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Frank Talk

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Dear Clients and Friends:

Our firm continues to grow with new clients who have come to trust our advice and appreciate the level of care and understanding we provide; especially in a world that seemingly grows more complex and moves at a quickening pace. This makes it difficult for many to find the balance they need while having the right information at the right time to make confident decisions about their life.

More and more clients come to rely on PFS as a gatekeeper of advice and direction. We have become the eyes and ears for our clients so that we limit surprises and find opportunities for our clients to succeed. We are constantly refining our advisory services and strive to provide the financial outcomes needed to reach your goals or, as we say, your "Return on LifeSM".

I am proud of YOUR team of dedicated professionals at PFS. After sitting down with each of our people individually, I can tell you without exception that all are excited about their work and the important roles they play in taking care of you...



Frank Fantozzi, President
CPA, MT, PFS, CDFIA, AIF
Investment Advisor
Representative

“It is my belief that we will only be as good as the professional team who commit to making PFS their home. I remain committed to doing all that is possible to enable everyone to continue to enjoy what they do to fulfill both career and personal goals.”

recoveries have lasted 58 months, (around five years), and the median recovery, (meaning five were longer and five were shorter) was 45 months long. The shortest post-World War II recovery was in 1980 to 1981 (12 months), along with the 120-month expansion in the 1990s and early 2000s. The last three recoveries (1980s 1990s, and 2000s) were 92, 120, and 73 months long respectively, putting the average recovery during that time around eight years.

As the 2007-2009 great recession was the longest and most severe recession since the Great Depression in the 1930s, we think it makes sense to look at the length of the recovery following the most severe economic downturns in the last 110 years - the Great Depression in the 1930s, the 1973-75 recession, and the 1981-82 recession. We find that the recovery following the Great Depression in the 1930s lasted 80 months, the recovery following the 1973-75 recession lasted 58 months and the recovery following the 1981-1982 lasted, as noted above, 92 months. The average here is around six years.

During the height of the double-dip recession period in the middle of 2010 we communicated extensively about what usually causes a recession to occur. Although the source of each recession is similar, generally speaking, some of the conditions that lead to the end of an economic recovery include:

- Widespread imbalances in the economy.
- Too much debt in the personal sector.
- Sudden and sharp tightening in Fed monetary policy.
- An inverted yield curve which occurs when short-term interest rates are above long-term interest rates
- Sharper tighter fiscal policy.
- Higher nominal interest rates...think back to the late 70s/early 80s
- Pronounced weakness in global trading partners.
- A sudden and sharp spike in consumer energy prices.

While some of these conditions, rising consumer energy prices, and slower growth with some global trading partners are in place today, and a few of the above conditions are often in place regardless of where we are in the economic recovery, many conditions calling for an end of our economic recovery are not present. Thus, just 21 months into the economic recovery that began in June 2009, we believe the economic recovery to be in its early stages.

If the current recovery is the same length as the average recovery since the end of World War II, we are only about one third (1/3) of the way through. If the current recovery follows the path of the recovery following the three most severe recessions in the past 110 years, we are about one fourth (1/4) of the way into economic recovery. If the last 30 years is any

We are excited to announce that Robin Hudson has joined our team as a Client Service Associate. She will be supporting Jeremy and Walt. Robin brings years of customer service experience from Key Bank. Robin received her BSBA in Marketing from the University of Akron and her MBA from Baldwin-Wallace College.

Adding Robin to our team is evidence of our continuing dedication to our clients and prospective clients in ensuring that entrepreneurs, leaders in business, and families experience a truly customized and high-touch approach to managing their wealth...Your Life. Your Money. Your WaySM.

Market Noise

Where are we in the economic recovery?

The current economic recovery began around June 2009, after the economy experienced the longest (18 months) and most severe (real gross domestic product decline by 4.1%) recession since the 1930s. Thus the current economic recovery will be approximately 22 months old at the end of April 2011. How does this compare to other recoveries?

Since 1945, the end of World War II, there has been 12 recessions and 11 economic recoveries. On average, the 11

guide, the current expansion will last approximately six to eight years. We are confident to say we are still in the early innings of the recovery.

