

The Resonate Touch

Fourth Quarter 2011

RESONATE INC.
A FINANCIAL COLLABORATIVE

Connecting Client-Centered Financial Planning and Lasting Legacies

Barb's Bit



As many of you know, your Resonate team has been working overtime throughout the recent challenging months. In addition to attending conferences, listening to teleconferences, talking with economists, money managers and our peers, we have also been reading voraciously on your behalf. Much of the content for what follows comes from John Mauldin's book Endgame

The End of the Debt Supercycle and How It Changes Everything (John Wiley and Sons 2011). I give him the credit and hope that you find value in it.

The United States and the rest of the world are coming to the end of an era. The debt supercycle is shifting from private to public debt. As millions of Americans who have filed for bankruptcy or foreclosure now understand, there is a limit to the amount of debt anyone can take on. This is equally true for nations as it is for families. It is now the turn of many countries - including the United States - to make some very difficult choices.

While the limit is different for every nation, the solutions are all taken from the same list. Depending on the choices made, we are headed for either deflation or inflation.

There are two types of deflation- "good and bad". "Good deflation" comes from increased productivity which leads to lower prices. An example of "good deflation" is the falling prices of computers even as productivity increases.

"Bad deflation" comes from a lack of pricing power and lower final demand. This occurred in the US during the Great Depression and is also associated with wealth destruction, excess capacity, high unemployment and collapsing home prices. While I encourage you to recognize the deflationary signs present in our country today, it is also important to note that our Federal Reserve has gone on record that they will do everything possible to avoid the "bad deflation".

In spite of showing many characteristics of "bad deflation", since 1971 the United States has primarily only experienced inflation. The real threat of inflation in the US is continuing to spend beyond our means and then expect someone to monetize our government liabilities. (An example of this is the Quantitative Easing One and Two recently completed in the US.)

So the question becomes: How should you invest? Please note that the following is not given as investment advice because everyone's

(Continued on Page 4)



Economic Outlook

As the 3rd quarter comes to a gut-wrenching end, the S&P 500 and the Dow Jones Industrial Average have declined by more than 15% and 14% respectively between 7/1/11 and 9/23/11. We witnessed the historic downgrade of the USA's credit rating to AA+ by Standard & Poor's. Greece and several other European countries are sitting on the precipice of default. To cap off this "exciting" quarter, it seems that volatility in the markets has become an everyday occurrence. (Source: www.finance.yahoo.com)

Unemployment remains very high at 9.1% according to the Department of Labor's (DOL) August 2011 report. This figure was 9.6% in August 2010 and 9.7% in August 2009. As you can see looking back in time, there is very little change in the last 3 years despite Washington's promise to create more jobs. (Source: www.dol.gov)

(Continued on Page 2)

In This Issue

Barb's Bit	1 & 4
Economic Outlook	1 & 2
Year-End Tax Planning 2011	3
New Medicare Open Enrollment Deadline	3
Schwab Monthly Statements	4

Resonate, Inc.

8837 Chapelsquare Drive, Suite B
Cincinnati, OH 45249
(513) 605-2500 (phone)
(513) 605-2505 (fax)
www.resonatecompanies.com

*Fee-Based Planning offered through Resonate Advisors, Inc. a State Registered Investment Advisor
Securities offered through ValMark Securities, Inc., Member FINRA, SIPC.
Third Party Management offered through ValMark Advisers, Inc., a SEC Registered Investment Advisor.
130 Springside Dr., Suite 300, Akron, OH. 44333, 800-765-5201.
Resonate, Inc. and Good Samaritan Hospital Fd. are independent of ValMark Securities, Inc. and ValMark Advisers, Inc.*

Economic Outlook

(Continued from Page 1)

In an attempt to be very proactive due to current and projected economic conditions, we are making the following changes to our Model Portfolios. We are increasing the bond and asset allocation asset classes and reducing the US and international small and mid-cap positions. Please note that these changes will be done within your current model portfolio and do not require a new Investor Policy Statement to be completed. We are simply making the portfolios more conservative in an attempt to protect your principal.

