

• Firm Update by Jim Steffen, CFP®, President



January is usually a time to look forward; a time for New Year's resolutions and business plans. However, I can't help but to look back and reflect on how quickly the years seem to pass by. Lisa and I celebrated our 15th wedding anniversary in October. As they say, "it feels like yesterday!" My daughter, Lauren, turned 13 and became a teenager. How did that happen?! She'll always be my little girl...just not that little anymore. Trott Brook Financial quietly celebrated it's ten year anniversary last month. It's amazing how our business has changed during that time. The clients and friendships that we've developed since Trott Brook began have truly been a blessing. It's exciting to think what the next ten years will bring; not only for me and my family, but for you and yours. Are you ready? I tend to be an optimist and I know the future is bright for all of us!

As we reflect back on 2012, it's important to recognize that despite the volatility, the election and the fiscal cliff negotiations, the market outpaced what most had expected. With the S&P 500 up 16% on the year, those investors who stuck to their long-term investment strategies were rewarded with a pretty nice return. I suspect those that sold out of their positions during downturns, especially those who played the "Sell in May and Go Away" game, are not quite as happy.

Thank you to everyone who attended the 8th Annual Trott Brook Benefit Bash in September (hard to believe it has been 8 already!). It is definitely the firm's favorite event of the year. This year we again enjoyed a record crowd, a record number of sponsors and a record \$8,661 raised for the Ann Talle Anoka Area Chamber of Commerce Scholarship Fund! For those of you that like to plan ahead, please put September 14th on your calendar for the 9th Annual!

We hope you'll join us for breakfast on Tuesday, January 29th, for our Annual State of the Markets event at the Fountains of Ramsey. This, too, has become an annual tradition and a great way to kick off the New Year. As Ted has taken on the responsibility for the content and the delivery of the presentation, the attendance has increased and the event gets better every year. Please call our office to reserve a seat for yourself and/or a guest.

Wishing you a New Year filled with Peace, Prosperity and Good Fortune!

• Commentary by Ted Erhart, Financial Consultant

Upon the recent passing of both of my grandmothers, I curiously started looking into life expectancy data for the United States.



As you would imagine, life expectancy in the U.S. has improved remarkably over the past 100 years. For example, my grandmother, Doloros Erhart, was born in 1917. According to the National Center for Health Statistics (NCHS), in 1917, the average life expectancy in the United States was around 56 years. Today, the average has improved by over 20 years to age 78!

As I was soaking this information up and thinking about all the progress we've made in medical technology, I also realized I was staring at a trend that poses huge financial challenges to the nation.

According to the non-partisan Congressional Budget Office (CBO), in 2011, 43% of the total federal budget consisted of Social Security, Medicare and Medicaid benefit payments. If you throw in interest on the debt, you're looking at nearly 50% of all federal outlays. The numbers get really crazy in about 25 years when the CBO projects, at current rates, the federal budget will be 100% consumed by benefit payments to enrollees of the above listed programs and interest on the debt.

Another way to put this is, around the year 2035, one could fire every federal employee and eliminate every department (Department of Defense, Justice, Homeland Security, Treasury, etc.) and we still wouldn't have enough tax revenue to pay just Social Security, Medicare and Medicaid benefits and interest. This is the scale of the challenges we face.

How could this happen? One of the biggest issues is the demographic trends I described above. Take Social Security for example. When the program was first enacted in 1935, NCHS says the average American life expectancy was approximately 59 years. At the same time, full Social Security benefits weren't available until one reached age 65. So the average person wasn't even expected to collect \$1 in benefits!

To ultimately solve our long-term deficit and debt issues, the country will have to decide what it wants from programs such as Social Security and Medicare. Unfortunately there is no painless answer, which is why nothing gets done politically. To maintain the programs in their current form, taxes will have to go up, a lot. The only other option is to reduce benefits which will face equal political opposition. These are simply the demographic and economic realities we face. Unfortunately there is a down side to living longer, it's expensive!



LPL Financial, as well as other investment firms, do not mail 1099's until late February. Please keep that in mind when filing your 2012 taxes!



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Upcoming Event...

