

Parsec Financial

WEALTH MANAGEMENT

First Quarter 2012

Riding the Wave of Change



by Rick Manske, CFP®
Managing Partner

I started my career as a financial advisor in the early '90s, eventually joining Parsec Financial in 1996. I have seen the financial planning and asset management industries go through the best of times and some of the most difficult times. It is fair to say that the change in the backdrop for investing and planning during my career thus far has been remarkable. Long-held investment principles have been challenged, new products introduced, and technology improved. In hindsight, we have seen asset bubbles inflate and collapse.

Amongst the tidal wave of change, the industry has never wavered in advocating prudent saving levels and spending decisions. As we (and our clients) age, we all must prepare for our ultimate retirement and estate goals. The fear of not having enough money, or not attaining our goals, is as much a

part of the investor psyche as ever before.

Today investor sentiment is very low on the combined prospect of eventual higher taxes and reduced entitlements spending, colliding with the disappointing returns in real estate and financial assets. The baby boomer population has many members exposed to the risk of an under-funded retirement. When this reality is combined with poor spending and savings decisions, the problem is only exacerbated.

The best remedy for addressing these challenges is assessing where you are in relation to your goals. Be prepared to make choices that can change the future path of your retirement plan. Reconsidering housing choices, discretionary lifestyle expenses, and car choices is a necessary step in regaining control and confidence in your retirement plan. This is hard to do in isolation, so working closely with your advisor is part of our commitment to helping you stay on track for a great life. Our firm has over 30 years of experience in helping investors set

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realistic plans in which they can be confident. We have access to industry-leading software that can assist with comparing scenarios within your plan. All of our advisors are credentialed professionals who are motivated to help keep you on track.

In times like these where the macro-economic events and headlines exacerbate market volatility, it is easy to feel helpless as the factors influencing prices are out of our control. I urge you to conduct careful assessment of the things you do control, such

as what you are spending or saving. Discovering a shortfall or unsustainable trajectory can be fixed if identified early. With markets bound to remain volatile, we believe that this type of careful scrutiny can help to alleviate the anxiety surrounding retirement planning. As we ring in another year, it is an ideal time for re-discovering the timeless basics. We encourage you to continue the dialogue with your advisor about your goals, saving habits, and needs.

We wish you and your family a safe, healthy, and prosperous new year!

COLA Isn't Just a Drink



*by Barbara Gray, CFP®
Partner*

The cost of living index increased for 2012 which resulted in increases to retirement account contribution limits. Contributions to 401(K) and 403(b) accounts have been increased to \$17,000 from \$16,500. The catch-up contribution for those over age 50 is unchanged at \$5,500. Other popular retirement accounts, the traditional IRA and Roth, are the same at \$5,000 (or \$6,000 for those over age 50).

The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$173,000 to \$183,000 for married filing jointly, up from \$169,000 to \$179,000 in

2011. For singles, the income phase-out range is \$110,000 to \$125,000, up from \$107,000 to \$122,000.

Social Security recipients will receive a 3.6% cost of living increase in 2012. There were no COLA increases for 2009 and 2010. Social Security Cost-Of-Living Adjustments started in 1975 and have averaged 4.4% through 2008.

What inflation really means is that the dollar isn't worth what it used to be and those dollars that you are saving for the future won't be worth what they are now. Consequently, you will need to save more of those dollars to get to where you need to be. Did your parents ever tell you that they used to see a movie for a quarter? Now you need 36 quarters to see a movie. I could go on, but you've all heard those stories. If you are not saving enough, please call your advisor who will help you come up with a plan!

Inaugural Parsec Prize 5K A Success



Our first Parsec Prize 5K was held on Saturday, October 15. To our delight, 120 runners laced up their shoes and joined us.

Each charity received \$20,000 as this year's Parsec Prize. The 5K event raised an additional \$4,877 for the prize recipients: **Appalachian Sustainable Agriculture Project, Asheville Symphony, the Boys and Girls Club of Buncombe County, and the Industries for the Blind.** Advisor Neal Nolan snapped some great pictures at the race.



