4Q11

THE FSAG ADVISOR

Inside this issue:

Economic & Market Perspectives

Further Policy Action Is Still Needed

The global financial stresses that have been contributing to market volatility have shown no signs of easing. Financial markets have been signaling that economic growth levels are too weak to support the current financial structure. Corporate bond spreads in most markets have been widening and euro-area bank bond spreads are close to their 2008 crisis levels. These signals suggest that economic growth needs to improve sharply (which is not likely to happen any time soon) or that further policy action is needed to ease the strain.

In Europe, last week's decision to increase the capacity of the European Financial Stability Fund (EFSF) was an encouraging one, but we believe that more still needs to be done. Specifically, just as the United States did in the latter stages of the 2008/2009 credit crisis, some sort of foundation needs to be erected under the European banking system. We believe the sooner a resolution is reached, the less costly it will be and the less damage will be inflicted on the global economy.

The United States remains in relatively better shape than Europe. The US corporate sector is far healthier today than it was during the credit crisis and has shown some willingness to invest. Even if hiring plans have not accelerated, they at least have not turned negative. Both consumer and business sentiment have weakened recently, but those trends have not translated into significant declines in consumption, hiring and capital spending. Nevertheless, the risks to the US economy skew to the downside, particularly if the European debt crisis drags on and worsens. From a policy perspective, there is a lack of confidence in the country's political leaders and expectations are low that much help will be coming from that front. The Federal Reserve has been implementing some new easing measures and clearly indicated that it would keep interest rates low, but, as with Europe, we still believe more action is needed. Overall, our view remains that the United States will avoid a recession, but we acknowledge that the pressures are growing.

Markets Look to Earnings for Guidance

The third-quarter earnings season is set to begin and investors will be watching the results very closely to see how well companies have weathered the recent bout of economic and market volatility. Strong earnings results and positive statements about the future could result in some short covering and buying, while weak results would likely reinforce the negative sentiment. The economy is still growing (if only barely), unit labor costs have not been rising, capacity utilization has ticked up and most commodity prices have been falling. This backdrop suggests that we should see another quarter where positive earnings surprises outweigh negative ones.

2011 Returns

S&P 500	*-8.59%*
NASDAQ	*-8.95%*
Russell Small Cap	*-17.02%*
Russell Mid Cap	*-12.34%*
MSCI EAFE	*-14.98%*
MSCI World	*-15.12%*
Barclay US Agg	*7.08%*
Barclay Muni.	*9.52%*

Trading Range Likely to Continue

At present, the S&P 500 is closer to the lower end of the 1,100 to 1,250 trading range we have been talking about for some time and current price levels are discounting a mild recession. Since our view is that the United States will manage to avoid a recession, that would imply that equity prices have room to move higher. However, a further decline cannot be ruled out given the high degree of uncertainty. For the time being, we continue to believe that markets will remain range bound. Since the panic selloff in early August, markets have tested the "floor" of 1,100 and we may see several more such tests in the week to come. Ultimately, we believe the outcome of the European situation will help determine whether or not, and in what direction, markets will be able to break out of their current trading range.

Source: BlackRock

Key Dates to Watch for Debt Super Committee

October 14: Relevant committees in Congress may submit deficit reduction proposals to the Super Committee.

November 23: By this date, the Super Committee must produce drafted legislation, agreed to by the majority of its 12 members.

December 9-23: Both houses of Congress must vote and pass deficit reduction legislation by this point.

January 15, 2012: The President must have signed into law legislation leading to $1.2 trillion of federal savings; otherwise the automatic spending cuts will take effect.

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Health Flexible Spending Accounts

An employer-offered health flexible spending account (FSA) can provide you with a tax-favored way to pay for your qualified medical expenses. You can make contributions to the health FSA that reduce your federal taxable wages, and the health FSA can reimburse you tax free for qualified medical expenses.

Health FSA basics
At the beginning of each plan year, you elect the amount (if any) of your wages that will be contributed to a health FSA during the year. The plan must specify a maximum dollar amount or maximum percentage of compensation that can be contributed to your health FSA. You might base your election on prior experience, as well as expectations for the upcoming year. Your employer will then withhold a proportionate part of those contributions from each paycheck. The salary reduction contributions reduce your federal taxable wages. (In some plans, your employer may also make nontaxable contributions on your behalf to the plan.)
When you incur qualified medical expenses during the year, you (or the service provider) submit those expenses to the health FSA. The expenses cannot be paid for or reimbursed under any other plan. Certain written documentation may be required. The health FSA reimburses you (or the service provider) for those expenses, up to the amount that you elected to contribute to the health FSA for the year. You receive the reimbursements tax free. You cannot claim an income tax itemized deduction for medical expenses that are reimbursed to you by the health FSA.

