



Dear clients and friends,

January 2013

As of this writing, there has been no resolution to the fiscal cliff and the mere reference to this media ingratiated term, gives way to nausea. There is no right, there is no left there is only stupidity. As the great Thomas Jefferson said, "A government big enough to give you everything you want is strong enough to take away everything you have".

Without meaningful reform and instead a kick the can patchwork solution likely to emerge from the congressional negotiations, the long term greatness of the US economy will suffer, the dollar will weaken and our will to produce surely erode. The short term is a different story as the acceleration of gains and income into the fourth quarter of 2012, we believe, has been underestimated and will serve to create unexpected revenue to avert hitting the spending ceiling early and shutting down the "government". Regardless of the pending congressional agreement we do know, due to Obamacare, taxes have officially increased effective January 1, 2013 for joint filers earning more than \$250,000. This in itself should not derail the fragile US recovery but the ability to forecast further is not possible without more input from congress.

What can a retired citizen do, reliant on a fixed income? What can a young person do, untrusting of both the government and our market-based capitalistic society? What can the middle aged person do; the so called long-term investor? The answer remains the same; *save, spend within your means and diversify*. Whether building or rebalancing your portfolio you must be sure to keep sufficient cash on hand to meet your known expenses. We recommend a two year liquid nest egg to allow sufficient time to react and recover from historical market declines. Alternative assets are a must, including real estate, foreign currency and hard dollar assets like gold. The Federal Reserve has stated they are not raising interest rates until 2014, so for at least the next several months in 2013 we do not need to resist exposure to traditional interest sensitive fixed income instruments and continually look to seize opportunities from mispriced bonds which become available in the market place.

We believe opportunities for growth exist in emerging markets including China, Mexico and Latin America and exposure to the higher yielding large-cap dividend paying companies, globally, should represent the majority of equity portfolios. For clients with increased risk tolerances, who have granted us the authority, the use of options to capitalize on expected macroeconomic events and political announcements will continue.

Realized gain/loss reports will be posted to Advisor Vault in a few weeks and for our paper clients, mailed by the end of January. *All our best wishes for a healthy and prosperous 2013.*

The professional staff of United Asset Strategies, Inc.