Annual State of the Markets Event

Tuesday, January 29, 2013

7:30 am - Breakfast & Presentation
Fountains of Ramsey
7533 Sunwood Drive
Ramsey, MN 55303

Please RSVP prior to January 25th at
763.213.1000 or nikki@trotbrook.com



Jim & Lisa Steffen

Since our last update, we completed our 3,000 mile minivan road trip out to Glacier National Park in Montana. Definitely the highlight of our year. Hiking, fly fishing, white water rafting, kayaking, horseback riding and lots of exploring. We love the mountains! Lauren and Tommy are in 7th and 4th grade respectively at Legacy Christian Academy. They love the school, their friends and their teachers. The workload is challenging and homework keeps them pretty busy after school. However, they have plenty of extra circular activities to fit into their busy schedules. Lauren has been playing lots of basketball: 3 on 3, Andover rec league and now the Legacy 7th grade team. We think basketball has replaced soccer as her favorite sport. She also continues with her piano and guitar lessons and is looking forward to many excursions with the downhill ski club. Tommy will be starting his basketball season this month on the Andover rec league. He also plays the piano and is a Webelo in Cub Scout Pack 362 in Ramsey (Jim is the den leader). We spent the MEA

Weekend in Chamberlain, SD, for the South Dakota pheasant opener. This year we opted for a travel trailer instead of a hotel and enjoyed our first family camping (not in a tent) experience. Dakota flushed and retrieved lots of birds and we had a great time in the field. Thanksgiving was spent in Florida this year. We spent a few days with Lisa's parents in Naples as well as with her extended family in Tampa. We enjoyed the warm weather and catching up with family. We had a quiet and relaxing Christmas vacation at home with Christmas Eve spent with Jim's family in Anoka. Lisa is on her third year of co-chairing the Mercy/Unity Hospital Crystal Ball, loves being involved at the kids school and continues to share and teach her passion of knitting to others. Her latest project is getting the mothers and daughters at school knitting 8 x 8 inch squares to create a prayer blanket for a family from the Sandy Hook Elementary School in Newtown, CT. Her knitting circle is growing one stitch at a time & the knitters all love hanging out in Lisa's Knit Knook above the garage!



Ted Erhart

It's hard to believe another year has come and gone! This year absolutely flew by for Kelly and me. We both were extremely busy continuing our education. I completed the Certified Financial Planner (CFP®) curriculum in September and took the comprehensive exam in November. The final exam

covered six broad categories of material ranging from investments to income tax law. The test itself was ten hours in duration and stretched over two days. Just before this newsletter went to print, I learned I passed the exam! Kelly continues to work towards becoming a nurse anesthetist. She is well beyond the half way mark at this point. The program began with a heavy academic emphasis and has transitioned gradually towards hands on training. Kelly is glad to have moved beyond the intense classroom portion and now spends most of her week working in a hospital setting. Most recently she was completing her clinical work at St. Joseph's Hospital in St. Paul, and will next be rotating to Methodist. On a more somber note, Kelly and I lost our remaining grandmothers in December. Within about three weeks, Kelly's remaining grandma and my two grandmothers all passed away. Though our grandmothers will be greatly missed, we took comfort in that each lived to be at least into their mid-eighties, with my grandma Erhart making it to 95!



Nikki Cellette

Happy 2013 to all!! The holidays were filled with so much joy, laughter and love. Spending time with our family and friends during this season was absolutely priceless. New Year's weekend was busy with a hockey tournament in Edina and welcoming 2013 with our wonderful neighbors and friends. 2012 was the year I have been dreading for some

time, the year to send my last child to kindergarten. Brooklyn started attending Twin Lakes Elementary in Elk River. The first two weeks were filled with many tears and adjustments. It was initially a horrifying experience for her to leave her mommy and then soon led to an attachment to her ever so patient teacher, Mrs. Carley. Every Saturday morning she now wakes up to ask, "How many more days until I get to go back to school?" Needless to say, to my surprise kindergarten has become a huge success making more friends than I can keep track of and loving every second! Zachary is registering for his first year at Elk River High School. Another sad moment for mom. It seems I'm continually asking them to please stop growing up so fast. I have a feeling life is about to get very interesting! This past October marked my 5th year at Trott Brook Financial. What started out as a part time position has turned out to be an amazing opportunity working with the best team ever! I'm very thankful to be a part of Trott Brook and have become very spoiled with my four mile commute!