

The Wamhoff Word

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A Word from Bob

Greetings to all,

I am writing this on December 14 to arrive in your mailbox by the first of the year.

It has been a so-so year for the economy and I certainly believe it will be a better year coming up. For those of you who have a mortgage loan, you may want to consider contacting your mortgage broker and evaluate refinancing options as rates are at or below 4% currently.



Also remember we have long term care insurance products that will certainly protect you and your loved ones. Studies are showing that many more people will live into their 90's, and I am always telling you that I believe that everyone will live till they are 95, and maybe next year I will have to revise this to 100.

I am headed to Honduras to celebrate Christmas with those wonderful children and families. This certainly puts me in the holiday spirit to see their smiles when they receive a small gift, or food to celebrate the Christmas meal. We are truly blessed to live in this superb country, and we should never forget that, nor listen to the idiots who say differently. I hope you had the best holiday season ever.

Thanks for the confidence you show in us. It is never ever taken for granted.



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Our firm offers a variety of alternative investment strategies and diversified solutions in both traditional and mutual fund alternative products

Why Invest in Alternative Investments?

The events and market volatility of the past few years continue to leave many investors fearful and seeking alternative approaches to help reduce volatility and enhance the return of their investment portfolios.

Despite what has proven to be a substantial market recovery, memories of the recent market crisis, combined with ongoing global economic issues and concerns left behind, have prompted investors to seek investment solutions that offer enhanced diversification, reduced volatility and improved capital preservation. Investors have historically turned to fixed income vehicles for such purposes, and this time has proven to be no different. However, the substantial flows into these asset classes in recent years have escalated concerns over potential bubbles within the fixed income market.

Essentially, as risk aversion rises during periods of significant market turmoil, investors will seek to reduce risk exposure, which can result in a general sell-off in equities, widening credit spreads in fixed income and overall diminished investor confidence in financial markets.

The dilemma then for investors becomes when to get back into the

market (the historical timing of asset flows suggests that many are prone to do so very late in the game).

Alternative investments come in a variety of vehicles and sponsors, in an effort to improve portfolio risk-adjusted returns across a variety of market environments.

Our firm offers a variety of alternative investment strategies and diversified solutions in both traditional and mutual fund alternative products. Alternative investments generally seek to offer investment results that are relatively independent of those generated by exposures to traditional equity and fixed income asset classes. Investing in alternative investments is not suitable for all investors. Please consider your personal objectives and risk tolerance levels prior to investing as alternative investments typically are illiquid and contain a high level of risk. Alternative investments can only be offered by prospectus/PPM. Please read the prospectus or PPM for a complete listing of the charges and risks involved prior to investing.

Please call our office today at 636-573-1212 to set up an appointment to further discuss if alternative investments might be appropriate for your portfolio.

Capital Gains

Did you know that almost everything you own and use for personal or investment purposes is a capital asset? Capital assets include a home, household furnishings and stocks and bonds held in a personal account. When a capital asset is sold the

difference between the amount you paid for the asset and the amount you sold it for is a capital gain or capital loss. You may deduct capital losses only on investment property not on property held for personal use.

Capital gains and losses

Cont.

Capital Gains cont.

are classified as long-term or short-term, depending on how long you hold the property before you sell it. If you hold it for more than one year (366 days) your capital gain or loss is long-term. If you had it for one year or less your capital gain or loss is short term.

For 2011 if your ordinary income rate is either in the 10% or 15% tax bracket then your long-term capital gains tax rate is 0%. If your income level is in the 25% or higher tax bracket then your long term capital

gains tax rate is 15%.

Keep in mind that if your capital losses exceed your capital gains the excess can be deducted on your tax return and used to reduce other income such as wages, up to an annual limit of \$3,000 or \$1,500 if you are married filing a separate return. If your total net capital loss is more than the yearly limit you can carry over the unused part to the following years.

American Opportunity Tax Credit

More parents and students will qualify for a tax credit, the American Opportunity Tax Credit, to pay for college expenses.

The American Opportunity Tax Credit, which was to expire to the end of 2010, was extended for an additional two years through December 31, 2012 by the Tax Relief and Job Creation Act of 2010.

This Tax Credit modifies the existing Hope Credit. It is available to a broader range of taxpayers, including many with higher incomes and those who owe no tax. It also adds required course materials, computer equipment (note will depend on the facts), and allows the credit to be claimed for four post-secondary education years instead of two. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student of which \$1,000 is refundable.

Taxpayers will receive a tax credit based on 100% of the first \$2,000 of

tuition, fees, and course materials paid during the taxable year, plus 25% of the next \$2,000 of tuition, fees and course materials paid during the taxable year.

The full credit is available to individuals who modified adjusted gross income \$80,000 or less, or \$160,000 or less for those filing a joint return. The credit is phased out for taxpayers with incomes above these levels. These income limits are higher than under the existing Hope and Lifetime Learning Credits.

