



The Life Financial Group, Inc.

978 Ben Franklin Hwy. (Route 422 east) Douglassville, PA 19518

(610) 385-4500

FAX (610) 385-6868

(800) 688-5800

Wealth Management from a Biblical World View since 1978

www.TheLIFEGroup.org

Roy L. Russell, Certified Financial Planner

J Jeremy Ehst, Timothy Russell and Mark Magruder, Advisors



4TH QUARTER ECONOMIC NEWSLETTER



Roy L. Russell

What a year! 2011 was a year of tragic global upheaval, significant economic developments, and increased paranoia. The *S&P 500*, for its part, was mostly flat for the year. It opened at 1,257.62 and closed the year at 1,257.60[1]. It is what happened in between those numbers that makes 2011 so remarkable. At one point the stock market was up 8.96% only to drop down to -14.54% for the year. From high to low the market dropped 21.6%[2] only to comeback to even by the end of the year. The past year is a striking example of market volatility.



Tim Russell

What drove the market volatility in 2011? Early in 2011, the markets performed well. The NASDAQ was able to overtake its 2007 highs. It wasn't until our elected leaders in Washington chose to play chicken with the US economy over the Debt Ceiling debates that the real market downturn started. This failure to handle our nation's fiscal health in a timely manner gave rise to the Standard & Poor's rating agency downgrading our credit for the first time in history. This, along with the continued debt problems in Europe, made for just the right kind of environment for the wild swings we saw in the market.

What about the European debt problems? Should we be worried about our economic future? The European Union is in dangerous economic territory. Decades of Socialism and its resulting entitlement mentality have made it very difficult for them to adequately address their problems. That being said, there are several interesting differences between America and Europe. There is an informative article on the Fox Business website that lists eight reasons why the financial futures of these two world powers may be different. Two of the differences discussed are GDP and Unemployment. While much of Europe's GDP has already begun to contract, the US GDP is in the midst of an expansion which some economists expect to continue in the coming year. And while unemployment has gotten progressively worse in some European countries, the employment situation in the US has improved in recent months, with new jobs being created in the private sector. To read further on these and other key differences between the US and European economies... [Click here to read the full article.](#)

What is the Advisory Team at The Life Group watching for in 2012? There is one thing that we know for sure about the future: only God knows for sure what this year will hold. That being said, we are not making any predictions about the markets or global economy. We remain cautious about the markets because of the significant destabilization that continued in 2011. Things we are watching out for include:

1. **Unemployment:** We suspect that the unemployment rate will continue to drop, provided that nothing unexpected happens to foster improvement. The reality is that no matter what the "official" unemployment numbers say, there are still many people who

struggle with underemployment. The longer unemployment/underemployment lingers, the slower our recovery will be.

2. **Housing Market:** We saw continued weakness in home prices in 2011. Interestingly, there was also an increase in sales of previously owned homes. We are watching both of these numbers, but don't expect major changes in either direction in 2012.
3. **Presidential Election:** Conventional wisdom says that presidential elections years are generally good for the stock markets. That certainly did not work out in 2008. Although it is easy to resort to bitterness and cynicism, we should each remember that "The king's heart is a stream of water in the hand of the Lord; he turns it wherever he will." ([Proverbs 21:1, ESV](#))

Is there any reason to be hopeful about 2012? In spite of all the difficulties we still may be facing, we remain hopeful that 2012 will be a constructive year for our clients and their accounts. Obviously we don't know the future and anything can change. As advisors, we have worked with our clients to reduce risk where appropriate. We urge our clients to focus on the big picture. The markets will go up and down this year. The key is not to allow these short term ups and downs to cause you to abandon your long term investment plans.

Important Reminders-

1. **Taxes** - Please be sure to send us your tax data so that we can complete your 2011 Tax Return. Be sure to tell all your friends and family about our tax service. **For each new tax client you send us, we'll give you a \$20 gift card to Olive Garden or Amazon.com (limit 5 per client).** [See this flyer for more details.](#) If you are not using our tax preparation services, we still need to review your return and request a copy of the first three pages.
2. **Annual Reviews** - February and March are a great time for an annual review! Please call to make an appointment to visit with us, or if that is not practical, we can schedule a phone review.
3. **Retirement Planning** - Please send us copies of your Year End work 401(k), 403(b), and pension statements for review. Adjustments may be necessary within your employer-sponsored retirement plans.
4. **Referrals** - As the opportunity allows, please continue to tell your family and friends about how we have assisted you and how our service could benefit them.
5. **Ministry** - Have we had the opportunity to minister at your church? For more than twenty years we have taught in churches and colleges helping folks get out of debt, draft a Christian's Will and invest in ways that can honor the Lord. Please tell your pastor how we can help your church. If you give us his name we can mail out our ministry package for his review. Our entire staff hopes you have a happy, healthy, and prosperous New Year!

Sincerely

Roy L. Russell, CFP, Tim Russell, Jeremy Ehst, and Mark Magruder, Advisors

[1] <http://www.google.com/finance?q=INDEXSP:.INX>

[2] Values are based upon the numbers found at <http://www.google.com/finance?q=INDEXSP:.INX>