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A Quarterly Newsletter From JSW Financial
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In The News

Plan now for tax time

The economy may be getting better, stocks may be heading up again but one certainty never changes – tax time.

Plan now to make the most of this season with these tips from JSW Financial:

- Consider filing an extension. Reporting is delayed due to the nature of many of your investments. Please work with your accountants and alert them to this issue. Planning ahead will take away stress come April 15.
- Wait until March 20th to take

information into your CPA. Let your accountant know that some of your tax information may still be outstanding. Ask your accountant what works best: “estimates and extensions,” providing data in stages, or some other plan.

- Be sure you have both “original” and “amended” 1099s if applicable. (*Original 1099 have the cost basis information, amended do not.)
- Look over all data before taking it to your CPA. If you see that cost basis is missing, call our office immediately.

It takes time to research your accounts. Please do not wait and ask your CPA to do this – CPAs often notice the missing data at the last minute.

- Notify your CPA that requests for missing data need to be into JSW Financial prior to March 31 to ensure a 3-4 day response time. Requests in April may take up to 5-7 days.
- If you are traveling during this tax season: Please call our office so we can work according to your schedule.

– Robin Clark

Contact Us

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Mailing schedule for tax documents

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- in your year-end account statement.
- Schedule K-1s (for partnerships and some mutual fund investments; examples: oil & gas, Triton Pacific, note programs, some Managed Futures like Aspen) are mailed by the General Partner, not First Clearing. The mailing deadline for Schedule K-1s is March 15.
- We strongly encourage you to talk to your CPA about his or her situation and consider filing an extension. Ask your CPA how he or she would like to receive your tax information. For example, one client’s CPA informed him recently that he preferred as much of the material gathered and delivered to him by March 31. He said he would put “placeholders” in where the information was missing. This enabled him to calculate and manage his last-minute workload. Ask your CPA what works best for him or her knowing that some of your information may be delayed.

– Robin Clark

You do that?

When Joel started in this business back in the early 1980s, he was a stockbroker working in a large regional brokerage firm. People came to him for recommendations of what stocks, bonds or mutual funds to buy.

A lot has changed since that time, but I still come across situations where clients will tell me they didn’t know we offer certain services or advice. We still counsel people about buying and selling individual securities, but the breadth and depth of our services has grown tremendously over the years.

While you know that we offer financial planning, estate planning and investment management, some of you may not know what is included within those areas. Let’s look at each in a little

more detail with some specific examples of the types of services we provide.

Financial Planning

Joel and I are Certified Financial Planning™ professionals. The term “Financial Planning” covers a lot of ground, so to help understand what is meant by that, here are some specific items that we’ve worked through with our clients recently.

Retirement cash flow planning

- How much can I spend in retirement without running out of money?
- When should I and my spouse begin taking Social Security?
- My employer offers me the choice of a lump sum or a pension payment, which should I take?
- I’m a business owner. How do I

transition out of the business?
 College planning / new graduates

- What types of college savings options are available? Which is best?
- Should my child take out a student loan or should I loan them the money?
- My child just graduated from college; can you talk to them about budgeting/saving/investing?

Insurance

- Do I have too much/not enough life insurance? Do I even need life insurance?
- Long-term care insurance seems expensive. What does it cover? Do I need it? Can I afford it?
- Do I need disability insurance?

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Mailing schedule for tax documents

Turning the calendar to a new year also means turning our attention to preparing year-end tax returns.

As you are probably aware, First Clearing LLC has used an IRS-approved extension to mail 1099 forms to clients in February during the past few years. This approach was used because of the increasing complexity of tax reporting and successful reduction of amendment rates.

First Clearing will again apply for an extension from the IRS, in case any late situations arise, but expects to complete the mailing by the February 16 deadline.

The mailing will be done in batches. If you have multiple accounts, you may receive 1099 forms as early as late January, but not receive 1099s for all accounts until mid-to late February. Please allow adequate time for mailing before contacting our office for missing 1099 forms. March 1 might be a good target date to check to see if you have

received all your 1099 information.

Examples of some non-correlated investment strategies reporting on 1099s are Frontier Managed Futures (Aspen reports on K-1), KBS, and Behringer Harvard.

As you begin to gather your tax documents for your accountant, please keep in mind:

- You will not receive a 1099 for an IRA unless you received a distribution from the account.
- If you do receive an amended 1099, please make sure you provide your accountant with both the amended and original 1099. Long- and short-term capital gain/loss information, as well as cost basis, is only reported on the original 1099.
- Capital gain/loss information can also be found on your monthly account statements and a summary is included

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You do that?