Interest Rates have remained unchanged for the last year and the Fed stated they will likely keep rates low for the next several years. With

few tools available, they have revived a policy from the 1960's. "Operation Twist," as it has been dubbed by the media, involves selling short term Treasuries while at the same time buying long term Treasuries. "The intent is to thereby push down interest rates on everything from mortgages to business loans, giving consumers and companies an additional incentive to borrow and spend money. 'This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative' the Fed said in its official statement."

(Source: <http://www.federalreserve.gov/newsevents/press/monetary/20110809a.htm> & http://money.cnn.com/2011/09/21/news/economy/federal_reserve_operation_twist/index.htm)

Gold reached an all time high of \$1,920/ounce in early September only to fall back almost 20% towards the end of the month. "While gold may be seen as less of a [safe] haven than in the days before \$50 daily price moves became a regular feature of the market, it is hardly alone in seeing heightened volatility." The margin requirement for gold was raised once again by the CME Group and will take effect after the close of the market on 9/26/11. This is the second time this year that margin requirements were raised which tends to put downward pressure on prices as large investors are forced to sell to cover their margin costs.

(Source: <http://finance.yahoo.com/news/Hardbit-gold-bulls-not-yet-rb-2353337227.html?x=0>)

The US Dollar has become the favored currency over the Euro and British pound among currency speculators, for now. "In light of the global turmoil and despite all the problems in the US, the dollar is starting to look much more attractive." Only time will tell if this is the start of a new trend or simply a reaction to European uncertainty.

(Source: <http://www.forbes.com/sites/tomaspray/2011/09/26/new-dollar-trend-could-change-the-markets/> & <http://seekingalpha.com/article/295915-currency-speculators-increase-their-u-s-dollar-longs>)

Shifting to the international markets, "benchmark measures for 32 out of the 45 nations in the MSCI All-Country World Index have posted 20% declines from their respective peaks, meeting the common definition of a bear market, according to data compiled by Bloomberg. The MSCI gauge passed that threshold [on 9/23/11], extending its slump since May 2 to 22%. Among the countries with the 20 biggest losses from their highs, 18 are located in Europe. The [2] exceptions are Hong Kong and Brazil."

(Source: <http://www.bloomberg.com/news/2011-09-23/asian-stocks-drop-as-global-equities-enter-bear-market-euro-oil-rebound.html>)

Back in the US, the news is dire. "The Wall Street Journal's extensive survey of economists, released on 9/23/11, pointed out that 1 in 3 economists now expect the U.S. economy to slip back into a recession within the next 12 months." Whether or not we slip into a recession may be in the hands of the people. If the general population remains fearful and acts as if we are in a recession by spending less money, it is very likely we will end up in a recession. (Source: <http://www.navellier.com/commentary/marketmail.aspx>)

As we say in every issue, there are no guarantees. Your Resonate investment team is diligently exploring potential opportunities to both preserve and grow your principal. We continue to strive to create allocations, explore new methodologies and find fund managers that minimize volatility and optimize risk adjusted returns. Following are the annual and year-to-date returns for the major indices:

Year End 2009 ^A	Return	Year End 2010 ^B	Return	YTD Through 9/23/11 ^C	Return
DJIA	18.80%	DJIA	11.00%	DJIA	-6.96%
Total Stock Market	26.50%	Total Stock Market	15.60%	NYSE Composite	-14.98%
S&P 500	23.50%	S&P 500	12.80%	S&P 500	-9.64%
NASDAQ	43.90%	NASDAQ	16.90%	NASDAQ	-6.39%
EAFE	27.70%	EAFE	4.90%	EAFE	-17.31%
Barclays Aggregate ^D	5.93%	Barclays Aggregate ^D	6.54%	Barclays Aggregate ^D	7.06%

Sources: ^A WSJ January 2, 2010; ^B WSJ Wednesday January 3, 2011; ^C Morningstar Monday September 26, 2011

Indices are not managed and do not incur fees or expenses. Returns are listed on a price return basis which does not account for any dividends. It is not possible to invest directly in an index. Past performance is not an indication or guarantee of future results.



