

FOUNTAIN FINANCIAL ASSOCIATES

VOL. 13, ISSUE 1

BUILDING LONG TERM RELATIONSHIPS THROUGH KEEPING PROMISES

SPRING 2012

Inside:

Your Retirement

Chris Riley details the topics discussed in our first Coffee and Conversation of 2012.

— Page 2

2012 Themes

Buck Beam looks at a couple of opportunities in 2012 and beyond.

— Page 3

A New Face

Meet Matt Dennis, our new Officer of Client Communications.

— Page 3

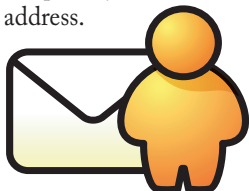
FFA Events

Our Valentine's Day dinner featured tax law analyst extraordinaire Jeff Bush.

— Page 4

Are you receiving periodic email updates from us?

If so, great! We welcome your feedback. If not, please call us at 910-256-8882, or email Dana at dana@fountainfinancial.net to update your email address.



The Most Important Thing

My daughter is graduating from college this year and entering the workforce at a time when good jobs are hard to find. My parenting skillset has now shifted from checking account provider to career consultant (and checking account provider). This job search process has been challenging and rewarding due to the importance of making a good decision around such an important lifetime choice. My daughter and I have determined that our best thinking needs to answer the question, "What is the most important thing?" Of all the different variables and considerations, which one counts the most? I think this question applies to most decisions in life, particularly to the financial ones. Let's examine this question as it relates to our investment portfolio strategies.

There are many variables that affect our investment decisions. One problem is that many individuals will skip strategic thinking and jump into easier, more tactical actions. For example, it's sometimes more gratifying to respond to events of the day, such as the European debt crisis, than tackle the more difficult task of monitoring your assumptions for risk. This behavior leads to tactical decisions that do not always connect to the most important thing, which, for most, is a lifetime of increasing income.

Big Deal

One of the most destructive common mistakes is when investors sell fundamentally good investments at low prices to shift their assets into cash. The idea is that they are reducing risk, when in fact, they are doing just the opposite. They might perceive increased safety, but



KEEPING PROMISES by Vinton Fountain

Risk (noun): exposure to possible loss or injury; to expose to danger, peril.

Webster's Dictionary

in reality, they're exposing their assets to almost assured deterioration from taxes and inflation. Investors will justify this detrimental action with the emotional promise that they will reverse the decision "when things get better." Of course, this tactical error usually means they will miss positive market movements, and find themselves buying back in just before the next

bear market begins. The great investor John Templeton illustrated this point when he said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." Where do you think we are today in this cycle?

Risk

I have found that for most of us, the most important thing is to not lose money. Warren Buffett said, "Investors need to do very few things right as

long as they avoid the big mistakes." This translates into managing risk and covering the downside, first and foremost. Effective risk management can seem more of an art than a science. It requires a complete understanding of your age, assets, income, and life variables, such as health, family, longevity and legacy plans. In order to manage risk, investors need to understand all of these variables and be able to answer the following questions:

- Do I have enough money?
- What level of income can I expect?
- How long will my money last?

These questions and the answers provide a basis

see **Important**, continued next page

Important

continued from page 1

for implementation of a risk management battle plan. While there are many ways to manage risk, such as effective financial planning, diversification, buy/sell discipline, risk monitoring and measurement, the solution begins with a thoughtful understanding of what is most important.

In life and in investing, we sometimes focus on things that are less important and as a result, we may lose sight of our real objectives. This type of “win the battle, but lose the war” behavior illustrates the importance of clarity of purpose. In my 28 years of navigating markets, I have come to understand that most people want to increase happiness through successful implementation of an “eat well, sleep well” formula. Stated differently, most of us want our money to do well, but we also want to live with the freedom from worry so that our quality of life is enhanced.

These goals, eat well and sleep well, are achieved by understanding risk and staying focused on what is most important. As author Albert Camus once said, “Life is the sum of all choices.” We are here to support you and your choices.