Economic and market conditions can and will change. While past history is no guarantee of what will occur moving forward, many lessons can be learned. When much of a family's goals such as retiring under one's own timeline, providing an opportunity for your child's education, and the ability to channel one's success through gifting are highly personal and emotional wishes, they can feel threatened by changing economic, government fiscal and social policy, and global events.

Our commitment will always be to continue to monitor the economic data and policy events in the United States and overseas as we assess the health of the economy and its impact on the financial markets and ultimately what this means to you..

Technology Update

We completed our latest round of enhancements to Wealth PlanSM on time. The comprehensive nature of this tool for aggregating financial information and storing critical documents, along with its interactive features provides customized feedback that allows you to make more confident and informed decisions to ensure your wealth works the way you choose.

Please take a moment to view the 3 minute **Wealth PlanSM** video at the link below:

<http://financialpicture.com/PlannedFinancialServices/boxvideo.html>

Or visit the link below for an online demonstration. Be sure to use the username and password below when logging on:

<https://wealth.emaplan.com/lpl/default.aspx?lpl/plannedfinancialservices>

Username:LukeJen1

Password: Wealthplan1

(Case sensitive)

Additionally, under our **401(K) PlusSM** programming, we have added online vaulting to centralize all reports and documents for the retirement plan committee. We also upgraded our investment reporting tools.

Serving your goals is an honor and a pleasure. We remain committed to keeping you informed so you can make better decisions as they relate to your family and your business or career. As always, please call Jeremy, Walt, or me with any questions or concerns. We value your input and our relationship as your wealth advisor. If you know of someone who can benefit from our guidance or may be seeking a second opinion, please let us know.

Thank you for your trust and confidence. We work hard to earn it everyday.

Respectfully,



Frank Fantozzi, President
CPA, MT, PFS, CDFA, AIF
Investment Advisor Representative

Bond credit ratings 101

Sarah Horrigan

Despite unfavorable press, ratings are still meaningful

Credit rating agencies have been criticized for not providing adequate warning about risky securities. Despite their recent high-profile failings, credit ratings remain a useful tool for bond investors, as long as their limitations are understood.

3 credit-rating agencies

Three major credit rating agencies — Moody's, Standard & Poor's and Fitch — issue ratings on the creditworthiness of companies and public entities that issue debt, as well as ratings on the debt itself. Ratings represent an agency's opinion of a bond issuer's ability to make scheduled interest payments and to repay principal at maturity. However, a high rating is only a guide — not a guarantee of creditworthiness.

The agencies issue ratings in a letter format. For example, the ratings from Standard & Poor's and Fitch range from AAA for the highest-quality bonds to D for bonds in default, meaning the issuer has stopped making interest payments. The agencies also use plus and minus signs to indicate stronger or weaker ratings within certain groups. Moody's uses a different but similar scale, with Aaa as the highest rating.

Ratings, yields and risk

There typically is an inverse relationship between a bond's credit rating and its yield. Riskier, lower-rated bonds tend to offer higher yields than comparable higher-rated bonds. The higher yield compensates investors for the added risk they take in buying a lower-rated bond.

Bonds in any of the four highest-rated groups (AAA, AA, A and BBB) are considered investment grade. All bonds below investment grade are classified as high yield, speculative or "junk" bonds — all terms with roughly the same meaning.

Because many institutions can't own bonds below investment grade, the investment-grade bond market is more liquid than the high-

yield market. This leaves more opportunity to find bargains in the high-yield market. And when a bond is upgraded from high-yield to investment-grade status, it typically means a significant boost in price.

Lower-rated bonds may offer better return potential, but their risks are real. When an issuer defaults on a bond, not only does it stop paying interest, but it also may not be able to pay back your principal.

In an analysis by Standard & Poor's covering the 15 years from 1995 through 2009, the average default rate of U.S. corporate bonds in all investment-grade categories was only 4.62%. Compare that to the 32.41% average default rate for high-yield corporate bonds. In the lowest-rated high-yield groups, including CCC, CC and C, the average default rate was a whopping 62.30%.