Year-End Tax Planning 2011

By: Diana Veid, CPA/ABV, CVA *Veid & Veid CPAs*

No Uncertainty for 2012

Thanks to the extension of the so-called Bush tax cuts through 2012 we will not have a repeat of last year's tax rate uncertainty. We know what the tax rates will be through 2012. We also know that if Congress remains divided and no action is taken the tax rates will increase in 2013 by the mere fact that the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") also referred to as the Bush tax cuts will sunset.

Rate Changes for 2013 Means Deferring Income - Not Necessarily the Best Strategy

The rates that were in effect prior to EGTRRA (Bush tax cuts) will be reinstated. The table below illustrates the tax bracket rate changes for a married couple filing jointly excluding any inflationary adjustments to the brackets.

In 2013 the 10% tax bracket is completely eliminated. In 2013 the remaining tax brackets with the exception of the 15% bracket increase by at least 3% with the top bracket increasing by 4.6%. As you and your family contemplate year-end tax planning it is important to take into consideration the expectation of the increased tax rates. If you have the choice to defer bonuses or exercise stock options you may want to consider taking them in either 2011 or 2012 instead of deferring the income to 2013 when the income may be taxed at a higher rate.

Upcoming Medicare Excise Tax - 2013

The Health Care and Education Reconciliation Act, enacted in early 2010, imposes two additional Medicare taxes on higher-income individuals effective for 2013. A 0.9% additional Medicare tax is imposed on single individuals who receive wages with respect to employment during any tax year beginning after December 31, 2012, in excess of \$200,000. The threshold is \$250,000 for a married couple filing a joint return or \$125,000 for a married taxpayer filing separately. For taxpayers at this same income threshold, a 3.8% Medicare excise tax is imposed on the lesser of investment income or the amount over those thresholds. 2013 will be the first year that Medicare excise taxes are charged on investment income. As a planning technique, tax exempt investment income is not considered in the calculation of this Medicare excise tax. Investment decisions will need to consider the implications of the Medicare excise tax and the enhanced attractiveness of tax exempt investment vehicles.

Capital Gains Rates

The 0% long-term capital gain rate for individuals in or below the 15% tax bracket is available through 2012. Long-term capital gains for individuals above the 15% bracket are at a 15% tax rate. In 2013 the long-term capital gain tax rate is scheduled to increase to 20%.

Charitable Donations from your IRA

Individual Retirement Account owners and beneficiaries who have reached age 70 ½ are permitted to make cash donations totaling up to \$100,000 to IRS approved public charities directly out of their IRAs as long as it is a direct transfer to the charity from the IRA through 2011. Please note this benefit has not yet been extended into 2012 and may not be.

Estate Planning

For 2011 and 2012, the unified federal gift and estate tax exemption is a generous \$5 million. In 2013 this changes back to \$1 million. The maximum federal estate tax rate for 2011 and 2012 is 35%. For 2013 and beyond, unless there is a Congressional change, the rate rises to 55%. Consider gifting to take advantage of the higher gift tax exemptions in 2011 and 2012.

Mid-Year Mileage Rate Change

The IRS provided some relief from the pump by increasing the standard mileage rate from 51 cents to 55.5 cents effective on July 1, 2011. This means that if you provide mileage as a business expense to your CPA you must break out the mileage from pre-July 1, 2011 and post.

As always please seek the assistance of a CPA for your particular tax situation.

Income Bracket	2011/2012	2013
Not over \$17,000	10%	15%
Over \$17,000 but not over \$69,000	15%	15%
Over \$69,000 but not over \$139,350	25%	28%
Over \$139,350 but not over \$212,300	28%	31%
Over \$212,300 but not over \$379,150	33%	36%
Over \$379,150	35%	39.6%

New Medicare Open Enrollment Deadline

If you wish to make changes to your Medicare coverage for 2012, open enrollment for Medicare has a new enrollment deadline that runs October 15th to December 7th. In years past, open enrollment was November 15th through December 31st. During this period, you can switch to another Part D prescription drug plan, or to another Medicare Advantage plan, or from traditional Medicare to a Medicare Advantage plan and vice versa.

