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RETIREMENT INSIGHTS

WINTER 2012

What a Ride — 2011 in Review

AS AN INVESTOR, you could describe your experience in your portfolio for 2011 as volatile, worrisome, or disappointing, but perhaps the most common word we hear is frustrating. There were a myriad of concerns that dominated the headlines and, as a result, the financial markets in 2011. For the year, U.S. stocks were able to squeak out small gains, while bonds continued their string of strong results for the third consecutive year. International stocks, however, were in the red due to continued global debt and geopolitical concerns.

Through the first six months of the year, investors pushed aside concerns about the long-term imbalances in the U.S. economy and growing conflicts abroad. They even looked past violence and political turmoil in the Middle East, growing sovereign debt issues in Europe, and natural disasters in Japan. Instead, the focus was on relatively positive economic data, which kept the market recovery intact. The added bonus of low interest rates and added liquidity in the system, provided by the Federal Reserve, rewarded investors for buying higher-risk securities. High-yield bonds and small company stocks particularly enjoyed strong price increases through the first six months.

As we moved into the summer months, the term “debt crisis” became a household phrase. The European debt issues reappeared at the top of the headlines in July and have stayed there since. The debt problems in Europe symbolize the destructive power that years of deficit spending can have on the world economy. So far, the proposed “fixes” appear to be short term, with the more difficult decisions pushed down the road. As these events played out in Europe, Standard and Poor’s put a negative credit watch on our nation’s debt in April and, subsequently, downgraded it one notch in August. As a result, reverberations were felt in the stock market that led to dismal third-quarter returns. Investors responded by

shifting their risk tolerance within the various asset classes. Stock investors sold off small company and international stocks in favor of high dividend paying stocks. Similarly, bond investors shifted from high-yield debt to government bonds, pushing yields even lower on high-quality corporate and government bonds.

After a horrendous third quarter in the capital markets,
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25 Years and Growing

PERHAPS THE GREATEST risk in Advance Capital’s history took place in 1987. That’s when three Michigan Bell employees took a chance in creating a collection of mutual funds and began their search for individuals who could benefit from their financial expertise. Three employees turned into 60, a handful of clients turned into more than 5,000 households, typewriters turned into intricate IT systems, and one room turned into offices in five metro areas.

Along the way, the people and tools have morphed and developed, but the goals have never changed — to help our clients make the most of their retirement by properly managing their investments.

“Advance Capital has made it through the years mainly due to several important factors,” said Joseph Theisen, president of Advance Capital Services. “We continually reassess our business opportunities, our clients continue to enjoy great value in our services, and they refer their family and friends.”

Over the past three years, significant changes have taken place in our continued effort to improve services and invest for the future. We increased staff size by about 20 percent, and upgraded computers and software in our effort to better

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Investors should carefully consider the investment objectives, risks, charges, and expenses of the Advance Capital I, Inc. mutual funds before investing. This and other important information is contained in the fund’s prospectus, which can be obtained by calling (800) 345-4783. The prospectus should be read carefully before investing or sending money. Past results are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so you may lose money. Investments are not insured, and may lose money. Clients should be prepared to bear the risks associated with investing.

We Can Help

THROUGHOUT THE YEARS, we at Advance Capital have poured ourselves into our quest to assist as many people with their retirement goals as possible. We are very fortunate to have been able to work with so many wonderful clients.

Guiding our clients through market ups and downs, we have helped them survive the financial downturns and emotional struggles that result from this volatility. We've provided sound financial planning and investment advice through our prudent, conservative approach. As a result, we've grown and now occupy several office locations in four states.

As you may know, we made our biggest mark with clients who retired from what was Michigan Bell. We started researching and becoming knowledgeable about the myriad of benefits offered to employees of "the phone company," so we were, and are, able to guide them appropriately.

What many don't know is that over the years we've helped many clients with their retirement planning needs who didn't work for the phone company. Many of these clients have come to us from referrals, and many of our referrals come from the clients who did work at the phone company. Over the years, we've added many of our clients this way — one referral at a time.

We meet one person at a time, discussing their retirement needs with careful and thoughtful planning in order to provide the right advice. It's how we've added clients and how we've grown. These referrals from our existing clients

are our lifeblood, and they are very much appreciated.

