

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

October 28, 2011

Item 1. Schedule of Investments.

The Schedule(s) of Investment is attached herewith.

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

To the Shareholders of Flaherty & Crumrine/Claymore Total Return Fund:

During the third fiscal quarter of 2011¹, total return on net asset value² of the Fund was -2.4%; the fiscal year-to-date return was a more pleasing +8.7%. Prior to this most recent quarter, the Fund had nine consecutive quarters of positive returns.

There was good news on the Fund's dividend during the quarter—a combination of very low borrowing cost on the Fund's leverage and relatively high income earned from the Fund's investment portfolio led to another increase in your monthly dividend. The new rate of \$0.1395 (beginning in August) is 3.3% higher than the previous level.

The Federal Reserve has indicated short-term interest rates are likely to stay at present levels at least through mid-2013. The Fund's borrowing rate is not directly tied to the Fed's short-term rate target, but the correlation is high, so borrowing costs should remain at or near current levels over the same period.

On the flip side, however, the task of projecting portfolio income has become more difficult, due both to the sharp decline in interest rates and changes in the regulatory environment in which many preferred issuers operate. For instance, bank regulators here and abroad have yet to issue final guidelines for bank capital; until they do, it is hard to predict when issuers may call outstanding preferreds. We think eventually portfolio income could fall (as higher dividend paying securities are called), but we are working hard to minimize the impact.

Conditions in financial markets are largely a tale of two houses—an ongoing economic drag from the residential housing market and a struggle of governments to get their financial houses in order. While there is a detailed discussion of these topics in our Quarterly Economic Update on the Fund's website, our thoughts are summarized here.

The drop in home prices and rise in foreclosures have eroded household wealth, pushed up savings, and slowed consumer spending, thus short-circuiting the cyclical recovery the economy normally would experience coming out of a deep recession. The resulting sluggish economic growth has encouraged companies to focus on reducing debt, lowering costs, and improving productivity. This has led to an unusual combination of strong profit growth and improving credit quality for corporations, but little improvement in employment. Finally, rising savings, limited demand for new investment, and highly accommodative monetary policy have pushed US Treasury rates to 60-year lows. As long as households seek to reduce indebtedness, which we expect will continue for some time, these conditions are likely to persist.

At the same time, the deleveraging that began in the household sector has spread to the government sector. Investors are questioning governments' ability and willingness to sustain current budgets and obligations, most visibly in the sovereign debt crisis boiling over in Europe. The uncertainty over how that situation will be resolved—and its short and long-term impact on the global economy—has sent many investors to the sidelines and out of risky assets. Although politicians are moving toward resolution of these issues, the solutions are often unpopular, and progress is likely to be slow.

¹ June 1, 2011 – August 31, 2011

² Following the methodology required by the SEC, total return includes income and principal change, plus the impact of the Fund's leverage and expenses.

As of August 31, 12% of the Fund's portfolio consisted of securities issued or guaranteed by banks and insurance companies based in Europe. Each of these companies has operations throughout the world, but is tied most closely to economic conditions in the Eurozone. We believe these issuers are well capitalized and well managed, and therefore better able to handle market turbulence.

At the end of the day, we believe long-term investors will continue to earn attractive returns on preferred securities, although there may be some bumps along the way. We will continue to manage the Fund as we always have in quiet times and in crisis with a disciplined eye on credit fundamentals, relative value and risk management.

We encourage you to visit the Fund's website www.fcclaymore.com for a more in-depth discussion of conditions in the preferred markets as well as the broader economy.

Sincerely,

Donald F. Crumrine
Chairman
October 14, 2011

Robert M. Ettinger
President

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OVERVIEW
August 31, 2011 (Unaudited)

Fund Statistics

| | |
|---------------------------------|-----------|
| Net Asset Value | \$ 17.71 |
| Market Price | \$ 18.25 |
| Premium | 3.05% |
| Yield on Market Price | 9.17% |
| Common Stock Shares Outstanding | 9,822,790 |

Moody's Ratings

| | % of Net Assets |
|--------------------------|------------------------|
| A | 7.5% |
| BBB | 73.3% |
| BB | 15.1% |
| Below BB | 1.7% |
| Not Rated* | 0.6% |
| Below Investment Grade** | 9.0% |

* Does not include net other assets and liabilities of 1.8%.

