

vectors & viewpoints

A *lifeWealth*™ Publication

VECTOR: SMALL CHANGES MAKE A BIG DIFFERENCE

Elections . . . and Beyond

By Mark Stadlander, CFP®

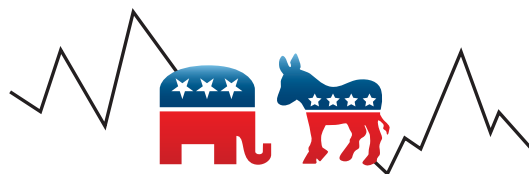
Based on the outcome of recent local and national elections, I'm sure our clients have present moods ranging

from euphoria to despair. That's certainly understandable, and I don't intend to try to sway your political view! I do, however, want to attempt to influence how you might think about the election, and governmental policy, as an investor.

Prior to the election, we heard many client questions about the history of market performance when one party or the other has power in Washington. It seems, more often than not, the expectation is that a Republican victory should be good news for markets. Why? In short, they've read, or been told, that Republicans tend to favor "free markets" and "smaller government," so that should be good for the stock market. As with many "urban legends," the facts don't always support the hypothesis.

Looking at stock returns back to the 1850s shows, perhaps surprisingly, that returns during periods of Democratic and Republican control are virtually identical, averaging 9.0% annually for Democratic administrations and 8.7% for Republican.

Carrying this thought abroad, it also appears social policy is not an accurate predictor of lower stock market returns outside the United States. Over the past 40 years, the developed-market countries represented by the EAFE Index, many far more liberal and socialistic than the U.S.,



have returns nearly identical to those inside the U.S.: 9.7% for the EAFE index versus 9.6% for the S&P 500.

The U.S. market has performed well versus other countries over long periods of time. Still, it's interesting to note that over the past 110 years, the stock market of Sweden, one of the most socialist-leaning free-market countries, has outperformed the U.S. market by more than ½ of 1% on an average annual basis, after adjusting for both countries' inflation. If liberal governmental policy hinders stock returns, Sweden should have dramatically underperformed the U.S.

Another question related to the effects of governmental policy is whether slow economic growth implies low stock market returns. The short answer to this is, "No." Dividing both developed and emerging markets into groups of "low-growth" and "high-growth" countries, as measured by their GDP, shows returns are not *reliably* higher for the high-growth countries.

Perhaps the best explanation for all of this is that markets quickly factor in the presumed future risks and benefits of governmental policy, thereby pricing securities to fairly compensate investors for the risk they accept by committing their capital.

Our thanks to Savant Capital Management (a member firm of the Zero Alpha Group consortium), Dimensional Fund Advisors and The Vanguard Group for their work on the research referenced in this article.

Most Wonderful

Time of the Year by Bart Banwart, CPA, CFP®

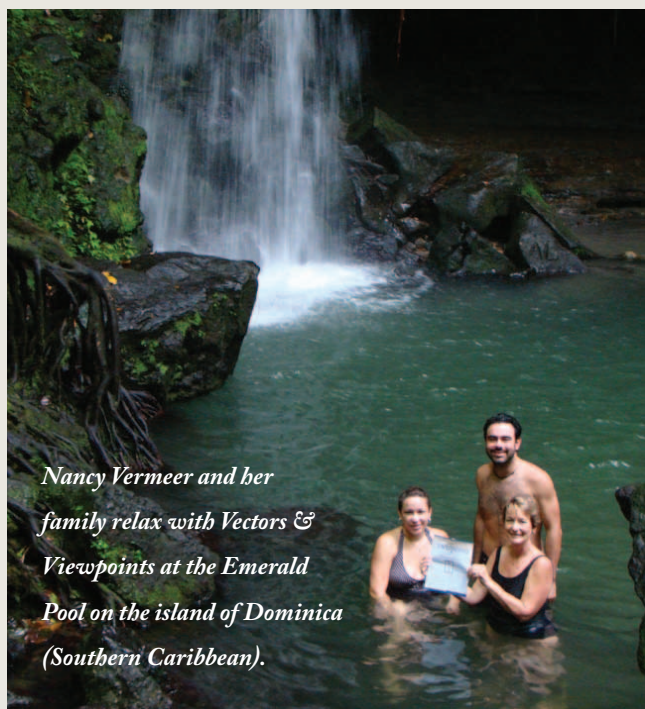
“It’s the most wonderful time of the year.” You know the lyrics and have listened to them many times during the Christmas season: “With the kids jingle-belling and everyone telling you, ‘Be of good cheer.’” I’m sure Andy Williams wasn’t thinking of taxes when he wrote the words to this famous song, but it reminds me that another tax season is just around the corner.

For many people, filing taxes ranks right up there with going to the dentist. Neither is fun, but both are necessities. Let’s look at a couple of tax planning ideas:

Charitable Giving

While many people are aware that most charitable gifts are tax-deductible, some don’t realize the tax advantage of gifting “appreciated” securities. By donating shares directly to a charity (or a Donor-Advised Fund), the donor can deduct the full market value of the shares and exclude the recognition of any gain on their tax return. To qualify for this treatment, the shares need to have been held by the donor for more than one year.

If this type of gifting is of interest to you, please call and we’d be glad to discuss it with you.



Nancy Vermeer and her family relax with Vectors & Viewpoints at the Emerald Pool on the island of Dominica (Southern Caribbean).