Runners line up at Wall Street.



Shannon Saville and Elle Rackoff survive Flint Street.



Rick Manske feels the burn.



Krisztina Krivatsy-Stern takes 3rd place in her age group.



Diego Adams wins the prize for youngest runner. His mother, La'Tanya Adams, and client service specialist Ashley Woodring celebrate with him.



More Good News to Follow



*by Dr. Jim Smith,
Chief Economist*

On November 22, the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce released the “Second Estimate” of GDP for the third quarter of 2011. While the percentage change for real GDP at a seasonally adjusted annual rate from the second quarter was reduced from the 2.5 percent previously reported to 2.0 percent, the level was still a new record.

The old record of \$13,326.0 billion at a seasonally adjusted annual rate was set at the peak of the last expansion in the fourth quarter of 2007. The 18-month long recession from December 2007 to June 2009 reduced real GDP by 5.1 percent. That was the biggest drop since the 26.7 percent plunge during the Great Depression from August 1929 to March 1933, a total of 43 months.

The new record level was \$13,337.8 billion at a seasonally adjusted annual rate. That was 1.5 percent above the third quarter of 2010. As usual, by far the largest component of real GDP was real personal consumption expenditures (PCE). They ran at a seasonally adjusted annual rate of \$9,446.5 billion, up 1.5 percent from the third quarter of 2010. Real PCE made up 70.8 percent of real GDP in the third quarter. It also contributed 1.63 percentage points to real GDP growth then. Real fixed investment ran at a seasonally adjusted annual rate of \$1,787.8 billion in the third quarter. That contributed 1.45 percentage

points to real GDP growth.

The big subtraction from real GDP growth in the third quarter came from inventory reductions. Both farm and non-farm inventories fell in the third quarter at a combined seasonally adjusted annual rate of -\$8.5 billion in real terms. This decline subtracted a huge 1.55 percentage points from real GDP growth.

The good news from this is that it suggests that businesses will be scrambling to rebuild inventories this quarter. That should help increase the growth rate.

We’ll get the first estimate of that from BEA on January 27. It should show by far the best growth of any quarter this year.

The November report also contained the first estimates for corporate profits in the third quarter. They were at new record levels for all measures.

Total corporate profits with inventory valuation and capital consumption adjustments were running at a seasonally adjusted annual rate of \$1,977.4 billion in the third quarter. That was up 2.1 percent at a seasonally adjusted annual rate from the second quarter and a full 7.9 percent above the third quarter of 2010.

Corporate profits after tax on the same basis at a seasonally adjusted annual rate were \$1,562.6 billion in the third quarter. That was up 3.0 percent at a seasonally adjusted annual rate from the second quarter and 11.4 percent above the same quarter a year earlier.

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More Good News to Follow

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Net dividends ran at a seasonally adjusted annual rate of \$820.7 billion in the third quarter. That was 7.9 percent above the third quarter of 2010.

On November 21 the National Association for Business Economics (NABE) released its latest economic forecasts for the U.S. economy. The median forecast for the 42 of us in the survey is for 1.8 percent real GDP growth in 2011 on a year-over-year basis. That is expected to rise to 2.4 percent in 2012.

Given all the uncertainties in Europe, Japan and elsewhere, plus the total lack of consensus on what to do about the deficit, spending and taxes among the members of the U.S. Congress, this is a very robust outlook. Here's hoping it proves to be too low.

Electronic Delivery Is Here!



*by Cristy Freeman, AAMS
Senior Operations Associate*

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Parsec Spotlight: Samantha Williams



Samantha first joined us as a sometime helper with odd projects while she was still in high school. She eventually joined us full time in 2005 as our receptionist. Over the years, Samantha worked in a client service role until she became a client data specialist about four years ago.

She enjoys spending time with her children and husband Danny. Samantha is the mother of twin girls, Charity and Cheyenne; and a six-month old girl, Candace.