** Below investment grade by all of Moody's, S&P and Fitch.

Industry Categories**% of Net Assets****Top 10 Holdings by Issuer**

| | % of Net Assets |
|--------------------------|------------------------|
| Liberty Mutual Group | 5.1% |
| Banco Santander | 4.5% |
| Capital One Financial | 4.0% |
| Metlife | 3.8% |
| HSBC Plc | 3.4% |
| Georgia Power | 3.0% |
| Unum Group | 2.9% |
| Enbridge Energy Partners | 2.8% |
| Wells Fargo | 2.8% |
| Axis Capital | 2.5% |

% of Net Assets***

| | |
|---|-----|
| Holdings Generating Qualified Dividend Income (QDI) for Individuals | 34% |
| Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD) | 22% |

*** This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.

Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS
August 31, 2011 (Unaudited)

| Shares/\$ Par | | Value |
|-----------------------------------|---|---------------------------------|
| Preferred Securities 91.8% | | |
| | Banking 35.8% | |
| \$ 4,850,000 | Astoria Capital Trust I, 9.75% 11/01/29, Series B | \$ 5,054,010 ⁽¹⁾ |
| 439,755 | Banco Santander, 10.50% Pfd., Series 10 | 12,052,057 ^{**} (1)(2) |
| | Bank of America Corporation: | |
| 8,220 | 8.20% Pfd. | 204,678* |
| 17,540 | 8.625% Pfd. | 442,008* |
| \$ 1,000,000 | BankAmerica Institutional, Series A, 8.07% 12/31/26, 144A**** | 1,000,000 |
| | Barclays Bank PLC: | |
| \$ 3,600,000 | 6.278% | 2,666,250 ^{**} (1)(2) |
| 1,900 | 7.75% Pfd., Series 4 | 46,113 ^{**} (2) |
| 126,900 | 8.125% Pfd., Series 5 | 3,130,623 ^{**} (1)(2) |
| 8,700 | BB&T Capital Trust V, 8.95% Pfd. 09/15/63 | 234,085 |
| 57,157 | BB&T Capital Trust VI, 9.60% Pfd. 08/01/64 | 1,539,238 ⁽¹⁾ |
| \$ 2,050,000 | BBVA International Preferred, 5.919% | 1,517,875 ^{**} (1)(2) |
| \$ 3,000,000 | BNP Paribas, 7.195%, 144A**** | 2,610,000 ^{**} (1)(2) |
| \$ 7,250,000 | Capital One Capital III, 7.686% 08/15/36 | 7,268,125 ⁽¹⁾ |
| \$ 1,500,000 | Capital One Capital V, 10.25% 08/15/39 | 1,566,525 ⁽¹⁾ |
| \$ 1,643,000 | Capital One Capital VI, 8.875% 05/15/40 | 1,672,893 ⁽¹⁾ |
| 83,300 | Citigroup Capital XIII, 7.875% Pfd. 10/30/40 | 2,171,006 ⁽¹⁾ |
| \$ 10,000,000 | Colonial BancGroup, 7.114%, 144A**** | 387,500 ⁽³⁾ |
| 7,000 | FBOP Corporation, Adj. Rate Pfd., 144A**** | 5,460 ^{*(3)(4)} |
| \$ 2,150,000 | Fifth Third Capital Trust IV, 6.50% 04/15/37 | 2,004,875 ⁽¹⁾ |
| 13,150 | Fifth Third Capital Trust V, 7.25% Pfd. 08/15/67 | 330,328 |
| 133,051 | Fifth Third Capital Trust VI, 7.25% Pfd. 11/15/67 | 3,334,591 ⁽¹⁾ |
| 2,000 | First Republic Preferred Capital Corporation, 10.50% Pfd., 144A**** | 2,042,500 |
| 3,900 | First Tennessee Bank, Adj. Rate Pfd., 3.75% ⁽⁵⁾ , 144A**** | 2,531,344* |
| \$ 600,000 | First Union Capital II, 7.95% 11/15/29 | 612,790 ⁽¹⁾ |
| \$ 500,000 | Fleet Capital Trust II, 7.92% 12/11/26 | 493,750 |
| 3 | FT Real Estate Securities Company, 9.50% Pfd., 144A**** | 2,875,500 |
| | Goldman Sachs: | |
| \$ 865,000 | Capital I, 6.345% 02/15/34 | 802,397 ⁽¹⁾ |
| \$ 881,000 | Capital II, 5.793% | 638,725 ⁽¹⁾ |
| 1,500 | STRIPES Custodial Receipts, Adj. Rate, 10.70% ⁽⁵⁾ , Pvt. | 711,000 ^{*(3)(4)} |
| 172,000 | HSBC Holdings PLC, 8.00% Pfd., Series 2 | 4,587,670 ^{**} (1)(2) |
| \$ 1,000,000 | HSBC USA Capital Trust II, 8.38% 05/15/27, 144A**** | 1,018,027 ⁽¹⁾ |
| | HSBC USA, Inc.: | |
| 100,000 | 6.50% Pfd., Series H | 2,505,150 ^{*(1)} |
| 1,828 | \$2.8575 Pfd. | 85,516* |
| 41,175 | ING Groep NV, 8.50% Pfd. | 1,008,376 ^{**} (2) |
| \$ 1,850,000 | JPMorgan Chase Capital XVIII, 6.95% 08/17/36, Series R | 1,831,770 ⁽¹⁾ |

