Volume 8, Issue 4

Fourth Quarter 2012

# ARS WEALTH ADVISORS

Registered Investment Advisor

**Index Returns**

**Third Quarter 2012**

| | |
|---|---|
| S&P 500 | 6.4% |
| Dow Jones Industrial | 6.2% |
| Russell 2000 | 5.3% |
| EAFE (Int'l Index) | 6.9% |
| Barclays Cap Agg. Bond | 1.6% |
| DJ-UBS Commodity Index | 0.2% |
| DJ-Wilshire REIT Index | 0.1% |

" I have never understood why it is 'greed' to want to keep the money you've earned, but not greed to want to take somebody else's money."

"Much of the social history of the Western world, over the past three decades , has been a history of replacing what worked with what sounded good."

Thomas Sowell

## Election 2012, What should I do? — Tony Anderson, President

With election season upon us and year-end approaching quickly, we've been receiving many questions from our clients that I would like to address. Below are some of the more common questions we have received, along with our answers. The answers provided below are meant to be general in nature and not unique to any client circumstance. In order to receive a detailed explanation of how the topics discussed would impact you specifically, please contact our office or speak with your CPA. The answers provided are based on information as of the date of this letter.

**Is there anything I should do before the election to protect my portfolio?**

No. At this point, based on National polls the election is too close to call and given the small number of undecided voters, we will not know the winner of the election until after November 6th at the earliest. While many people have strong beliefs that the stock market will have a specific reaction based on which candidate wins, predicting the reaction of the stock market to one candidate's victory over the other is pure speculation. As investors, it's best to avoid making long-term investment planning decisions based on speculation of whether an election outcome will have an impact on a particular asset class or sector of the economy. Market behavior is difficult to predict and frequently the likelihood of future outcomes has already been priced into equity and fixed income markets.

**I've heard people talk about a looming "fiscal cliff" coming at year-end; can you explain what the "fiscal cliff" is referring to and how it will impact my investments?**

The "fiscal cliff" is referring to the tax-law changes and budget cuts that are set to go into effect on January 1, 2013. It is referred to as a cliff because the tax increases and spending cuts are scheduled to occur at the same time. The tax increases include an end to the Bush Era tax cuts, which will increase the rates paid for Estate Tax, Federal Income Tax,

*(Continued on page 2)*

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

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## Election 2012, What should I do? *(cont'd. from pg. 1)*

Capital Gains, Dividends and Depreciation. The temporary payroll tax cut from last year will also expire, resulting in a 2% tax increase for all workers. In addition to the tax increases, as a compromise during the debt ceiling debate in 2011, certain "automatic" spending cuts were agreed to. The spending cuts will take effect starting 2013 and severely impact the budgets for Medicare and Defense, among other programs. Even though Congress has had 3 years to deal with this issue, our belief is that they will wait till the last minute to agree to a solution. Undoubtedly, the solutions arrived at by Congress will have a large impact on the future of our economy and more specifically on how and where we choose to invest. We will be closely monitoring the news out of Washington as it relates to the "fiscal cliff" and will keep you informed as progress is made.

**Do you think taxes will go up next year?**
Probably, however, it will depend on your income; meaning the "high income" earners (however that is ultimately defined) will more likely see higher rates. Unless action is taken by Congress, current income tax and capital gains tax rates are set to expire in 2013. In addition, to help fund the Health Care and Reconciliation Act of 2010 (aka. Obamacare), beginning on January 1, 2013, high income tax payers will be subject to a new 3.8% Medicare tax on "unearned" net investment income. Net Investment Income includes income received from stocks, bonds, mutual funds and other investments.

**Should I sell my positions this year to lock in the current long-term capital gains tax rate of 15%?**
Maybe. Some clients may choose to realize capital gains in 2012 at the current long-term capital gains rate of 15% versus waiting till 2013 or beyond, where the future capital gains tax rate is unknown. Given the unknown of future tax rates, this decision should only be made after analyzing the potential tax implications. Please contact our office if you would like to review your current 2012 capital gains and to discuss potential strategies before year-end.

We received a tremendous amount of positive feedback in response to the new report format that was mailed out last quarter. As a firm, we are focused on constantly improving the level of service we provide our clients and will continue to make changes to improve the overall client experience. I can be reached directly at tony.anderson@arswealth.com , if you have suggestions on areas we can address or improve. As always, please contact our office if you would like to discuss your portfolio or schedule a meeting.

God Bless,

Tony Anderson, President

*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.*