Vinton Fountain, *President*
Fountain Financial Associates

Wealth Wisdom

The gratification of wealth is not found in mere possession or in lavish expenditure, but in its wise application.

Miguel de Cervantes

To get profit without risk, experience without danger, and reward without work is as impossible as it is to live without being born.

A.P. Gouthey

Social Security Income and Your Retirement

As we begin a new year, many questions fill our minds about what the future holds for us all. We held our first Coffee and Conversation of the year to address a subject on the minds of most Americans, one which affects something near and dear to our hearts – retirement income. Social Security was the topic,



and we were fortunate enough to have expert Paulette Walz on hand to discuss the options available to us. She worked for over 29 years in the Social Security Administration, and now provides education for individuals to help them make smart choices in retirement.

Here are a few things we learned that seemed relevant to us all. First was that Social Security was not in danger of running out completely. Those over 50 will see little, if any, change in the nature of their Social Security, while those under 50 may see the full retirement age change, as well as some changes in the taxation of Social Security. We will have to make tough choices to sustain Social Security for the longer term, and there have been multiple credible solutions presented, so we expect that will be happening over the next several years. Second, we learned that as Medicare and healthcare costs continue to rise, we should continue to expect that to eat into retirement income. However, although we hear a lot of horror stories about benefits going to zero, or Medicare costs soaring 800%, we don't believe that we should be planning with those extreme scenarios in mind.

The good news is that there are resources in place to help us make wise decisions, and that the information is individually designed for each of us. Since there is a limit to the

support and knowledge offered at your local Social Security office, the best plan is to walk in knowing exactly what your options are and exactly which steps to take to execute your own plan. That's where we here at Fountain Financial can help. The main factors that we consider are level of benefits at different ages, longevity, work status between 62 and 70, and health. There are very simple tools available to show us how the different scenarios would look.

Did you know that according to the Society of Actuaries' Annuities 2000 Mortality Table, a married couple in which both live to age 65 has a 50% chance of at least one living to 92, and a 25% chance of one person living to 97? Did you also know that

74% of the people receiving benefits are receiving a reduced amount and

that there has been a 17% increase in people over 85 receiving benefits in just the past 5 years? If you have yet to reach Social Security age, or have been receiving for less than 12 months, make the time to determine the best strategy for you. You may also have friends who need to transition into Social Security with confidence, and we may be able to help them with that. Please consider introducing them if you think it would be a good fit. We continue to seek solutions that will make a difference and simplify life wherever we can. Thank you for all of your confidence, and we look forward to continuing to support you in all areas of your retirement income.

SOLVING for SUCCESS

by Chris Riley, CFP®



Chris

Chris Riley, CFP
Investment Advisor Representative

Theme for 2012: Optimism Revisited

“Keep calm and carry on.” These words, printed on a poster by the British government in 1939 in an effort to boost morale among citizens at the beginning of World War II, have gained new currency during the past few years. It’s good advice, but for many investors, it’s hard to follow. And it is easy to understand why. For the last decade, we have been dealing with the most volatile market environment since the 1930s. As investors we have faced one challenge after another that we have spent numerous pages of this newsletter discussing.

However, contrasting the current environment of negativity, weak confidence and general “investor fatigue,” we have a fundamentally strong corporate America, and a rapidly growing global marketplace. In relation to 2012 investment themes, I would like to expand on these two ideas a little further.

Healthy Corporate America

In September of 2011, the Federal Reserve estimated that cash on corporate balance sheets was \$2 trillion dollars. This staggering number could bode well for the stock market for two reasons: 1) capital expenditures and mergers are easily funded, and 2) dividends and share buybacks are likely to continue to increase. According to Standard & Poor’s there are 394 companies in the S&P 500 that pay dividends and they collectively paid over \$240 billion in cash dividends last year, up 17% from 2010. An additional 11% dividend increase is forecast in 2012, totaling the record amount of \$267 billion in shareholder dividends.