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (Continued)
August 31, 2011 (Unaudited)

| Shares/\$ Par | | Value |
|---|--|-----------------------------|
| Preferred Securities (Continued) | | |
| Banking (Continued) | | |
| \$ 500,000 | JPMorgan Chase Capital XXVII, 7.00% 11/01/39, Series AA | \$ 501,899 ⁽¹⁾ |
| 72,935 | Keycorp Capital IX, 6.75% Pfd. 12/15/66 | 1,859,843 ⁽¹⁾ |
| 72,900 | Keycorp Capital X, 8.00% Pfd. 03/15/68 | 1,877,904 ⁽¹⁾ |
| \$ 1,000,000 | Lloyds Banking Group PLC, 6.657%, 144A**** | 575,000** ⁽²⁾ |
| \$ 775,000 | MBNA Capital, 8.278% 12/01/26, Series A | 777,906 |
| \$ 1,676,000 | National City Preferred Capital Trust I, 12.00% | 1,821,792 |
| \$ 1,150,000 | NB Capital Trust IV, 8.25% 04/15/27 | 1,158,625 |
| 39,995 | PNC Financial Services, 9.875% Pfd., Series L | 1,127,359* ⁽¹⁾ |
| \$ 1,000,000 | PNC Preferred Funding Trust III, 8.70%, 144A**** | 1,025,250 ⁽¹⁾ |
| 3,000 | Sovereign REIT, 12.00% Pfd., Series A, 144A**** | 3,671,535 |
| 8,100 | SunTrust Capital IX, 7.875% Pfd. 03/15/68 | 205,841 |
| \$ 1,500,000 | Wachovia Capital Trust III, Adj. Rate, 5.56975% ⁽⁵⁾ | 1,318,125* ⁽¹⁾ |
| 51,737 | Wachovia Preferred Funding, 7.25% Pfd., Series A | 1,344,257 ⁽¹⁾ |
| \$ 2,800,000 | Webster Capital Trust IV, 7.65% 06/15/37 | 2,850,417 |
| | Wells Fargo & Company: | |
| 2,325 | 7.50% Pfd., Series L | 2,420,255* ⁽¹⁾ |
| 50,000 | 8.00% Pfd., Series J | 1,450,000* |
| \$ 160,000 | Wells Fargo Capital XV, 9.75% | 166,000 |
| | | 95,134,763 |
| Financial Services 3.5% | | |
| \$ 250,000 | Ameriprise Financial, Inc., 7.518% 06/01/66 | 253,125 |
| \$ 1,300,000 | Claudius, Ltd. Credit Suisse AG, 7.875%, Series B | 1,293,500 ⁽²⁾ |
| \$ 3,000,000 | Gulf Stream-Compass 2005 Composite Notes, 144A**** | 2,150,370 ⁽³⁾⁽⁴⁾ |
| | Heller Financial, Inc.: | |
| 39,000 | 6.687% Pfd., Series C | 3,890,250* ⁽¹⁾ |
| 7,750 | 6.95% Pfd., Series D | 784,446* |
| 32,200 | HSBC Finance Corporation, 6.36% Pfd., Series B | 741,002* |
| | Lehman Brothers Holdings, Inc.: | |
| 20,000 | 5.67% Pfd., Series D | 6,200* |
| 85,000 | 7.95% Pfd. | 2,380* |
| | | 9,121,273 |
| Insurance 20.1% | | |
| \$ 1,550,000 | Ace Capital Trust II, 9.70% 04/01/30 | 2,076,978 ⁽¹⁾⁽²⁾ |
| \$ 1,775,000 | AON Corporation, 8.205% 01/01/27 | 2,039,324 ⁽¹⁾ |