Take advantage of the open enrollment period by checking out other plans offered on Medicare's website at www.medicare.gov and compare their costs and benefits to the plan you currently have in effect. All changes made to your plan will take effect 01/01/12.

[Source: AARP Bulletin – September 2011]

Barb's Bit continued from page 1

<i>Indices</i>	<i>YTD as of 9/12/11</i>	<i>1 yr ending 8/31/11</i>	<i>3 yr ending 8/31/11</i>	<i>5 yr ending 8/31/11</i>	<i>10 yr ending 8/31/11</i>
BarCap US Aggregate Bond Index	6.72%	6.41%	7.19%	6.71%	5.79%
NYSE Composite Index	-11.51%	-0.29%	-4.50%	-3.33%	1.61%
MSCI EAFE Index	-15.74%	-6.22%	-4.39%	-3.24%	4.99%
NYSE Composite Index	-11.51%	-0.29%	-4.50%	-3.33%	1.61%
Dow Jones Industrial Average Index	-4.46%	5.72%	-1.06%	-0.77%	1.42%
S&P 500 Index	-7.58%	4.75%	-2.44%	-2.41%	0.62%
NASDAQ Composite Index	-5.95%	11.26%	3.33%	2.40%	3.94%

Resonate Model Portfolios

Balanced Conservative 1	-0.58%	13.59%	9.89%	8.95%	11.68%
Balanced Conservative 2	-0.81%	13.50%	9.91%	8.91%	11.45%

All data is from Morningstar as of 9/12/2011. This information is presented for informational purposes only. Please remember that past performance does not guarantee future returns. Actual investments in the above models have changed over time. The figures above are based on a static allocation looking back in time from the date reported. It is not possible to invest directly in any of the indices listed.

circumstances are unique. Rather please consider this to be a partial list of possibilities to consider. As always, we will make our decisions together.

If you believe we are likely to experience deflation, then buy treasury bonds, income producing securities and the US dollar. Sell equities, bank stocks, junk bonds and most commodities.

If, however, you are more concerned about inflation then buy precious metals, treasury inflation protected securities, short-duration corporate bonds and foreign currencies.

While no one knows for sure what will happen, your Resonate team believes that we might experience some deflation followed by inflation. That has led us to create the diversified portfolios you own today.

I am pleased to share our results with you for our Balanced Conservative Portfolios - which are our most widely used models (See table above).

Schwab Monthly Statements

Looking ahead! We are excited to announce a new enhanced format for your monthly Schwab statements. The Customized Statement will be in landscape format to provide ample room for additional information. We will include the cost basis of all your non-qualified accounts to provide your unrealized and realized tax status for the current year. The new format will include a Portfolio Composition pie chart, a percentage of your account assets, and a 12 month Account Value Bar Chart. For your reference we will also have a section with updated Market Indices. This change will be effective with your first statement in 2012. In the meantime we have provided a sample copy for you to review.

Who to Contact

Nancy Burnham - Ext. 221

Client Records & Special Projects Coordinator
nburnham1@aol.com

Cheryl Clevenger - Ext. 218

Client Service Coordinator
cclevenger@resonatecompanies.com

Kathy Culver - Ext. 220

Business Operations Manager
kculver@resonatecompanies.com

Steve Culver - Ext. 217

Technology Supervisor & Events Coordinator
sculver@resonatecompanies.com

Kimberly Dunn-McGrath - Ext. 223

New Business & Insurance Coordinator
kdunn@resonatecompanies.com

Sharon Harrison - Ext. 245

Client Centered Wealth Advisor
sharrison@resonatecompanies.com

Kathleen Graham Marteney - Ext. 240

Client Centered Wealth Advisor
kmarteney@resonatecompanies.com

Chris McLaren - Ext. 225

Director of Investments and Research
cmclaren@resonatecompanies.com

Sarah Read - Ext. 281

Client Accounts and Financial Reports Coordinator
sread@resonatecompanies.com

Gale Wulker - Ext. 282

Client Service Coordinator
gwulker@resonatecompanies.com

Susan Zink - Ext. 214

Appointment Coordinator
szink@resonatecompanies.com