WEALTH MANAGEMENT

CORE Wealth Management

Spring 2013

"HELPING YOU MAKE SMART CHOICES ABOUT YOUR MONEY"

2012: THE YEAR IT DIDN'T HAPPEN

Article by Weston Wellington

Judging by the headlines in the financial press, investors spent much of the past year anxiously awaiting one calamity after another that failed to occur.

The plunge off the so-called fiscal cliff was averted. The euro zone did not fall apart. China's economy and stock market did not crash. The bond market did not implode. The re-election of President Barack Obama did not derail the US market. The "flash glitch" in early August did not lead to further trading disruptions. Doomsday did not arrive on December 21, as some interpreters of the Mayan calendar suggested it would.

Instead, the belief that owning a share of the world's businesses is a sensible idea appears to be alive and well, despite suggestions from some observers that the "cult of equity" is dead. For the year, total return was 16.54% for the MSCI World Index in USD, and 16.00% for the S&P 500 Index. Among forty-five global stock markets tracked by MSCI, only two posted negative results in USD (Israel and Morocco), and fifteen markets had total returns in USD in excess of 25%, with Turkey leading the pack at 64.87%. Although much of the financial news over the past year highlighted Europe's fragile financial health, most of the region's equity markets outperformed the US, including Austria, Belgium, Denmark, France, Germany, the Netherlands, Sweden, and Switzerland. For US dollar-based investors, results were further enhanced by a modest decline in the US dollar relative to the euro, the Danish krone, and the Swiss franc.

As is so often the case, earning the rewards offered by the world's capital markets may have required a combination of discipline and detachment that eluded many investors.

2012 INDEX AND COUNTRY PERFORMANCE

Total return (gross dividends) for 12-month period ending December 31, 2012.

MSCI Index	USD
WORLD	**16.54%**
WORLD ex USA	**17.02**
EAFE	**17.90**
EMERGING MARKETS	**18.63**
EMERGING + FRONTIER MARKETS	**18.35**
TURKEY	64.87
EGYPT	47.10
BELGIUM	40.72
PHILIPPINES	47.56
THAILAND	34.94
DENMARK	31.89
GERMANY	32.10
INDIA	25.97
HONG KONG	28.27
POLAND	40.97
AUSTRIA	27.02
COLUMBIA	35.89
NEW ZEALAND	30.38
SINGAPORE	30.99
MEXICO	29.06
FRANCE	22.82
THE NETHERLANDS	21.21
SWITZERLAND	21.47
SWEDEN	23.41
USA	**16.13**
ISRAEL	–3.91
MOROCCO	–11.48

WHAT'S INSIDE

STOCK MARKET PERFORMANCE

US Stock Market Performance

Russell 3000 Index with Selected Headlines from 2012

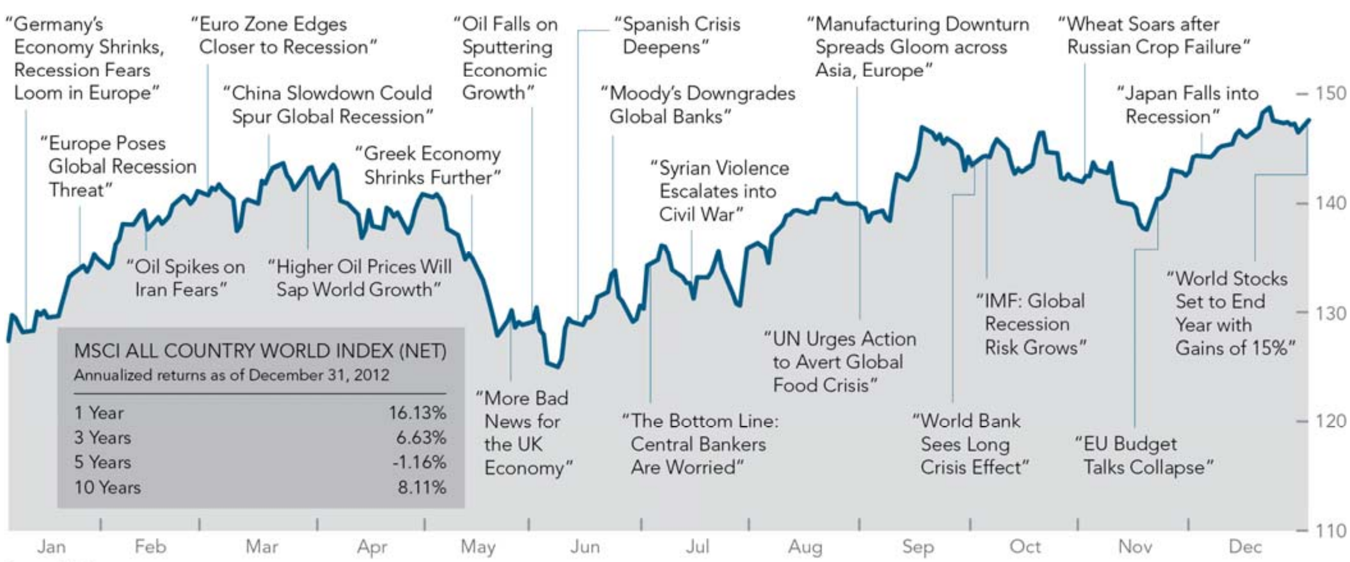
Source: Russell Investment Group.
In US dollars. Index is not available for direct investment. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