12,150 Arch Capital Group Ltd., 7.875% Pfd., Series B

309,066**(1)(2)

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (Continued)
August 31, 2011 (Unaudited)

| Shares/\$ Par | | Value |
|---|--|--------------------------------|
| Preferred Securities (Continued) | | |
| Insurance (Continued) | | |
| | AXA SA: | |
| \$ 1,196,000 | 6.379%, 144A**** | \$ 932,880** ⁽¹⁾⁽²⁾ |
| \$ 114,000 | 6.463%, 144A**** | 88,920** ⁽²⁾ |
| 66,600 | Axis Capital Holdings, 7.50% Pfd., Series B | 6,508,072 ⁽¹⁾⁽²⁾ |
| 160,000 | Delphi Financial Group, 7.376% Pfd. 05/15/37 | 3,830,000 ⁽¹⁾ |
| \$ 5,760,000 | Everest Re Holdings, 6.60% 05/15/37 | 5,256,000 ⁽¹⁾ |
| \$ 8,300,000 | Liberty Mutual Group, 10.75% 06/15/58, 144A**** | 10,292,000 ⁽¹⁾ |
| \$ 1,700,000 | MetLife Capital Trust IV, 7.875% 12/15/37, 144A**** | 1,742,500 ⁽¹⁾ |
| \$ 4,330,000 | MetLife Capital Trust X, 9.25% 04/08/38, 144A**** | 5,131,050 ⁽¹⁾ |
| \$ 2,250,000 | MetLife, Inc., 10.75% 08/01/39 | 3,090,431 ⁽¹⁾ |
| | Principal Financial Group: | |
| 12,000 | 5.563% Pfd., Series A | 1,161,376* |
| 87,800 | 6.518% Pfd., Series B | 2,244,388* ⁽¹⁾ |
| 109,000 | Scottish Re Group Ltd., 7.25% Pfd. | 1,004,849** ⁽²⁾ |
| \$ 1,750,000 | Stancorp Financial Group, 6.90% 06/01/67 | 1,560,228 ⁽¹⁾ |
| \$ 3,615,000 | USF&G Capital, 8.312% 07/01/46, 144A**** | 4,467,312 ⁽¹⁾ |
| \$ 1,800,000 | XL Capital Ltd., 6.50%, Series E | 1,606,500 ⁽¹⁾⁽²⁾ |
| | | 53,341,874 |
| | Utilities 26.1% | |
| 62,243 | Alabama Power Company, 6.45% Pfd. | 1,731,133* ⁽¹⁾ |
| 33,700 | Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 | 3,390,011* ⁽¹⁾ |
| 118,380 | Calenergy Capital Trust III, 6.50% Pfd. 09/01/27 | 5,859,810 ⁽¹⁾ |
| \$ 3,700,000 | COMED Financing III, 6.35% 03/15/33 | 3,285,493 ⁽¹⁾ |
| 20,170 | Constellation Energy Group, 8.625% Pfd. 06/15/63, Series A | 545,195 ⁽¹⁾ |
| \$ 2,500,000 | Dominion Resources Capital Trust I, 7.83% 12/01/27 | 2,525,477 ⁽¹⁾ |
| \$ 3,500,000 | Dominion Resources, Inc., 7.50% 06/30/66 | 3,591,094 ⁽¹⁾ |
| 83,000 | Entergy Arkansas, Inc., 6.45% Pfd. | 2,075,000* ⁽¹⁾ |