At the end of the day, it doesn't matter where someone works; retirement is an event that everyone should plan for no matter where they are in their career, and earlier is always better. Your retirement assets should be managed appropriately both before and after retirement. We spend much of our time in this role, providing analysis and recommendations for retirement savings plans to people who are still in the work force. Savings plans [401(k), 403(b) and 457s] are spread across many different employers, and we have always provided this service without cost; even though our advice is very valuable, and others in the industry charge for it. Advance Capital feels that getting people on the right track with their retirement is the most important thing we can do.

Advance Capital is making an effort to focus and expand the companies that we assist people in retiring from. We've always offered to come and speak to workgroups or set up off-site presentations to discuss the importance of retirement planning.

If you know anyone who works for an employer in the area and who is in need of good advice and terrific service in regards to their retirement planning, please have them contact us. We would be happy to discuss their company benefits and individual situation as we have done successfully for so many in the past and will continue to do for so many years to come. Thank you! ✓✓✓



25 Years and Growing

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support ever-changing tasks and planning needs. An office was opened in The Villages, Florida, as opportunities were identified to help new and existing clients in central Florida. Our office in Independence, Ohio (near Cleveland), that had limited meeting space and facilities, was moved to an upgraded location to better meet the needs of our Ohio clients in December 2011. Finally, we are putting the finishing touches on a 30-percent expansion in space to the Southfield headquarters, including more conference rooms for client meetings, a new entrance, and an expanded board room. These changes in Southfield will help us to continue to enhance our clients' financial planning experience that they have come to know throughout the years.

We're looking forward to the next 25 years; but just like our founders, we're not just waiting for the future to unfold. Instead, our firm is going to work every day to ensure your long-term success; it's what's worked best during our first quarter century. ✓✓✓

What a Ride — 2011 in Review

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tiny morsels of positive news were a welcome relief to investors during the final three months of the year. Improvements in unemployment, housing, and manufacturing led to an increase in growth expectations. The equity markets posted much needed, large gains in the fourth quarter that led to small gains for the year as a whole. We recognize living through a year of uncertainty is not easy and are aware of how the market volatility of recent months can impact investor psyche.

Looking forward, we continue to believe that the U.S. economy is on a long, slow climb back from the depths of the Great Recession. Corporate profits are strong, jobs are slowly but surely being added, and housing appears to be improving. Perhaps we are starting to see some steam behind a sustainable recovery. The capitalistic nature of our economy has the ability to transform itself and withstand many of the negative forces. We appreciate the confidence you have in our investment management process and thank you for your continued loyalty. ✓✓✓



Advance Capital I Mutual Fund Update...

Managing Fees

IT SEEMS LIKE yesterday when Advance Capital hired T. Rowe Price to manage the Advance Capital I Equity Growth Fund and the stock portion of the Advance Capital I Balanced Fund. Yet, it was 18 years ago, way back in 1994. At the time, our motivation to select a sub-advisor for the funds was due, in part, to our company's small size and need for expert stock selection in these two funds. T. Rowe Price had just started their diversified portfolios, and we were the first mutual fund company to sign up for this new product. Needless to say, we received a very favorable fee structure as a result. Through the years our relationship with T. Rowe Price was extremely positive and beneficial to our clients and firm. It's safe to say that many things have changed for Advance Capital over the past two decades. Our firm has grown tremendously in its size and scope, while T. Rowe Price has leveraged the success of this fund into billions of new assets for their firm.

Last spring, T. Rowe Price notified us of their intent to increase the fees they charge us for sub-advising the stocks in our two funds. In short, time had run out for receiving such a low fee structure on this product. As a business decision, they wanted to align all fee outliers to their current structure. For our firm and clients, that equated to about a 250 percent management fee increase. We had to decide whether our firm would pay for the increase, ask

shareholders to pay, or seek alternatives. It was not a decision that we entered into lightly or without considerable thought, analysis, and preparation. Ultimately, we didn't choose the easy path, but the one that made the most sense for our clients and our firm. On October 1, 2011, we transitioned the equity selection and management from T. Rowe Price to our in-house investment team. We concluded that for a similar cost, we could hire the right people and add the necessary systems to effectively manage the stocks ourselves.

For the past six months, we have been busy preparing for these new duties. We refined our investment strategy and process, hired two new equity analysts, and expanded our operations. The two individuals we hired are seasoned investment professionals with extensive experience researching and selecting stocks and the academic credentials to go along with it (Chartered Financial Analysts and MBA). We also purchased several software packages to aid in stock research, equity screening, and fundamental company research. We are extremely excited to embark on the next chapter of the Advance Capital I funds and have the utmost confidence in our ability to continue the fine performance that you have come to expect over the years. If you have any questions, please don't hesitate to give one of our portfolio managers a call. They are ready, willing, and able to speak with you. ✓✓✓

Did You Know?