The above graph highlights some of the year's prominent headlines in context of broad US market performance, as measured by the Russell 3000 Index. These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily news events from a longer-term perspective, and avoid making investment decisions based solely on the news.

The world stock market performance chart below offers a snapshot of global stock market performance, as measured by the MSCI All Country World Index. The global headlines show that despite an abundance of negative news during the year, global stocks had an exceptional year.

World Stock Market Performance

MSCI All Country World Index with Selected Headlines from 2012



Source: MSCI.
In US dollars. Index is not available for direct investment. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

2013 FICA Tax increase Surprises Some Taxpayers

With all the end-of-year hype surrounding the fiscal cliff and the relief that came with New Year's legislation permanently extending most income tax rates, one change seems to have been veiled by the settling dust: the 2 percent increase in FICA (Federal Insurance Contributions Act) tax. That increase, the result of an expiring provision that was not extended, means that the vast majority of American workers are now receiving about 2 percent less in their take-home pay, an unwelcome surprise to some people.

Background

In the midst of the last recession a little more than two years ago, Congress passed and the president signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. This new law included a 2 percent reduction in the Social Security (OASDI) portion of the FICA tax. The provision was designed to help put a little more money into the wallets of American workers during the challenging economic environment of 2011. While the employer portion of the OASDI contribution remained at 6.2 percent, the employee contribution was reduced from 6.2 percent to 4.2 percent. The provision was extended through 2012 by the Temporary Payroll Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012.

The reduction was never meant to be permanent, as it put additional financial pressure on the already stressed Social Security Trust Fund. So during the 2012 fiscal cliff negotiations, both Democrats and Republicans agreed that it should expire at the end of the year.

Impact of 2 percent

Despite media reports warning of the impending payroll tax increase, many Americans were caught off guard when they received their first paychecks in 2013. How much of an impact might the additional withholding have? A family earning $60,000 a year will see their pay cut by about $1,200, or $100 per month, during 2013. Those earning $100,000 will receive about $2,000, or about $167 per month, less. (The maximum amount of an individual's earnings that is subject to Social Security tax in 2013 is $113,700.)

While most experts believe the decrease in take-home pay won't be enough to cause major economic damage, it may encourage families to cut back on spending enough to slightly dampen the nation's overall growth. For example, the 2 percent decrease could represent a family's monthly utility bill, an investment in a college savings account, or a week's worth of groceries.

Medicare taxes for high earners

Also consider that high earners will need to pay a bit more in Medicare taxes beginning in 2013. Taxpayers will pay an additional 0.9 percent Medicare tax on wages exceeding $200,000 for single/head of household, $250,000 for married couples filing jointly, and $125,000 for married couples filing separately. Taxpayers whose modified adjusted gross income exceeds those same threshold amounts will also pay a 3.8 percent Medicare tax on some or all of their unearned income. These provisions were part of the Patient Protection and Affordable Care Act of 2010, and like the expiration of the FICA reduction, were not affected by the 2012 fiscal cliff legislation. When combined with the 2 percent Social Security increase, the total hit could mean a difference of several thousand dollars a year to some higher-earning taxpayers.

A Lifetime of Saving

Good things come to those who wait" may apply to many situations, but it doesn't apply to saving for your retirement. "The early bird gets the worm" may be more apt. Since you're going to need a lot of money during your *golden years*, saving for retirement should be a top priority throughout your *working years.*

The Early Years

When you're first starting out, retirement is such a long way off that it's difficult to take it seriously. But the fact is, time and compounding help build up your savings. The longer your money is invested, the more you're likely to have when you stop working. You may want to put a significant portion of your savings in stock investments, which have the most potential for long-term growth.