Contribution Limits

Each year, the dollar limits for contributing to personal IRAs, College Savings Plans, non-charitable gifting and other types of financial transactions are subject to change. Below is an easy reference chart for some of these figures.

Type of Account	2011 Limit (Under age 50)	2011 Limit (Age 50 and up)
401(k) or 403(b) deferrals	\$16,500	\$22,000
Annual Additions to retirement plan, (including employer contributions)	\$49,000	\$54,500
Traditional IRA	\$ 5,000	\$ 6,000
Roth IRA	\$ 5,000	\$ 6,000
SIMPLE IRA	\$11,500	\$14,000
SEP IRA	\$49,000	\$49,000

College Savings Iowa (CSI), the Iowa “Section 529 Plan”, allows parents, grandparents and others to save for anticipated college expenses in a tax-favored manner. Iowa residents who use CSI may deduct from taxable income their contributions up to \$2811 per beneficiary account on their 2010 Iowa income tax return. The 2011 maximum contribution amount was not yet available as of the date of this publication.

Tax Information to CPAs

Each year, Foster Group receives numerous client requests to forward capital gain, dividend and interest information to CPAs and other tax preparers. Our goal is always to provide this information in a timely manner. We now offer to *automatically* provide tax information to your CPA on an annual basis once it becomes available. We expect this service to save you time by reducing the amount of information you need to assemble for your accountant. Please call our office for more information about this service.

We hope these things help you avoid some of the “scary ghost stories” and allow the “tales of the glories” to be told this tax season.



Foster Group Renews Fiduciary Certification

As an indication of a continued commitment to transparency and always representing our clients' interests before our own, Foster Group recently received the renewal of our CEFEX registration through an annual on-site inspection by Roland|Criss Fiduciary Services.

CEFEX, an acronym for the Centre for Fiduciary Excellence, is a global initiative to promote fiduciary best practices in the investment management industry. Since August of 2007, Foster Group has been registered with the Centre for Fiduciary Excellence.



**Foster Group remains
the only Iowa firm holding
the CEFEX certification.**

As a certifying organization, CEFEX provides an independent recognition of a fiduciary's conformity to a defined Standard of Practice. It implies that a firm demonstrates adherence to industry best-practices, and is positioned to earn the public's trust. This registration serves investors who require assurance that their investments are being managed according to commonly-accepted best practices.

Foster Group's commitment to a high level of competency is also demonstrated by the ongoing education and professional designations our employees receive through programs such as the Certified Financial Planner (CFP®), Chartered Financial Consultant (ChFC®), and Chartered Financial Analyst (CFA®). Similarly, the CEFEX certification ensures accountability at the firm level with respect to our responsibility as a fiduciary.

Further Information

For more information regarding the CEFEX certification, you may refer to www.cefex.org or www.rolandcriss.com. You may also call our office and speak with Mark Stadlander, Ed Green, or Travis Rychnovsky at 515-226-9000 or 800-798-1012.

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We are catalysts for positive life change, providing financial solutions that reduce complexity and establish a high probability of success.



This is another installment in our series regarding client generosity. We spoke with Dr. Kevin Healy, who has been doing medical missions around the world since 1997. He recently retired from McFarland Clinic and now devotes a large portion of his time to these projects.

Q | *FG: Tell us a little about what you do and where you go on these trips.*

Dr. Healy: I have become acquainted with a number of groups over the years. Often a foundation will organize a trip and invite me to participate. Some medical groups have internet bulletin boards, and the requests can also come through there. I'm an anesthesiologist, so that skill can be used in a variety of surgical settings—pediatrics, plastic surgery, urology, orthopaedics, obstetrics, really whatever comes up. I have been to places such as Guatemala, Haiti, Mongolia, Palestinian territories, Nepal, and will be going to India and the Philippines in February.

Q | *FG: How does this work compare to your work as a physician in the U.S.?*

Dr. Healy: We get a lot of exposure to challenging cases, many times things we haven't experienced much in our individual practices. The facilities vary in nature, and sometimes it can be like a newly married couple who has many nice things gifted to them but may not have some of the basics. For example, a hospital will have a CT scanner which was donated to them but be lacking basic things like chest tubes and sterile gloves. As far as danger, I haven't really experienced much of that. Violent crime is everywhere, and I usually stay pretty close to the area where I am working.



43 year old woman who was 34 weeks pregnant and suffered congestive heart failure but ended up delivering a healthy baby with the help of the medical team.

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FG: *Why have you chosen to do this work?*

Dr. Healy: I have been a very fortunate person. I was born in Iowa to a stable family which valued education, and I picked up those values. I got to go to college and medical school, married a wonderful woman, and have 2 sons who are the joy of my life. I was able to find one thing I was good at—*anesthesia*—and want to contribute back to society.

Therein lies a lesson we can all use. Dr. Healy is a good example of someone who has chosen to live a “*life of influence*” by using his time and talents to help the less fortunate.

Please note:

Our office will be closed for the holidays on December 23, 24, and 31.



In This Issue:

- Elections . . . *and Beyond* – Page 1
- Most Wonderful Time of the Year – Page 2
- Where in the World is Vectors & Viewpoints – Page 2
- Foster Group Renews Fiduciary Certification – Page 3
- Foster Group Q&A –Dr. Kevin Healy – Page 3

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