This is a great credit for college students and their parents. Please call us with any questions regarding this or any other tax issues you may have.

I hope you have a wonderful Holiday!

Sandy

**“Does your
401(k) plan
offer
investment
choices covering
all of the
sectors of the
market?”**



Planning for Retirement in Stages



While summer vacations and national holidays typically provide a break for everyone who would be considered a member of the working public, there is one big break ahead that's a priority on most everyone's calendar — retirement. And while it may be closer for some than it is for others,

everyone needs to make sure they are financially prepared when the time comes to take a permanent leave from the ranks of the employed. Personal circumstances make planning for retirement different for each individual, but there are several considerations that apply if you break it down by the amount of time you have left until you retire.

If you have at least ten years to go until you plan on retiring, you still have the advantage of time on your side. One of the most basic principles of investing is putting your money into different investment vehicles and then leaving it there so you can reap the benefits of long-term returns. With more than ten years to invest, you might be able to afford to take on a little bit more risk with your investments. While equities – such as stocks – have an inherent risk of losing money, they also have a history of providing significant returns over a long period of time.

Probably the biggest advantage of getting an early start is the benefit of compounding earnings. Based on the investments in your retirement portfolio, the money you put in has the potential to earn more money for you – whether through interest payments, dividends, or other means of growth. In many cases, those earnings can be reinvested into your portfolio, further enhancing the total value of your savings and allowing your money the opportunity to “make money” for you.

If your retirement is less than ten years away, then it's time to start making subtle adjustments to your investment mix. Hopefully, at this point you're not just getting started, but rather taking a look at how your investments are allocated and making sure they appropriately match your risk tolerance, your investment objectives and your relatively short time horizon. Because you have less time to work with, you still want to have some investments that offer growth, but you also want to begin looking at preservation of principal alternatives investments, which may provide a little more stability in your portfolio and help reduce your overall risk.

Finally, at some point you'll reach that day that you once thought was so far off. When you find yourself officially in the position to retire, you will have a whole different outlook on those funds you have set aside for just that purpose. Instead of making contributions to your retirement funds to help them grow, you'll be looking to maintain income from those investments. You'll likely begin taking distributions from them to pay for your day-to-day expenses. A thorough review of your investments will help you clearly see just how much you have saved, and how you will have to plan your distributions so you don't run short on funds during your retirement.

Financial preparation for retirement is something that is different for every individual. To make sure that you're on the right track, take the time now to assess your own situation and see what you can do to make sure you're ready when it's time for you to retire. We are very skilled in all of these areas. If you or someone you know may need help with or have questions about retirement, please call our office 636-573-1212 and we will be happy to help.

What is FINRA?

FINRA stands for the Financial Industry Regulatory Authority. FINRA is the watchdog of all securities firms (i.e. brokerage firm, non depository financial institution, broker, and agent) in the United States. They are an advocate of the investor.

They protect American investors by making sure that all areas of the securities industry operate fairly and honestly. They do this by making rules, enforcing them and governing the activities of the securities firms. In turn, security firms are examined by FINRA, these examinations are conducted routinely. Firms and Individuals that are in the securities industry will be disciplined if they violate the rules of FINRA per Federal Law. This protects the advisor as well as the client.

FINRA also provides education to industry participants. They require brokers to pass qualification exams and to continue education requirements. All of this is done in order to safeguard the investor. Investor protection starts with education is FINRA's belief. They provide information and tools to aid investors to better understand the principals of the financial industry.

Here at Wamhoff Financial Planning know that we too, protect our clients as does FINRA. We have an ethical commitment that we do what is right for YOU! So when we are requiring information from you that you rather not provide, please remember that we are doing this because we are following FINRA rules and guarding you, the client.



“Use tax is imposed on the storage, use, or consumption of tangible personal property...”

Use Tax

Did you know when you purchase items online (Amazon, etc.) that you may be subject to filing a Use Tax Return?

Use tax is imposed on the storage, use, or consumption of tangible personal property in this state. You must pay consumer's use tax on tangible personal property stored, used, or consumed in Missouri unless you paid sales or use tax to the seller or the property is exempt from tax.

If a seller does not collect sales or use tax from the purchaser, the purchaser is responsible for remitting the use tax to Missouri (unless the property is

purchased for resale or otherwise exempt by statute). Also, a seller not engaged in business is not required to collect Missouri sales or use tax but the purchaser in these instances is responsible for remitting use tax to Missouri. A purchaser is required to file a use tax return if the cumulative purchases subject to use tax exceed \$2,000 in a calendar year. Use tax is computed on the purchase price of all goods once purchases exceed \$2,000.

For the State of Illinois once purchases exceed \$600 then the Use Tax Return must be filed.



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