Delayed downgrades

In an ideal world, credit ratings would change along with an issuer's financial condition. In the real world, though, rating agencies don't always respond promptly, especially when it comes to downgrading or lowering a company's credit rating.

When a company's credit rating is downgraded, it might be forced to pay higher interest rates on its bank loans or even repay the loans on an accelerated schedule. So rating agencies often drag their feet about issuing downgrades.

To cite one infamous example, defunct energy trader Enron carried an investment-grade rating until just four days before the company filed for bankruptcy in December 2001. More recently, the rating agencies were slow to recognize the risk in derivative securities held by Bear Stearns and Lehman Brothers — both of which collapsed in the 2008 financial crisis.

That's why, if you're buying an individual bond, it's important to research an issuer as carefully as you would if you were buying a stock. Additionally, even in a portfolio of highly rated bonds, diversifying across multiple issuers — some advisors say a minimum of 10 — as well as a variety of market sectors is likely a good idea.

Using bond credit ratings successfully

Bond ratings can be useful in your investment research, as long as you use them as one analytical tool among many. The key is keeping their limitations in perspective and incorporating the same principles of sound investing that you would apply to stocks — such as diversification — to dampen risk.

Sidebar: What about municipal bonds?

Credit rating agencies also rate municipal bonds — debt issued by state and local governments, as well as their agencies and authorities. These bonds generally are exempt from federal income taxes. Because of their tax-exempt status and perceived low risk, municipal bonds typically offer lower yields than comparable corporate bonds.

Municipal bonds have long been viewed as a relatively stable area of the fixed-income markets. But given the recent budgetary problems states and municipalities face, it's wise to approach the municipal-bond market with added caution these days. Even though actual defaults from municipal-bond issuers are still relatively rare, that could change if the U.S. economy weakens again.

This doesn't mean you should avoid municipal bonds, which, because of their federal tax-free status, can be useful investments. For the foreseeable future, however, take special care when investing in this market and be sufficiently skeptical of high municipal bond ratings.



Should you invest in emerging markets?

Walt Moore

The robust economic growth in emerging markets such as China, India and Latin America continues to make headlines, particularly in comparison with the tepid growth in most developed markets. You may be wondering if you should follow the trail of many individual investors around the world and increase your exposure to emerging markets. The answer is: It depends on your situation.

Looking at performance

Individual investors eyeing emerging markets may have plenty of company. According to Pensions & Investments, a publication for institutional investors, pension funds are considering boosting their holdings in emerging markets because of their superior performance compared with their developed-market counterparts following the recent bear market.

The combination of emerging markets' solid economic growth and more-muted exposure to the global financial crisis resulted in stronger relative performance for equities in those regions since stock prices bottomed early in 2009. For a longer-term perspective, during the decade ending December 2009, the U.S.-focused S&P 500 lost about 9% while the MSCI Emerging Markets Index rose by 154%. Of course, past performance is no guarantee of future results.

Diversification with a caveat

Besides the potential for higher returns, diversification may be another benefit of emerging-market stocks. The goal of diversification is to decrease volatility and boost overall returns by owning investments that have a low correlation with each other — in other words, they tend to react to economic and financial events differently.

On this score, the record of emerging-market stocks is mixed. Along with developed markets, emerging markets sustained large losses during the 2008 financial meltdown — but emerging markets bounced back fairly well afterward. So, emerging markets provided some valuable

diversification benefits, but not as much as was hoped for by those who believed that emerging markets might “decouple” from developed markets.

Here's something else worth considering: If you don't invest in emerging markets, you'll lack exposure to a significant and rapidly growing segment of the world economy.

Near the end of 2009, emerging markets represented about 12% of the MSCI All Country World Index, which tracks stocks in both developed and developing countries. That figure was up sharply from about 5% at the beginning of the decade. Moreover, emerging economies accounted for about 35% of the global economy late in 2009. As emerging markets gain in economic importance, this figure may continue to increase.

