

January 11, 2012

To Our Valued Clients:

One of the most interesting things about investing is the historical disconnect between world events and the behavior of investment markets. Every day, we hear that the markets went up or down as a result of this or that dramatic event or piece of economic data in the news. If you were to have guessed how well the U.S. stock market had performed in 2011, based solely on how you felt in reaction to the year's news reports, your guess would probably have been a fairly large loss. However, the S&P 500 index finished the year exactly 0.04 points below its level prior to the opening bell on January 1, 2011 (if you add in dividends, the total return came to 2.11%).

Why does there seem to be such a broken connection between tragedy, political turmoil, and scary headlines on the one side and market returns on the other? The answer may be that the underlying forces driving our economic growth are more stable than the headlines suggest. As examples, factory output is rising, consumer spending has been surprisingly strong, consumer confidence is at its highest level in eight months, and overall home sales rose by 5.9% in the past year.

International stocks definitely had a rougher 2011. However, developed foreign markets closed the year with a quarterly gain of 2.86% (EAFE index), reducing the annual loss to 14.82%, in dollar terms. Considering that the European Union teetered on the edge of collapse during much of 2011, that was a relatively small loss. Of course, Europe has a long way to go, and we hope they get their act together—soon! We also hope that the leadership of our country learns from Europe's over-spending, low-growth economic decisions.

As I mentioned in last quarter's letter, we made significant changes (primarily with the addition of managed futures) to all client portfolios around September. Managed futures have the potential to earn positive returns in a variety of economic environments, because they are globally diversified and have the flexibility to take long and short positions in investments. Also, volatility of the portfolio is potentially reduced, because managed future returns historically have a very low correlation to returns on stocks and bonds. Since adding managed futures to the portfolios, the volatility of our portfolios has been significantly reduced. They have not yet added to performance, but we certainly believe they will. The most positive impact should come when the market has an extended downturn.

In order to continue the level of service and portfolio design and monitoring you have come to expect from PlanFIRST, we added three staff members last year. Morgan D'Avanzo supports the advisors and the paraplanners in her role as one of our portfolio administrators. Justin Meade is a CFP® candidate and supports the advisors as a paraplanner. Hans Blake is a CPA and a CFA

Page 2
January 11, 2012

Level III candidate and joins the team as the associate in investment research. He works closely with our Chief Investment Officer, Dr. Jim Rook, and the rest of the PlanFIRST Investment Committee. Hans is now registered as an investment advisor representative with the state of South Carolina. Per SEC requirements, we have enclosed his ADV II brochure supplement for your information. I encourage you to review the profiles of our new staff members on our website (www.planfirst.com).

Also enclosed is a list of the more common tax forms you may receive from Schwab over the next several months. There have been several changes, so please read it carefully, **specifically with regard to gain/loss reporting and cost basis information**. We will continue to notify you of the amount of the management fee you pay to PlanFIRST that can be included as an itemized deduction on your tax return. **Keep in mind that this will not apply to everyone and that letters will be sent only when applicable**. Please call if you do not receive the deductible fee information by the end of February.

Last year we had many calls from clients who said they never received Form 1099 Composite from Schwab. This form looks like your monthly Schwab account statement, so it is easily misidentified. Please be on the lookout for it, since it may contain vital tax information.

Lastly, this is a reminder for those of you over 70½ who took part of your Required Minimum Distribution as a Qualified Charitable Distribution (QCD). Be sure to inform your tax preparer that you made a QCD. **The Schwab Form 1099R will show the total IRA distribution and will not identify the QCD, which is excluded on line 15b of your 1040**. Also, the QCD should NOT be listed as a donation on Schedule A, since it was never included as taxable income on your 1040.

Please call your advisor or paraplanner if you have any questions or need clarification. We are eager to be of assistance!

Best regards,



Mike Miller, CFP®