In the Middle

When you're busy with your career, community, and family, it's hard to focus on your future retirement finances. However, it's extremely important to continue saving and building your nest egg, even if money is tight. With many years remaining before retirement, keeping a significant portion of your portfolio in stock investments may still make sense.

Later On

When you're getting close to retirement, you should still keep saving. After all, the more you save before you retire, the more you'll have later on. If you're worried about falling short of your goal, increasing your contribution can still make a notable difference in the amount of money you'll have for retirement. At this point, you may want to shift some of your stock investments into less volatile bond and cash equivalent investments since you'll have less time to recover from any stock losses. However, you may not want to abandon stocks completely since inflation will still have an impact on your savings, even after you retire.

Making saving for retirement a priority in your life from the time you start your career and all the years after will help you achieve your financial goals.

(Continued on Page 4)

A Lifetime of Saving

(Continued from page 3)

Early Savers Benefit

Getting an early start on saving for retirement makes it easier to reach your goal. Compare the difference in the account values (at age 65) of an employee who starts saving at age 25 and one who waits to start saving until age 35. Even saving *twice as much each month* starting at age 35 may not make up for a late start.

	$100 a month saved starting at age 25*	$200 a month saved starting at age 35*
Total Amount Saved	$48,000	$72,000
Acct Value at Age 65	$349,101	$298,072

** Assumes accounts earn an 8% average annual total return, compounded monthly. This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. Your investment performance will differ. Amounts saved in a tax-deferred plan are taxable upon withdrawal.*

Source: Newkirk Products, Inc.

We Are Survivors!!

In our previous issue of Wealth Management, we addressed the then impending "Fiscal Cliff" that was thought to be our next doomsday. Well, the "Fiscal Cliff" was averted, and we are still all here to talk about it. We have survived!!

There will be other "fiscal cliffs" along the way. In fact, some lawmakers are already talking about what is next on the horizon that could be our next bump in the road so to speak. As I am writing this article the DOW is above 14,000, and the equity markets have been good to us recently. Just as this is true, we know with some degree of certainty that there will be times in the future where the markets will take a downturn, and it is those downturns that will remain etched in our minds. In a study done using the CRSP 1-10 Index which measures the performance of the total US stock market from 1926 through 2012, the results showed that positive annual returns were evident in 75% of the years with negative annual returns 25% of the time in the period studied. (Please take note that you can not invest in the CRSP 1-10 Index, and past performance is not indicative of future results.) The way many investors react to downturns in the equity market you would never think that such historical statistics ever existed. Two combatants to the downturns in the market are rebalancing and diversification. Rebalancing is the process we use to take advantage of market fluctuations with buying "low" and selling "high" those asset classes that are out of balance with your adopted investment allocation. The old adage of "not putting all your eggs in one basket" still remains relevant, and that is why we are firm believers that diversification is one of the keys to investment success.

This is the time of the year where you are assessing your tax situation and are more than likely completing the funding of your Traditional or Roth IRA's, or other retirement plans for the year 2012. Hopefully, the majority of you are able to make retirement contributions that maximize the limits allowed under the law. There may be some cases where you just can not afford to utilize the maximum limits. Don't let that stop you from making a retirement plan contribution. Many times when you are younger you don't have a lot of extra money to invest, but it is one of the best times for you to do so. You have time on your side, and even smaller amounts invested now may result in a sizeable nest egg when you reach retirement age.

Many of you are probably looking through plant and seed catalogs, and planning what you will plant in that garden of yours this year. Spring brings us hope and enthusiasm for new beginnings, for enjoying the weather, and enjoying outings with family and friends. We wish you and yours a

and

Our Basic Tenets

Our objective is to design portfolios using passive asset class funds that maximize investors' returns within their tolerance for risk. Here is what sets us apart:

- Fee-only investment management
- A disciplined investment strategy
- Access to institutional no-load passive asset class funds
- An academic Nobel Prize-winning investment approach
- Continued access to academic research
- A tax-efficient focus with valuable tax- and estate-planning ideas
- Risk tolerance assessment
- Periodic portfolio rebalancing
- Regular communications and state-of-the-art reporting
- No front-end loads, no back-end loads, no surrender fees, not locked in
- MOST IMPORTANT ... A TRUSTED ADVISOR RELATIONSHIP

CORE
Wealth Management

Oklahoma City 405-720-1244
Tulsa 918-477-7650
Lawton 580-353-2376

INTRODUCTIONS—REFERRALS ARE ALWAYS APPRECIATED.

Visit our website at www.coregroupwealth.com to view prior newsletters and other investment information.