However, despite the opportunities, there are specific risks associated with investing internationally. You need to keep in mind changes in currency rates and foreign taxation as well as differences in auditing and other financial standards. Many emerging markets are in countries with authoritarian governments — for example, China and Russia — or relatively unstable regimes, increasing uncertainty about investments there.

Additionally, securities laws in most emerging markets are relatively undeveloped, which may result in less transparency in the way companies interact with shareholders. Last, emerging-market stocks tend to attract considerable short-term investment capital (the so-called “hot money”), which — when combined with their generally lower trading volume — tends to make them more volatile than equities in developed markets.

Adding emerging-market exposure

A number of mutual funds and exchange-traded funds invest in emerging-market stocks, and both vehicles can give you a relatively diversified stake in this asset class. It's important to “look under the hood” before you invest.

Check costs, performance and the holdings of your various investment candidates. For example, some

funds hold almost entirely large- and mid-cap stocks, with virtually no exposure to small-caps. That may or may not suit your style, but it's important to know in advance.

Many emerging market funds may also have a large concentration in certain industries, such as financial stocks or mining stocks. It can be difficult to find a truly well-diversified fund, especially among funds that focus on one country or region.

Make a smart investment decision

Before adding any emerging-market stocks (or funds) to your portfolio, review your investment objectives and current holdings with your financial advisor. Looking at your bigger picture will be helpful as you decide if it makes sense to increase — or initiate — your stake in emerging markets.



What to consider when naming retirement plan beneficiaries

Jeremy Bok

You create a retirement plan to help prepare for your golden years. For example, you may want to ensure you have enough for you and your spouse to buy a vacation home in Arizona or a sailboat in Florida. At the same time, you need to think about what will happen to your remaining retirement funds after you're gone. To address this concern, you must choose retirement plan beneficiaries.

Income and estate tax ramifications

Income and estate tax ramifications are among the most important factors to consider when choosing your retirement plan beneficiaries. Let's first take a closer look at the income tax consequences. Unlike most inherited assets (such as stocks and real estate), funds that beneficiaries withdraw from traditional 401(k) plans, traditional IRAs and most other retirement plans are 100% taxable unless you used nondeductible contributions to fund the account.

The important elements to consider are how long the beneficiary will be able to defer distributions, how large any required minimum distributions (RMDs) will be, and his or her income tax bracket.

Except in the case of a spouse beneficiary, annual RMDs usually are required to begin shortly after the plan owner's death. An employer-sponsored plan, however, may require the beneficiary to take a lump sum distribution of the plan's balance, though recent tax law changes let most beneficiaries roll the funds into an IRA, which will then be treated as an inherited IRA.

Just how big will those RMDs be? That depends on the account's size and the beneficiary's age. Younger beneficiaries will face smaller RMDs, which brings greater opportunity for tax-deferred growth as the account is drawn down at a slower rate. And a younger beneficiary is more likely to be in a lower tax bracket, at least for the early years of RMDs.

So it might make tax-sense to name your children as beneficiaries. In some situations, grandchildren as beneficiaries may be the ultimate in income tax planning, at least within the limits of the generation-skipping transfer tax exemption.

But many people prefer to name a spouse as beneficiary. Spouses have the advantage of being able to treat inherited IRAs as their own and delay RMDs until turning age 70½.

Another reason many people opt to name their spouses as beneficiaries is the estate tax ramifications. Naming anyone else can increase taxes on your estate. A number of factors — such as the dollar value of the account's assets and size of your total estate — will determine whether naming a nonspouse will result in any estate tax liability.

Because transfers to your spouse (provided he or she is a U.S. citizen) qualify for the marital deduction and are subtracted from arriving at your taxable estate, naming your spouse as beneficiary can allow you to steer clear of estate taxes on the plan's assets when you die. This, in effect, makes the assets "neutral" when considering the impact on your estate taxes.

One caveat, however: The assets will boost the size of your spouse's estate. And that could raise estate taxes on his or her assets.

Other beneficiary options

Naming a person as your retirement plan beneficiary isn't your only option.