| 57,000 | Entergy Louisiana, Inc., 6.95% Pfd. | 5,612,722* ⁽¹⁾ |
| | FPL Group Capital, Inc.: | |
| \$ 4,197,000 | 6.65% 06/15/67 | 4,065,374 ⁽¹⁾ |
| \$ 1,975,000 | 7.30% 09/01/67, Series D | 2,041,644 ⁽¹⁾ |
| 75,000 | Georgia Power Company, 6.50% Pfd., Series 2007A | 8,025,000* ⁽¹⁾ |
| 5,000 | Gulf Power Company, 6.45% Pfd., Series 2007A | 537,856* |
| 30,445 | Indianapolis Power & Light Company, 5.65% Pfd. | 2,850,413* ⁽¹⁾ |
| 95,000 | Interstate Power & Light Company, 8.375% Pfd., Series B | 2,784,688* ⁽¹⁾ |
| \$ 4,000,000 | PECO Energy Capital Trust IV, 5.75% 06/15/33 | 3,506,192 ⁽¹⁾ |
| \$ 825,000 | PPL Capital Funding, 6.70% 03/30/67, Series A | 797,032 ⁽¹⁾ |

64,500 PPL Electric Utilities Corporation, 6.25% Pfd.

1,630,644*

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (Continued)
August 31, 2011 (Unaudited)

| Shares/\$ Par | | Value |
|---|---|-----------------------------|
| Preferred Securities (Continued) | | |
| Utilities (Continued) | | |
| \$ 5,175,000 | Puget Sound Energy, Inc., 6.974% 06/01/67 | \$ 5,237,819 ⁽¹⁾ |
| | Southern California Edison: | |
| 17,000 | 6.00% Pfd., Series C | 1,671,845 ^{*(1)} |
| 41,000 | 6.50% Pfd., Series D | 4,137,158 ^{*(1)} |
| \$ 3,615,000 | WPS Resources Corporation, 6.11% 12/01/66 | 3,456,113 ⁽¹⁾ |
| | | 69,357,713 |
| Energy 5.0% | | |
| \$ 7,050,000 | Enbridge Energy Partners LP, 8.05% 10/01/37 | 7,400,491 ⁽¹⁾ |
| \$ 5,550,000 | Enterprise Products Partners, 8.375% 08/01/66, Series A | 5,812,493 ⁽¹⁾ |
| | | 13,212,984 |
| Real Estate Investment Trust (REIT) 0.1% | | |
| 10,000 | PS Business Parks, Inc., 6.875% Pfd., Series R | 255,000 |
| | | 255,000 |
| Miscellaneous Industries 1.2% | | |
| 37,400 | Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** | 3,260,812 ^{*(1)} |
| | | 3,260,812 |
| Total Preferred Securities | | |
| (Cost \$244,890,021) | | 243,684,419 |
| Corporate Debt Securities 6.4% | | |
| Banking 0.2% | | |
| \$ 635,000 | Goldman Sachs Group, 6.75% 10/01/37, Sub Notes | 604,547 ⁽¹⁾ |
| | | 604,547 |
| Financial Services 0.3% | | |
| \$ 4,726,012 | | 800,114 ⁽³⁾⁽⁴⁾ |

