Fax: 727-345-3116 www.arswealth.com

Anthony Anderson, MBA President & CEO tony.anderson@arswealth.com	G. Kurtis Ulrich, CFA VP Senior Portfolio Manager kurt.ulrich@arswealth.com	Andrew Swenson Chief Investment Officer drew.swenson@arswealth.com	James Serrano Dir. of Business Development james.serrano@arswealth.com
F. Gordon Spoor, CPA, PFS - Principal Robert J. Riley - Principal	Nate Goad Portfolio Manager nate.goad@arswealth.com	Lois Conger Operations Manager lois.conger@arswealth.com	Felicia Fortosis Operations Associate felicia.fortosis@arswealth.com

Cliffs, Ceilings, & Deficits !!! (cont'd. from pg. 1)

The table on the right, reflects how much the Federal Government has been living beyond its means over the past twelve years and the impact it has had on our total outstanding debt. The reason this topic is so important, is that the resources (our money) that will be used to pay back this debt and the interest owed on it, would otherwise have been used to help grow the economy. The ever increasing federal debt burden will act as a perpetual drag on the U.S. economy.

Rational Optimist:

It's no wonder that people feel more pessimistic than ever. The following quote from the book *The Rational Optimist* by Matt Ridley helped broaden my perspective: "Life is getting better-and at an accelerating rate. Food availability, income, and life span are up; disease, child mortality, and violence are down-all across the globe. Though the world is far from perfect, necessities and luxuries alike are getting cheaper; population growth is slowing; Africa is following Asia out of poverty; the Internet, the mobile phone, and container shipping are enriching people's lives as never before." While pessimism is currently abounding, these facts are undeniable. In our opinion, it is the inventiveness and resourcefulness of individuals and corporations alike that have led to many of the advancements listed above.

Given the constant stream of negative headlines, it is easy to overlook and miss the positive developments going on around us. Despite everything going on in Washington, the reality is corporate earnings, dividends, and cash flows continue to grow. These positive fundamentals have helped support the rise in the stock market since 2009. We continue to see the stock market as attractively valued relative to other asset classes. Going forward, our strategy will continue to emphasize taking a low volatility approach by focusing on high quality companies, with strong cash flows, which are returning value to shareholders in the form of dividends and buybacks. While the investment climate is as challenging as ever, we are working tirelessly to make sure we preserve, grow, and protect our client's assets. Please contact our office if you would like to schedule a meeting or discuss your investment objectives in more detail.

Sincerely,

Tony Anderson, President

**TOTAL FEDERAL BUDGET DEFICIT AND DEBT
2000-2012**

<u>Fiscal Year</u>	<u>Budget Deficit</u>	<u>Total Federal Debt</u>	<u>President in Office</u>
2000:	-\$17 billion	\$5.67 trillion	Clinton
2001:	-\$133 billion	\$5.80 trillion	Bush
2002:	-\$420 billion	\$6.22 trillion	Bush
2003:	-\$554 billion	\$6.78 trillion	Bush
2004:	-\$595 billion	\$7.37 trillion	Bush
2005:	-\$553 billion	\$7.93 trillion	Bush
2006:	-\$574 billion	\$8.50 trillion	Bush
2007:	-\$500 billion	\$9.00 trillion	Bush
2008:	-\$1.0 trillion	\$10.0 trillion	Bush
2009:	-\$1.8 trillion	\$11.9 trillion	Obama
2010:	-\$1.6 trillion	\$13.5 trillion	Obama
2011:	-\$1.2 trillion	\$14.7 trillion	Obama
2012:	-\$1.2 trillion	\$15.9 trillion	Obama

iShares MSCI USA Minimum Volatility Fund (USMV)

USMV offers US Equity exposure with less risk than the broad market allowing our clients to maintain exposure to US equities while potentially reducing risk. This low volatility index is more broadly diversified than its peers in that it seeks exposure to all sectors of the market, whereas other low volatility funds typically invest in the traditional low-volatility sectors such as staples and utilities. Top holdings include (Eli Lilly, Duke Energy, ADP, Bristol-Myers, Pepsi, JNJ and IBM).

If you would like a copy of the most recent version of our Form ADV Part II, one is always available to you upon written request.