Special rules may apply to highly compensated participants and key employees.

Use-it-or-lose-it rule
Health FSAs are "use-it-or-lose-it" plans. Amounts in the account that remain at the end of the plan year cannot be carried over to the next year; they are paid to the employer and cannot be refunded to you. However, the health FSA can provide a grace period of up to 2½ months after the end of the plan year. For a plan using a calendar year, a grace period until March 15 of the following year might be used. Expenses incurred during the grace period can be paid from amounts remaining in the health FSA at the end of the previous plan year. Know when your plan year ends and whether you have a grace period. If you have money left in your health FSA at the end of your plan year and you have a grace period, look for ways to use up the money during the grace period (for example, by purchasing glasses or contacts, stocking up on prescription drugs, or having dental work done--whatever can be reimbursed by your health FSA).

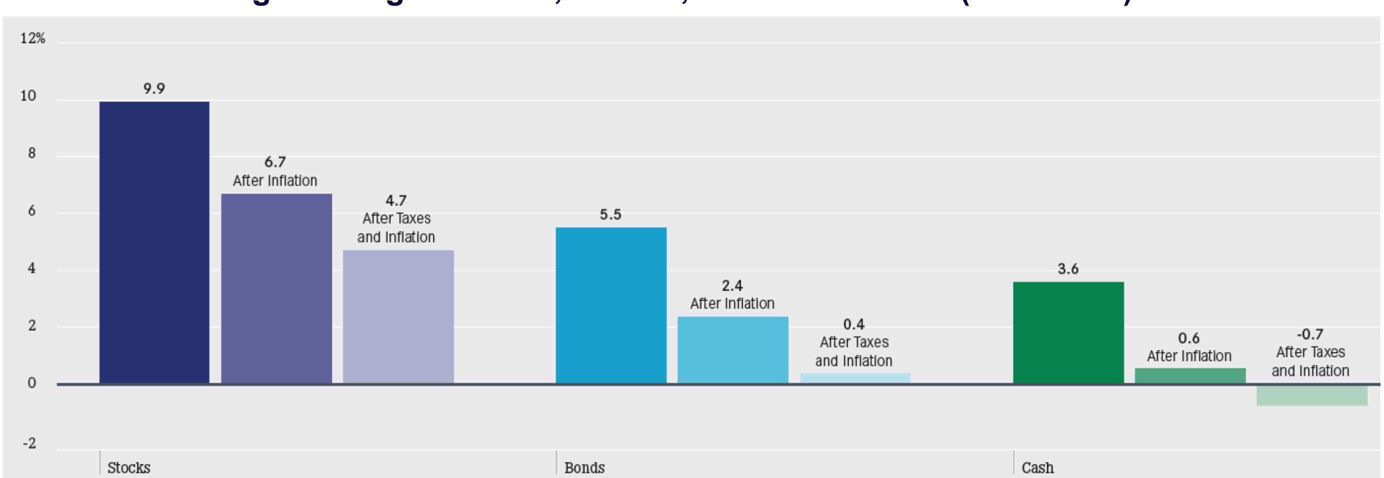
One-time HSA distributions
If you were covered by a health FSA on September 21, 2006, you may have until the end of 2011 to take a onetime distribution from your health FSA that is transferred directly to your health savings account (HSA) as a qualified HSA distribution. A qualified HSA distribution is treated as a nontaxable rollover from the FSA to the HSA. Various conditions must be met to make a qualified HSA distribution. Consult a financial professional familiar with FSAs and HSAs.

Recent changes
- *Coverage expanded for children under age 27.* A health FSA can generally reimburse you for

Continued on page 4

An employer-offered health flexible spending account (FSA) can provide you with a tax-favored way to pay for your qualified medical expenses.