Lehman Brothers, Guaranteed Note, Variable Rate, 5.843%, 12/16/16,
144A****

800,114

Insurance 4.1%

| | | |
|--------------|---|--------------------------|
| \$ 3,400,000 | Liberty Mutual Insurance, 7.697% 10/15/97, 144A**** | 3,153,520 ⁽¹⁾ |
| \$ 7,000,000 | UnumProvident Corporation, 7.25% 03/15/28 | 7,678,139 ⁽¹⁾ |

10,831,659

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (Continued)
August 31, 2011 (Unaudited)

| Shares/\$ Par | | Value |
|--|---|-----------------------------|
| Corporate Debt Securities (Continued) | | |
| | Utilities 0.8% | |
| | Southern Union Company: | |
| \$ 1,000,000 | 7.60% 02/01/24, Senior Notes | \$ 1,217,807 ⁽¹⁾ |
| \$ 700,000 | 8.25% 11/15/29, Senior Notes | 864,101 ⁽¹⁾ |
| | | 2,081,908 |
| | Miscellaneous Industries 1.0% | |
| 16,500 | Corp-Backed Trust Certificates, 7.00% 11/15/28, Series Sprint | 408,705 ⁽¹⁾ |
| | Pulte Homes, Inc.: | |
| 25,844 | 7.375% 06/01/46 | 570,442 |
| \$ 2,160,000 | 7.875% 06/15/32 | 1,857,600 ⁽¹⁾ |
| | | 2,836,747 |
| | Total Corporate Debt Securities | |
| | (Cost \$20,254,781) | 17,154,975 |
| Common Stock 0.4% | | |
| | Banking 0.2% | |
| 13,500 | CIT Group, Inc. | 466,695* |
| | | 466,695 |
| | Utilities 0.2% | |
| 7,840 | Exelon Corporation | 338,061* |
| 11,653 | PPL Corporation | 336,539* |
| | | 674,600 |
| | Total Common Stock | |
| | (Cost \$3,163,176) | 1,141,295 |
| Money Market Fund 0.1% | | |
| 162,893 | BlackRock Liquidity Funds, T-Fund | 162,893 |
| | | 162,893 |

Total Money Market Fund
(Cost \$162,893)

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
PORTFOLIO OF INVESTMENTS (Continued)
August 31, 2011 (Unaudited)

| | | Value |
|---|--------|----------------|
| Total Investments (Cost \$268,470,871****) | 98.7% | \$ 262,143,582 |
| Other Assets And Liabilities (Net) | 1.3% | 3,404,853 |
| | | |
| Total Managed Assets | 100.0% | \$ 265,548,435 |
| | | |
| Loan Principal Balance | | (91,600,000) |
| | | |
| Total Net Assets Available To Common Stock | | \$ 173,948,435 |

* Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.

** Securities distributing Qualified Dividend Income only.

*** Aggregate cost of securities held.

**** Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At August 31, 2011, these securities amounted to \$49,761,594 or 18.7% of total managed assets.

(1) All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$200,269,959 at August 31, 2011.

(2) Foreign Issuer.

(3) Illiquid

(4) Fair valued as of August 31, 2011.

(5) Represents the rate in effect as of the reporting date.

Non-income producing.

The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.