Take a trust, for example. Naming a trust as beneficiary can allow a married person with a taxable estate to give as much as possible to heirs while still permitting a spouse to have access to the funds if needed. Single parents may also look to a trust to protect retirement plan assets for the benefit of children or other young beneficiaries.

There are, however, specific tax rules governing trusts as plan beneficiaries that must be adhered to in order to ensure that RMDs are based on the ages of beneficiaries who receive them. Otherwise, the RMDs will be determined as though your estate were the named

beneficiary, and everything must be distributed within five years after the year of death.

A charity is another choice. In this case, neither your estate nor the charity will owe income tax on the retirement plan assets. Moreover, your estate may qualify for a charitable deduction for estate tax purposes.

Naming both a charity and individuals as beneficiaries, however, could limit the tax-deferral opportunities of the noncharitable beneficiaries. You can avoid this problem by splitting your accounts so that the charitable beneficiaries and the noncharitable beneficiaries don't have interests in the same account.

Learn the consequences

When discussing your retirement plan with your tax advisor, seek his or her advice on naming your plan's beneficiaries. It's important to know the income and estate tax ramifications of your decision.



Frank in the News

Frank's expertise and ability to communicate complex financial concepts in a manner that resonates with the general public and the media has made him a sought-after subject matter expert among both local and national media outlets. His ability to help clients and the public understand the context and potential outcomes of specific financial, political and economic events and situations has led to numerous interviews and appearances.

Click on the links below to access Frank's thoughts on the topics that impact your Return on Life™.

April 7, 2011 – Christian Science Monitor – “Why Wall Street Isn't Worried About a Government Shutdown”

April 7, 2011 – USA Today – “Profit Alone Won't Cut It”

Also appeared in: ABC News.com and Tucson Citizen

April 6, 2011 – Time.com – “Would a Government Shutdown Boost the Market'?”

Also appeared in: Compare the Market.org and Yahoo.com

April 4, 2011 – Kiplingers - On new Japan quake 2day: Frank Fantozzi, CEO of Planned Financial Services says “While the aftershock quake in... <http://fb.me/L8o52Q1C> 1:23 PM Apr 7th via ... <https://twitter.com/jenniferatkip>

April 1, 2011 – WSJ.com – “US Stocks Keep Gains As DJIA Pushes to Fresh 2011 Highs”

Also appeared in: Businessweek.com and MarketWatch

March 31, 2011 – CNBC.com – “Stocks Mixed in Light Volume”

Also appeared in: Christian Science Monitor

March 31, 2011 – CNBC.com – “Stocks End Mixed; Best 1st Quarter Since 1998”

March 25, 2011 – SmartMoney.com – “A High Yield Bet to Steer Clear Of”

March 19, 2011 – TheStreet.com – “Collective Bargaining: Impact on Taxpayers and Financial Markets”

Also appeared in: DailyMe.com

March 16, 2011 - Crain's Cleveland Business - “Cleveland Bucks Construction Market Trend”

March 15, 2011 – CNNMoney – “The Panic Has Begun, What Now?”

Also appeared in: PinkSheets.info

February 24, 2011 – DailyFinance – “As IPOs Revive Should You Be Joining In?”

February 20, 2011 – The Street.com – “Retailers, Inflation, Middle East Focus of Coming Week.”

February 4, 2011 – AdvisorOne.com – “View From PIMCO, J.P. Morgan Funds and More”

Disclosures:

1 An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund. Investing in mutual funds involves risk. (Including possible loss of principal.)

2 Investors should keep in mind that they should consult their tax advisor prior to engaging in the strategy described in this article, significant transaction costs may apply and it is suitable for investors who can afford to absorb losses from their holdings and who are not seeking to hold securities for long-term application.)

3 The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly. Investing in Real Estate Investment Trusts (REITS) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained. Alternative investments may not be suitable for all investors and involve special risks such as leveraging the investment, potential adverse market forces, regulatory changes and potentially illiquidity. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

4 The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. Fixed annuities are long-term investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty tax, and surrender charges may apply.)

5 Assets under management are in brokerage and advisory assets held with LPL Financial.



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