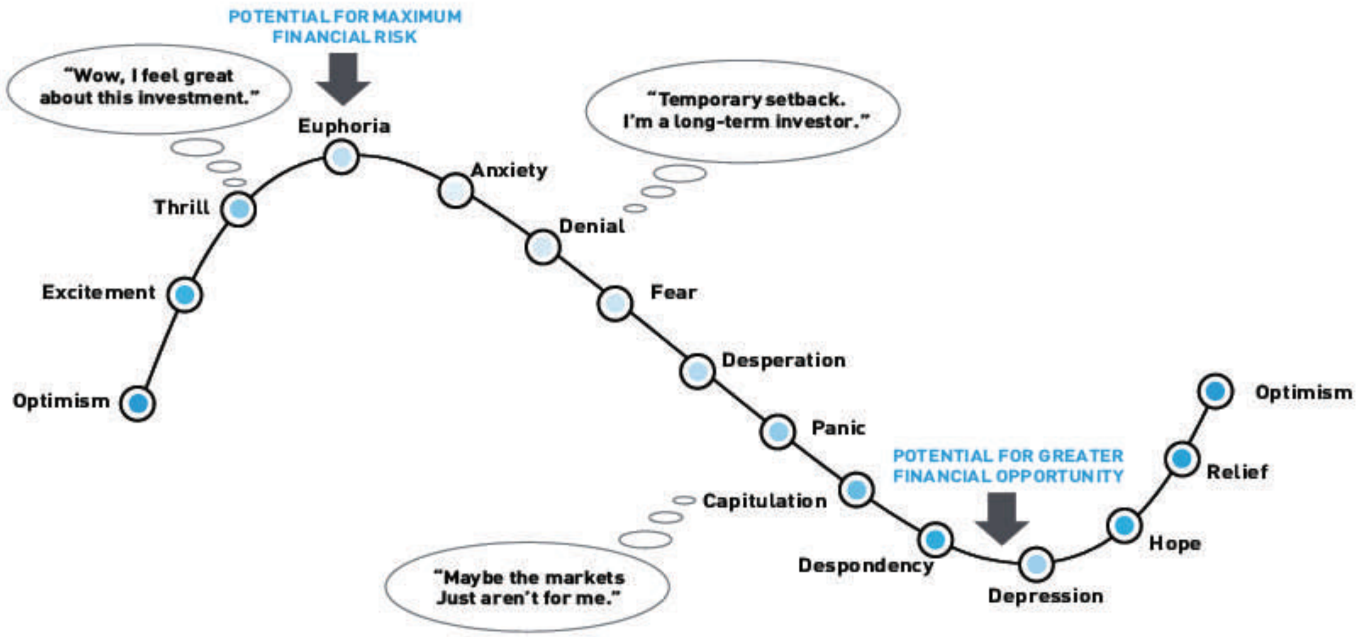
Cash Has Averaged a Negative Real, Annual, After-Tax Return (1926-2010)



Source: Morningstar

The Cycle of Market Emotions

There are countless reasons why you invest and they are all unique to you. Consequently, your feelings about investing may fluctuate with the markets as their movements can impact your ability to achieve personal goals. This is often referred to as the cycle of market emotions. When the markets are rising, your overall outlook on investing can be positive if not almost euphoric as you approach your financial goals. When the tides swing the other way, you may feel fear, panic and even despondency as those same goals seem to be swept out of reach. However, it is natural to experience such a wave of emotions as your goals are typically tied to personal targets. The chart below identifies the different emotions you may feel on your investment journey. Where are you today?



Source: Guggenheim

History Shows Bear Markets are often Followed by Positive Returns

Date	Duration in months	% Decline	Cumulative Return After Bear Market Ends: 1-year	3-years	5-years	10-years
October 9, 2007 – March 9, 2009	17	-56.8%	68.6%	n/a	n/a	n/a
March 24, 2000 – October 9, 2002	31	-49.1%	33.7%	54.0%	101.5%	n/a
July 16, 1990 – October 11, 1990	3	-19.9%	29.1%	56.0%	96.1%	361.9%
August 25, 1987 – December 4, 1987	3	-33.5%	21.4%	45.7%	93.0%	334.6%
November 28, 1980 – August 12, 1982	20	-27.1%	58.3%	83.2%	224.5%	307.9%
January 11, 1973 – October 3, 1974	21	-48.2%	38.0%	55.3%	76.0%	160.8%
November 29, 1968 – May 26, 1970	18	-36.1%	43.7%	55.8%	30.7%	59.6%
February 9, 1966 – October 7, 1966	8	-22.2%	32.9%	27.2%	36.6%	41.4%
December 12, 1961 – June 26, 1962	6	-28.0%	32.7%	58.8%	75.2%	105.4%
August 2, 1956 – October 22, 1957	15	-21.6%	31.0%	36.8%	41.0%	144.7%
May 29, 1946 – June 13, 1949	37	-29.6%	42.1%	79.9%	110.9%	322.6%
March 6, 1937 – April 28, 1942	62	-60.0%	53.7%	96.8%	92.4%	215.3%
September 7, 1929 – June 1, 1932	33	-86.2%	121.4%	116.1%	262.7%	86.1%
Average	**21**	**-39.9%**	**46.7%**	**63.8%**	**103.4%**	**194.6%**

