



This Publication Brought To You Courtesy Of:



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CLIENT BULLETIN

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➤ *IRS Cost of Living Adjustments for 2012*

The IRS officially announced the federal government’s adjustments for inflation which include increases to Social Security payments, tax breaks and tax-bracket thresholds. While Medicare changes have yet to be announced, it is suspected that higher premiums will offset the boost in Social Security payments. Social Security payroll taxes will also increase for an estimated 10 million workers. The following is summary of the 2012 retirement plan contribution limits.

	2011	2012
Elective Deferral Limit for 401(k), 403(b) and 457(b) Plans	\$16,500	\$17,000
Elective Deferral Catch-up Limit for 401(k), 403(b) and 457(b) Plans	\$5,500	\$5,500
Defined Contribution Plan Limit	\$49,000	\$50,000
IRA Limit	\$5,000	\$5,000
IRA Catch-up Limit	\$1,000	\$1,000
Taxable Wage Base for Social Security Tax	\$106,800	\$110,100

Source: IRS

➤ *Super Committee Deficit Reduction Plan*

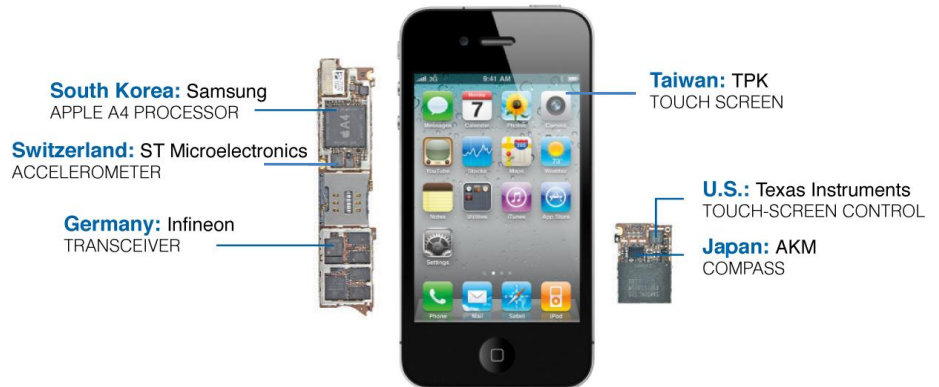
As you may recall from August, a Super Committee of 6 Republicans and 6 Democrats were delegated with the task of recommending at least \$1.2 trillion in deficit reduction measures over the next 10 years. Should the committee fail to come to an agreement by November 23rd, the law would impose across-the-board cuts with only Social Security exempt. What the Committee recommends is unknown but it has been speculated that certain areas will be addressed: a limit to the relative size of the federal government; changes to entitlement programs, such as Medicare and Medicaid; and tax reform. Investors remain reluctant to believe that these appointees will even be able to come to a compromise given the failure of previous debt ceiling negotiations.

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➤ Globalization

The smartphone is a symbol and a physical example of how the world is more connected than ever. Not only can we share and receive information at incredible speeds, but the smartphone itself is truly a global product. Companies around the world are linked in order to make a single product. As the world becomes more globalized, individual decisions within a country become more complicated because of the necessity to compromise and work together for the advancement of global societies.

The iPhone Supply Chain is Global
Selected Countries and Companies Involved in iPhone Production

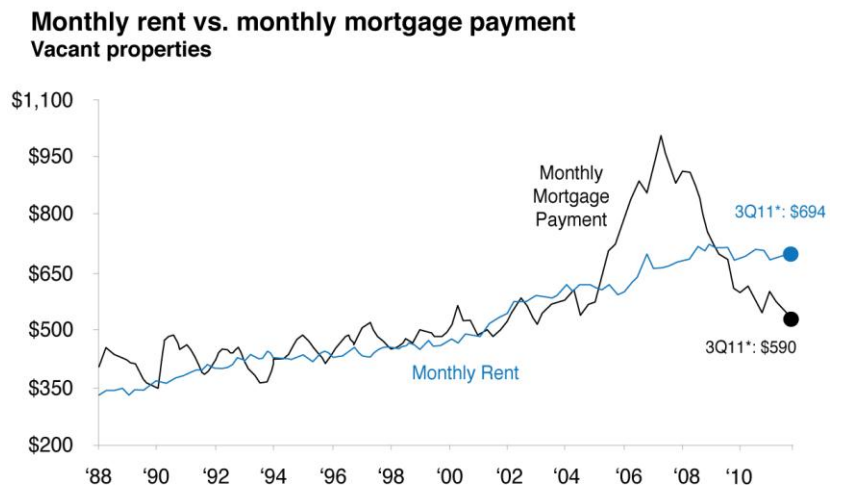


➤ Short-Term Stimulus Lacks Long-Term Effects

The President has already laid out his new stimulus plan modeled after the 2009 stimulus package. Unfortunately, the fact remains that government involvement in reducing unemployment *and* reducing the deficit cannot go hand-in-hand. The “cash for clunkers” program in 2009 only increased car sales until the program ended. Similarly, the home-buyer tax credit only increased housing sales until it ended. It can be expected that the same trend will follow temporary tax credits for businesses hiring the unemployed. While deficit reduction is unlikely to help unemployment in the short-term, it is a fundamental change that should be beneficial over the long-term.

➤ Rent vs. Mortgage

Since the housing crash, the United States is left with its cheapest housing market in decades. Mortgage rates are at their lowest level in modern history. The monthly mortgage payment needed to buy the median vacant home is estimated to be significantly less than the monthly cost of renting the median house or apartment. Those looking to buy in this market will experience long-term financial gain along with cheaper than average long-term financing.



Sources: Census Bureau, J.P. Morgan Asset Management. Monthly mortgage payment assumes a 20% down payment at prevailing 30-year fixed-rate mortgage rates; analysis based on median asking rent and median mortgage payment based on asking price. *3Q11 estimates provided by J.P. Morgan Asset Management.

**The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance.*