A growing number of companies are realizing that paying out higher dividends and/or increasing share buybacks is supportive to their overall market values. Dividend payments have risen now for seven consecutive quarters, at a time when earnings for the same companies improved 16% year over year.



Developing World

While growth in developed markets may be slow, it is estimated that 80% of the world’s population is growing wealthier and there is a burgeoning middle class in emerging market countries. Global blue-chip companies have enjoyed the scale necessary (in cash and infrastructure) to build distribution channels for selling their goods and services into the fastest-growing markets around the world and they continue to position themselves for exposure to the increasingly affluent consumers in these countries. In fact, it is estimated that in 2010, 46% of sales of S&P 500 companies came from outside the U.S. The growth in these global businesses fuels jobs around the world, including right here at home.

In sharp contrast to larger, more established economies, these developing nations have higher expected economic growth rates, the majority of the world’s natural resources, and roughly half of the debt as a percentage of their economic output (GDP). The expanding consumer base around the world has a position of strength and the potential to fuel the next wave of global growth for years to come.

The current environment of uncertainty coupled with the volatile conditions of the last decade has made many investors skeptical of the opportunity ahead. But history has shown that by staying the course, we have the potential to achieve solid results in the years following extensive downturns, even in the face of significant geopolitical and economic challenges. It is our pleasure to support you and your family through that process.

Buck

Buck Beam
Investment Advisor Representative

BUILDING FUTURES by Buck Beam



Photo credits: xitek.com (top), skyscrapercity.com (bottom)

Please welcome
the newest member
of our team
Matt Dennis



We are pleased to announce that Matthew Dennis has joined Fountain Financial Associates as Client Communications Officer and Portfolio Analyst.

Matt graduated with a degree in finance from Appalachian State University, where he completed his certificate in financial planning. Matt and his wife Jennifer have one son, Ryan.

FFA Events

In & around the office

Our annual Valentine's Day event was a dinner with guest speaker, Jeff Bush from *The Washington Update*. The topic of the evening was Taxes and Politics, and we're grateful to Mr. Bush for sharing his insight on developments in Washington with us all.



Vinton Fountain and Jeff Bush



Catherine and Bob Warwick



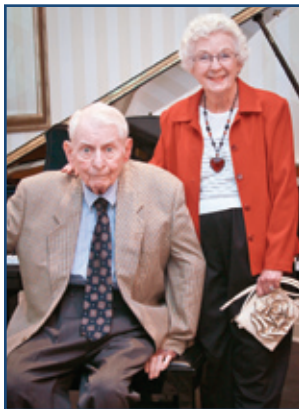
Ken and Laura McKain



Sandy and Jon Kates



John and Diane Cashman



Dellmer and Patty Seitter



Peter and Gaile Zack



Dotti and Dennis Kessen



Carl Spangler, Gayle Van Velsor



Paul and Susan Magnabosco



FOUNTAIN FINANCIAL
ASSOCIATES



*Investment Advisor
Representatives*

Vinton E. Fountain, III
Buck Beam
Chris Riley, CFP®

Client Service Associates

Matt Dennis
Dana Neel
Susie Kempf
Debbie White

FOUNTAIN FINANCIAL
ASSOCIATES

1209 Culbreth Drive, Suite 100
Wilmington, NC 28405
Phone: (910) 256-8882
Fax: (910) 256-3688

www.fountainfinancial.net

Securities and Investment Advisory Services offered through Financial Network Investment Corporation Member, SIPC. Fountain Financial Associates and Financial Network are not affiliated. • Opinions expressed are not intended as investment advice or to predict future performance. • You cannot invest directly in an index. • Past performance does not guarantee future results. • All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. • All economic and performance information is historical and not indicative of future results. • Please note that neither Financial Network Investment Corporation nor any of its agents or representatives give legal or tax advice. For complete details, consult with your tax advisor or attorney.