Sources: Standard and Poor, American Century Investments

Fund in the News: Calamos Strategic Total Return Fund (CSQ)

Calamos Strategic Total Return Fund (CSQ) is a closed ended balanced mutual fund managed by Calamos Advisors LLC. Calamos Investments. The fund seeks to provide total return through a combination of capital appreciation and current income. It normally invests at least 50% of assets managed in equity securities, 25% in the convertibles and 25% in fixed income.

Most closed-end funds utilize leverage to enhance yield. CSQ uses 28% leverage and pays a managed distribution of 7.7%. The most attractive feature of CSQ is that it is trading at a historically steep -13% discount to the underlying value of its holdings. The discount and leverage enhance the possible total return an investor might obtain versus buying a balanced portfolio. Closed end funds are less liquid and can be more volatile than a simple balanced portfolio and there is no guarantee that the discount will narrow. FSAG currently allocates around 5% of a client's equity to CSQ.

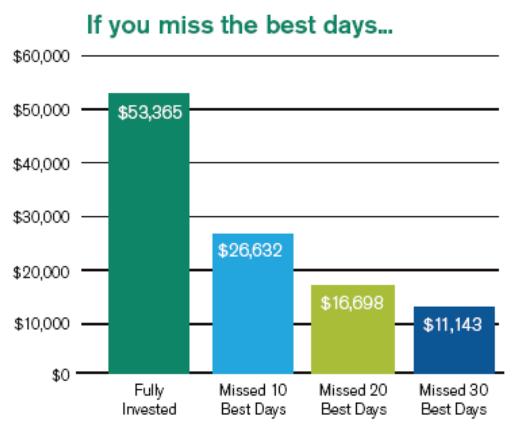
Source: Morningstar

Fund Objective:
Total Return

Investment Strategy:
The Calamos Strategic Total Return Fund invests in convertible securities, common and preferred stocks and income producing securities issued by both US and foreign companies.

At Financial Solutions Advisory Group, you'll find a fee-only Registered Investment Advisor (RIA) committed to putting your interests and your needs first, eliminating the commissions and self-serving incentives that get in the way of solid, successful financial planning and investment management.

Market Timing Doesn't Work



Growth of $10,000 in the S&P 500,
20 Years Ending June 30, 2011

No one knows when market gains will occur and missing just a few of the market's best days can lower your return substantially. To take advantage of market gains, stay fully invested and don't try to time market moves. However, even staying fully invested cannot ensure a profit.

Sources: Standard & Poor, American Century Investments

Health Flexible Spending Accounts *Continued from page 2*

qualified medical expenses incurred by you, your spouse, and your dependents. Effective March 30, 2010, qualified medical expenses that can be reimbursed by a health FSA were expanded to include expenses incurred by any child of yours who is under age 27 at the end of your tax year. Prior to March 30, 2010, reimbursement by a health FSA for expenses of a child was generally limited to a child under age 19 (or under age 24 for a full-time student). Such expanded coverage is available only if your employer amends the plan documents to provide it to you.

- *Prescriptions needed for over-the-counter medicine reimbursement.* As of 2011, you will generally need a prescription if you wish to be reimbursed by a health FSA for the cost of over-the-counter medicines. From about 2003 through 2010, a health FSA could reimburse you for over-the-counter medicines without the need for a prescription. The change makes the health FSA definition of medicine or drugs the same as the definition you would use if you were itemizing the deduction for medical expenses for federal income tax purposes: a prescribed drug or insulin.
- *New dollar limit for health FSAs in cafeteria plans.* Starting in 2013, there will be a new annual $2,500 limit for salary reduction contributions that you can make to a health FSA that is part of a cafeteria plan. If your employer wishes, the cafeteria plan can impose a lower dollar limit. The $2,500 amount will be indexed for inflation starting in 2014. Prior to 2013, there is no statutory limit. The new $2,500 limit does not apply to a stand-alone health FSA.

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