



# YOUR FINANCIAL FUTURE

Your Guide to Life Planning

January 2012

This newsletter contains general information that is not suitable for everyone. The information contained herein should not be construed as personalized investment advice. Past performance is no guarantee of future results. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Investing in the stock market involves gains and losses and may not be suitable for all investors. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security.

**Joe Ridenour**  
FORUM Private Client Group  
Vice President  
11313 USA Parkway  
Fishers, IN 46037  
317-558-6321  
[joe.ridenour@forumpcg.com](mailto:joe.ridenour@forumpcg.com)  
[m](#)

In This Issue

## Getting Ready for Tax Season: Changes for 2012

The IRS has issued cost-of-living adjustments for the 2012 tax year that modify brackets, deductions, and other thresholds for inflation.

## Three Keys to Surviving Market Turbulence

All too often, investors react to a sharp drop in prices by panic selling or digging in their heels despite deteriorating fundamentals. But more thoughtful investors see a correction or downturn as an opportunity to review the risks in their portfolios and make adjustments where necessary.

## Getting Ready for Tax Season: Changes for 2012

Although most Americans will not have to worry about 2012 taxes until early 2013 when 2012 tax returns are due, self-employed individuals or anyone who must pay quarterly tax payments will want to plan ahead.

And there's good news for those that do. The IRS recently announced cost-of-living adjustments for the 2012 tax year that bump up brackets, deductions, and other thresholds for inflation.

The following is a summary of the key changes for 2012.

- **Exemptions are up:** The personal and dependent exemption increases to \$3,800, up \$100 from 2011.
- **Standard deductions have increased:** The 2012 standard deduction increases to \$11,900 for married couples filing a joint return, \$5,950 for singles and married individuals filing separately, and \$8,700 for heads of household.
- **Tax-bracket adjustments:** Tax-bracket thresholds have increased for each filing status (see table below).
- **Estate tax exclusion has increased:** The estate tax exclusion increases to \$5,120,000, up from \$5,000,000 for 2011. The annual exclusion for gifts will remain at \$13,000.
- **Earned income credits rise:** The maximum earned income tax credit (EITC) rises to \$5,891, up from \$5,751 in 2011. The maximum income limit for the EITC increases to \$50,270, up from \$49,078 in 2011.
- **Transportation benefits adjusted:** The monthly limit on the value of qualified transportation benefits exclusion for qualified parking provided by an employer to its employees for 2012 rises to \$240, up \$10 from the limit in 2011. However, the temporary increase in the monthly limit on the value of the qualified transportation benefits exclusion for transportation in a commuter highway vehicle and transit pass provided by an employer to its employees expires and reverts to \$125 for 2012.

Several tax benefits are unchanged in 2012. For example, the additional standard deduction for blind people and senior citizens remains at \$1,150 for married individuals and \$1,450 for singles and heads of household.

Details on these and other inflation adjustments can be found in [Revenue Procedure 2011-52](#).

### 2012 Tax Brackets

	Single	Joint Filers	Married Filing Separately
10%	\$0 - \$8,700	\$0 - \$17,400	\$0 - \$8,700
15%	\$8,700 - \$35,350	\$17,400 - \$70,700	\$8,700 - \$35,350
25%	\$35,350 - \$85,650	\$70,700 - \$142,700	\$35,350 - \$71,350
28%	\$85,650 - \$178,650	\$142,700 - \$217,450	\$71,350 - \$108,725
33%	\$178,650 - \$388,350	\$217,450 - \$388,350	\$108,725 - \$194,175
35%	Over \$388,350	Over \$388,350	Over \$194,175

© 2012 McGraw-Hill Financial Communications. All rights reserved.

The 2012 standard deduction increases to \$11,900 for married couples filing a joint return, \$5,950 for singles and married individuals filing separately, and \$8,700 for heads of household.

## Three Keys to Surviving Market Turbulence

Most stock market investors are looking for the same result: strong and steady gains of their investments. Dealing with a period of sustained falling stock prices is not easy. All too often, investors react to a sharp drop in prices by panic selling or digging in their heels despite deteriorating fundamentals. But more thoughtful investors see a correction or downturn as an opportunity to review the risks in their portfolios and make adjustments where necessary.

When confronted with any adverse market event -- whether it is a one-day blip, a more lengthy market correction (a decline of between 10% to 20%), or a prolonged bear market (a decline of more than 20%) -- take time to review your portfolio. Dealing with volatility can be difficult. Here are three suggestions to help you and your portfolio survive market turbulence.

1. **Talk with a professional.** A financial professional can help you separate emotionally driven decisions from those based on your goals, time horizon, and risk tolerance. Researchers in the field of behavioral finance have found that emotions often lead investors to read too much into recent events even though those events may not reflect long-term realities. With the aid of a financial professional, you can sort through these distinctions, and you'll likely find that if your investment strategy made sense before the crisis, it will still make sense afterward.
2. **Organize and review your financial records.** Crisis events highlight the importance of knowing where your assets are and maintaining organized financial records. Following the September 11, 2001, terrorist attacks, markets closed for several days and many records in the heart of New York City's financial district were destroyed. Yet the nation's financial systems were up and running in a matter of days, and your securities accounts were safe even when the stock exchanges were closed. While you cannot trade investments or access your assets during a market shutdown, securities firms maintain backup facilities and have contingency plans to help them service customers when trading resumes.
3. **Keep a long-term perspective.** The only certainty about the stock market is this: It will always experience ups and downs. That's why it's important to keep emotions in check and stay focused on your financial goals. A buy-and-hold strategy -- making an investment and then holding on to it despite short-term market moves -- can help. The opposite of buy-and-hold investing is market timing -- buying and selling investments based on what you think the market will do next. Market timing, as most investment professionals will tell you, is risky. If your predictions are wrong, you could invest when the market is on its way down or sell when it's on its way up. In other words, you risk locking in a loss or missing the market's best days.

It's important to remember that periods of falling prices are a natural part of investing in the stock market. While some investors will use a variety of trading tools, including individual stock and stock index options, to hedge their portfolios against a sudden drop in the market, perhaps the best move you can make is reevaluating and limiting your overall risk position.

© 2012 McGraw-Hill Financial Communications. All rights reserved.

**When confronted with any adverse market event -- whether it is a one-day blip, a more lengthy market correction (a decline of between 10% to 20%), or a prolonged bear market (a decline of more than 20%) -- take time to review your portfolio.**



This newsletter was created using [Newsletter OnDemand](#), powered by McGraw-Hill Financial Communications.