

The Meridian Median

This Month's Advice

An excerpt from Forbes' "Benefits Madness" by Ashlea Ebeling

Call it November Madness. Tens of millions of workers, rather than picking basketball brackets, select from a confusing lineup of health insurance plans and accounts during an annual ritual known as "open enrollment."

Complicating this year's choices: For the first time more than half of the employees surveyed by benefits consultant AON Hewitt are offering "consumer-driven" health plans that require workers to pay hundreds or thousands in deductibles. While the main point of such plans is to contain costs (or at least shift them to employees), they can be a smart choice if you're wealthy, healthy or young- and understand what you're buying into.

An HRA is not an HSA. To get you to sign up for a high-deductible plan, your employer might offer a lower premium and also put half the deductible in a health reimbursement account (HRA) for you. If you don't go to the doctor much, you can use that HRA for dental and vision care. Limiting an HRA's appeal: You usually can't take unused dollars with you if you're fired or quit.

An HSA has big tax benefits. Both you and your employer can contribute to a health savings account- a combined total of \$3,100 next year for an individual or \$6,250 for a covered family. (Those 55 or older can put in another \$1,000.)

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*To My Clients:
A Message from
Jim*

What a year 2011 has been in the financial markets through October. The S&P 500 index rose 8% through April, on expectations of slow but steady economic growth supported by rising corporate earnings. However, after we achieved the expected growth in earnings the S&P 500 average proceeded to plunge 18%, and by the end of September was off 10% for the year. Then in October, we had the best month since 1991 bringing us back to even for 2011. The other domestic stock averages have rode a similar roller coaster with the Dow and the NASDAQ up slightly for the year and the Russell 2000 down 4.5%

Our individual common and preferred stock selections are up 4% for the year exceeding the market averages and coupled with the option hedging strategy employed have reduced client account volatility. The disappointment in performance has been the selected 4 and 5 star rated Morningstar domestic stock and bond mutual funds, that have lagged the averages for the first time in 9 years. The domestic funds are underperforming their benchmark by 6% through October. We continue to have an ongoing review of alternative funds that could be substituted to improve performance. We are constantly dis

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Money beats: Year to Date Performance Percentages

Domestic Indexes

<i>Dow Jones Industrial Average PR</i>	5.4
<i>NASDAQ Composite</i>	1.3
<i>Russell 2000</i>	-4.5
<i>Standard & Poor's 500</i>	0.4

Foreign Indexes

<i>MSCI AC Far East ex Japan ID</i>	-11.1
<i>MSCI EAFE NDTR_D</i>	-6.8

Bond Indexes

<i>Barclays Aggregate Bond</i>	6.7
<i>Barclays Mortgage-Backed Bond</i>	5.3

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The HSA is yours- you can take it with you into the retirement and pass it on to your heirs.

What you contribute to an HSA reduces your taxable salary, meaning thousands in tax savings for high-income folks. Plus, unspent HSA dollars can be invested, grow tax free and can be used later, tax free, for medical, dental and vision expenses.

The catch? To have an HSA you must be enrolled in a plan with a deductible of at least \$1,200 for a single or \$2,400 for family coverage, and your total out-of-pocket costs (including deductibles and co-pays) can run as high in 2012 as \$6,050 for an individual or \$12,000 for a family.

NEWS IN BRIEF...

Bond Dealers See Fed Holding Rate At 0% In First Half Of 2013- an excerpt from a Wall Street Journal article as reported by Eric Morath

A Bond Dealers of America survey released Tuesday, Nov. 2, showed most respondents believe the Federal Reserve will hold its benchmark interest rate near zero at least through the first half of 2013 and largely approved of the central bank's most recent monetary policy move.

More than 80% of respondents to the trade group's semiannual economic outlook survey believe the central bank will continue to hold the fed-funds rate near zero through the second quarter of 2013, and half forecast the rate won't increase until 2014.

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cussing with fund managers their strategy going forward. We do expect to see significant improvement in performance as we go into 2012.

Foreign markets both mature and emerging have performed far worse with the emerging markets index down 11% and the European index in U.S. dollars off 7%. Although we reduced portfolio allocations for international equities to less than 5% it continued to have a negative impact on performance. We are increasing allocations going forward in the emerging markets where growth continues to be in excess of 6%. However, there is a general consensus developing that China is headed toward an asset bubble, especially in housing. We will continue to avoid Chinese equities in our international allocation.

Alternative investments such as commodities have provided little relief from the market malaise. The asset classes have been very correlated to the rest of the equity markets and are not providing a counterbalance to stock market volatility. The only non correlated asset class was gold until August as prices rose steadily. We saw a correction from \$1,900 to \$1,600 in September and a recovery to over \$1,700 per ounce in October. Gold should continue to benefit from excess paper money printing it since it is directly correlated to the amount of paper dollars in circulation. Most clients have a gold position from our investment in the permanent portfolio that has 35% of its assets in precious metals.

The market for fixed income has been especially difficult as all but U.S. treasuries have fallen in value. As indicated previously corporate bond funds and floating rate funds have underperformed. As the debt issues begin to be resolved in Europe we will see the corporate bond market recover as spreads between corporate and treasuries begin to narrow. We will also continue to purchase preferred stock to increase yield beyond treasuries where opportunities exist.

We see continued slow growth in the economy support rising corporate earnings through the first half of 2012. At some point the improved earnings picture must be reflected in the stock market. This positive economic environment will also support narrowing bond spreads and rising corporate bond prices. We are currently fully invested to take advantage of these opportunities, although we expect more periods of market volatility through year end.

If you have any questions regarding your accounts or financial planning issues please contact me at (231) 237-9715, or email me at jamescar@meridian-advisory.com