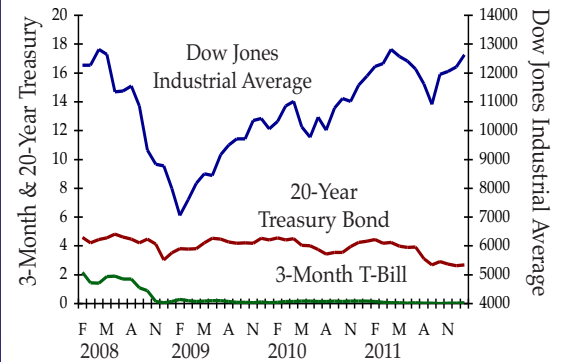
- ✓ Our Ohio office has moved to a new location:
 - Crown Center Suite 100
 - 5005 Rockside Road
 - Independence, OH 44131
 - 216-520-1437
- ✓ Advance Capital has added three new faces and one familiar face full-time to our staff. We are proud to be an expanding business that is actively creating jobs in the communities in which we serve. Please read on to learn about our recent hires:
 - Markita Dinco has been added in our Southfield office as a Customer Service Representative. Some of you may remember Markita assisting Deb Allen with income tax preparation for the last couple of years in our Southfield office.
 - Carly Benardino has been added to our Grand Rapids office as a Sales Assistant. Some of you may have

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Market Data	Month End			% Change	
	Jan 12	Dec 11	Nov 11	YTD	12 Mon.
Dow Jones Ind.	12632.91	12217.56	12045.68	3.4%	6.2%
S&P 500	1312.41	1257.60	1246.96	4.4	2.0
Nasdaq Comp.	2813.84	2605.15	2620.34	8.0	4.2
Wilshire 5000	13769.31	13109.55	13038.51	5.0	1.6
Gold	1744.00	1570.00	1746.00	11.1	31.4
Silver	32.98	28.26	32.75	16.7	17.1
				Dec 10	Jan 11
Prime rate	3.25	3.25	3.25	3.25	3.25
Money market rate	0.51	0.49	0.52	0.00	0.00
3-month T-bill rate	0.05	0.03	0.02	0.18	0.16
20-yr. T-bond rate	2.68	2.63	2.73	4.23	4.32
Dow Jones Corp.	3.42	3.74	3.79	3.89	3.83
Bond Buyer Muni	4.64	4.85	5.01	5.51	5.78

Sources: *Barron's, Wall Street Journal* Past performance is not a guarantee of future results.

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield February 2008 to January 2012



Sources: *Barron's, Wall Street Journal*

Did You Know...

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already had the pleasure of speaking to Carly, as she started in early December.

- Kimberly Cyran has been added to our Independence, Ohio, office as a Sales Assistant. Kimberly started in her new job in early December. Kimberly has many years of brokerage and investment advisory experience in our industry. We look forward to the expertise that she brings to the position.
- Kirk Danielson has been added to our Southfield office as a Retirement Plan Coordinator. In this position, Kirk will be instrumental in our retirement planning process. Kirk has previously worked in the financial planning and insurance businesses prior to joining our firm. His depth of knowledge should help us to further our processes in the years to come.
- ✓ 2011 IRA contributions can be made until April 17, 2012. The limit is \$5,000 for people under age 50 and \$6,000 for people age 50 and older. 2012 IRA contributions are limited to \$5,000 for people under age 50 and \$6,000 for people age 50 and older.
- ✓ You can contribute \$17,000 to a 401(k) in 2012. If you are age 50 or older, you can contribute an additional \$5,500 catch-up contribution to your 401(k) for a grand total of \$22,500.
- ✓ The estate tax exemption has been placed at \$5,120,000 per individual for anyone who passes away before January 1, 2013. This is a slight increase from the \$5,000,000 exemption for 2011.
- ✓ Social Security taxation has once again been reduced for 2012. The 6.2 percent wage tax has been decreased to 4.2 percent through February 29, 2012. Once this date hits, the temporary tax cut will increase back to 6.2 percent unless Congress agrees to further extend the tax cut.
- ✓ The filing deadline for 2011 tax returns has been extended past the traditional April 15 date and will be April 17, 2012. ✓✓✓

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