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- Can you review my other policies (auto, homeowner, umbrella liability)?

Estate planning

Similar to financial planning, estate planning covers a lot of ground. Here are some specific areas where we have helped clients.

Wills and trusts

- Reviewing existing wills and trusts
- Do I need a trust? If so, what kind is best for me?
- Working with clients' attorneys to update wills and trust documents

Estate taxes

- Should I worry about estate taxes?
- What can we do to eliminate/reduce estate taxes?

Philanthropic planning

- What's the best way to make a charitable gift out of my estate?
- How can I make a significant charitable gift from my estate without impacting my heirs' inheritance?
- Instead of one large gift to one charity, is it possible for my estate to make smaller gifts to multiple charities over a number of years?

Investment Management

You are probably familiar with our investment management services. You know that our investment philosophy is similar to leading endowments such as Yale and Virginia Tech.

Based on clients' current and future cash flow needs, we create customized asset allocations using a variety of investments that historically don't move with each other. We continuously research the universe of several

thousand managers to identify those who can best meet our clients' needs and then monitor them on a regular basis. However, there are some aspects of our investment management services that are less well known:

- For most any size business, we can set up and manage many different types of retirement plans, from 401(k)s to cash-balance pension plans.
- We can actively manage TIAA-CREF and Fidelity 403(b) programs for faculty and staff of many colleges and universities, including Virginia Tech and Radford.
- For real estate and collectibles investors, we can provide options for tax-deferred 1031 exchanges.

If you have a financial, legal or tax issue, even if it's not similar to one I've highlighted, get in touch with us. You may be surprised at the depth and breadth of knowledge we can provide either in-house or through our affiliation with a national network of experts.

– Mike Jones

Reading the tea leaves

Improving signs but more challenges ahead



Wow! The last six weeks may very well go down in history as one of the most game-changing months and a half in our domestic and global economies. I did not realize this until I started pulling the analyses together for this newsletter. I came away with these feelings:

I am more optimistic that the stock market and investments will improve in the short term (3-5 years). In my opinion, extension of the Bush tax cuts for two years will give the economy a chance to gain traction and a correction in the market to under 10,000 on the Dow Jones is coming in 2011. We should have had it by now, but Bernanke's QE2 stimulus launch shoved that out. My best guesses are:

- By February a 25% chance of a correction
- By April a 40% chance
- By August a 60% chance

My best guess on a market top after a later correction is 13,000-14,000 on the Dow Jones.

Most global economies are beginning to grow their GDPs. There seems to be a sense that all governments are dealing with their own debt issues in an easing environment, conducive to business growth. California and the PIIGS nations (Portugal, Italy, Ireland, Greece and Spain) will still feel some pain.

The domestic and global economies are improving, however hard challenges will be dealt with in the coming months and years. Challenges that keep me awake at night:

- Domestic: The impact of our debt on the devaluation of the dollar (pain to be felt relatively soon: 9-36 months). "What will happen when the stimulus ends?" And a disturbing thought: "An economy on crack." Should be the

title of a book.

- Globally: In developed countries there will not be enough younger workers to sustain the lifestyles of the populations (which are aging very rapidly). But those challenges present investment opportunities, albeit new and different, thus my comfort in our investments.

I continue to be optimistic about our strategy of "absolute-return" managers, which is defined as:

- Less volatile returns, however very high percentage of positive annual returns.
- Able to invest in many asset classes, including commodity-based, and change according to the circumstances, not a single style.
- Including many different tactical strategies.

Employment numbers are improving better than expected but the employment in the small-business sector – the engine of economic growth – has not improved. That disturbs me a great deal. Also we may see official unemployment numbers increase slightly in coming months due to workers who lost hope for a job returning to the job-search numbers.

We could have another real estate correction in the family

housing sector as banks ramp up the foreclosure process.

Good news is that inflation will not

increase as rapidly until we resolve some of these crises.

Our portfolios will have a different profile five years from now with more commodity-related investments and global fixed income strategies.

Keep in mind that with challenges come opportunities. Try not to focus on the often exaggerated but regularly lopsided stories of the mainstream media. They always leave out the positive issues of a situation.

Please call me or Mike with questions or your concerns. We will continue muddling through this – with success.

Until next time.

– Joel Williams

"I am more optimistic that the stock market will improve in the short term."

Save the date

Client Appreciation Event

WHEN: Tuesday, March 29 at 6:30 p.m.

WHERE: Holiday Inn, Blacksburg
Details to come.

Office Closing

WHEN: Monday, February 14

In observance of President's Day.