

WEEKLY MARKET COMMENTARY

For the Week of Jan. 9, 2012

THE MARKETS

Stocks were mostly up at the end of the first week of 2012. The Department of Labor announced Friday that the U.S. jobless rate was near a three-year low of 8.5 percent. Non-farm payrolls added 200,000 jobs in December. Euro zone banks slumped for the week, and the euro briefly hit a 16-month low as investors remained cautious over sovereign funding issues. For the week, the Dow climbed 1.25 percent to close at 12,359.92. The S&P gained 1.67 percent to finish at 1,277.81 and the NASDAQ rose 2.65 percent to end the week at 2,674.22.

Returns Through 01/06/12	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.25	1.25	8.54	14.33	2.72
NASDAQ Composite (PR)	2.65	2.65	-1.32	17.41	1.90
S&P 500 (TR)	1.67	1.67	2.44	13.43	0.20
BarCap US Agg Bond (TR)	-0.14	-0.14	8.11	6.77	6.38
MSCI EAFE (TR)	-0.41	-0.41	-11.99	6.74	-4.59

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, BarCap US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

For The Year – Although the S&P 500's raw index value dropped fractionally during calendar year 2011 (falling from 1,257.64 on Dec. 31, 2010, to 1,257.60 on Friday Dec. 30, 2011), the total return gain of the index was 2.1 percent for the entire year (i.e., including the impact of reinvested dividends). The S&P 500 stock index has been positive on a total return basis in eight of the past nine calendar years. The one down year that occurred since 2003 was a 37 percent tumble in 2008. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market (source: BTN Research).

Up Versus Down – The split between "up" and "down" days for the S&P 500 over the past 50 years (i.e., 1962-2011) is 53 percent "up" and 47 percent "down." The split during calendar year 2011 was 55/45, a surprising result considering that the year's total return gain was just 2.1 percent (source: BTN Research).

From The March 2009 Low – Since dropping to a bear market low on March 9, 2009, (i.e., approximately 34 months ago), the S&P 500 has gained 97.2 percent (total return) through the close of trading Dec. 30, 2011 (source: BTN Research).



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WEEKLY FOCUS – Changes to Social Security for 2012

If you are already receiving Social Security, then you may be aware that monthly Social Security benefit checks for you and more than 60 million Americans increased by 3.6 percent for cost-of-living adjustments (COLA) for 2012. The estimated average monthly Social Security benefits payable to all retired workers starting this month will now be \$1,229, up from \$1,186. While this is good news for those already receiving Social Security, it is not as exciting for the nearly 10 million American workers who will now be paying higher Social Security taxes.

To pay for the COLA increase, the Social Security Administration (SSA) increased the maximum amount of earnings subject to Social Security tax by 2 percent to \$110,100 for 2012 from \$106,800 in 2011. This is the first automatic increase in Social Security benefits since 2009. There was no COLA in 2010 and 2011 because the Consumer Price Index for Urban Wage Earners and Clerical Workers for those years did not increase above the level of the third quarter of 2008, the last year a COLA was determined.

Social Security allows retirees to work and earn income while also receiving benefits. The benefits are reduced, however, for retirees below full retirement age (defined as 66 for people born in 1943 through 1954) who earn more than a certain amount. For 2011 tax returns, that amount was \$14,160; for each \$2 earned over that limit, benefits were reduced by \$1. The earnings limit for 2012 has been increased to \$14,640. At full retirement age, benefits are increased to account for the amount withheld earlier due to the earnings limit. However, if you wait until full retirement age to begin receiving Social Security benefits, your benefits are not subject to the earnings limit – so you can work and receive full benefits.

Changes to both Social Security benefits and taxes have a direct effect on retirement income and savings plans. Contact our office today for a review of your portfolio to see how these changes will affect your plans.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI#439465