The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

ABBREVIATIONS:

Pfd. Preferred Securities

Pvt. Private Placement Securities
REIT Real Estate Investment Trust
STRIPES Structured Residual Interest Preferred Enhanced Securities

Flaherty & Crumrine/Claymore Total Return Fund Incorporated
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾
For the period from December 1, 2010 through August 31, 2011 (Unaudited)

| | Value |
|--|---------------------|
| OPERATIONS: | |
| Net investment income | \$ 12,093,494 |
| Net realized gain/(loss) on investments sold during the period | 2,681,135 |
| Change in net unrealized appreciation/depreciation of investments | (73,174) |
| Net increase in net assets resulting from operations | 14,701,455 |
| DISTRIBUTIONS: | |
| Dividends paid from net investment income to Common Stock Shareholders ⁽²⁾ | (12,359,862) |
| Total Distributions to Common Stock Shareholders | (12,359,862) |
| FUND SHARE TRANSACTIONS: | |
| Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan | 338,683 |
| Net increase in net assets available to Common Stock resulting from Fund share transactions | 338,683 |
| NET INCREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD | \$ 2,680,276 |
| NET ASSETS AVAILABLE TO COMMON STOCK: | |
| Beginning of period | \$ 171,268,159 |
| Net increase in net assets during the period | 2,680,276 |
| End of period | \$ 173,948,435 |

(1) These tables summarize the nine months ended August 31, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

(2) May include income earned, but not paid out, in prior fiscal year.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

FINANCIAL HIGHLIGHTS⁽¹⁾

**For the period from December 1, 2010 through August 31, 2011 (Unaudited)
For a Common Stock share outstanding throughout the period.**

PER SHARE OPERATING PERFORMANCE:

| | |
|--------------------------------------|----------|
| Net asset value, beginning of period | \$ 17.47 |
|--------------------------------------|----------|

INVESTMENT OPERATIONS:

| | |
|--|------|
| Net investment income | 1.23 |
| Net realized and unrealized gain/(loss) on investments | 0.27 |
| Total from investment operations | 1.50 |

DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:

| | |
|--|-----------|
| From net investment income | (1.26) |
| Total distributions to Common Stock Shareholders | (1.26) |
| Net asset value, end of period | \$ 17.71 |
| Market value, end of period | \$ 18.25 |
| Common Stock shares outstanding, end of period | 9,822,790 |

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

| | |
|---|--------|
| Net investment income | 9.12%* |
| Operating expenses including interest expense | 1.99%* |
| Operating expenses excluding interest expense | 1.36%* |

SUPPLEMENTAL DATA:

| | |
|--|------------|
| Portfolio turnover rate | 10%** |
| Total managed assets, end of period (in 000 \$) | \$ 265,548 |
| Ratio of operating expenses including interest expense to total managed assets | 1.33%* |
| Ratio of operating expenses excluding interest expense to total managed assets | 0.91%* |

⁽¹⁾ These tables summarize the nine months ended August 31, 2011 and should be read in conjunction with the Fund's audited financial statements, including footnotes, in its Annual Report dated November 30, 2010.

* Annualized.

** Not annualized.

The net investment income ratios reflect income net of operating expenses, including interest expense.

Information presented under heading Supplemental Data includes loan principal balance.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

FINANCIAL HIGHLIGHTS (Continued)**Per Share of Common Stock (Unaudited)**

| | Total | Net | | Dividend |
|---------------------------|------------------|--------------|----------------|----------------------------|
| | Dividends | Asset | NYSE | Reinvestment |
| | Paid | Value | Closing | Price⁽¹⁾ |
| | | | Price | |
| December 31, 2010 - Extra | \$ 0.0400 | \$ 17.44 | \$ 17.26 | \$ 17.26 |
| December 31, 2010 | 0.1350 | 17.44 | 17.26 | 17.26 |
| January 31, 2011 | 0.1350 | 17.66 | 17.51 | 17.64 |
| February 28, 2011 | 0.1350 | 18.02 | 17.87 | 17.99 |
| March 31, 2011 | 0.1350 | 18.04 | 18.33 | 18.04 |
| April 29, 2011 | 0.1350 | 18.38 | 18.58 | 18.38 |
| May 31, 2011 | 0.1350 | 18.55 | 19.32 | 18.55 |
| June 30, 2011 | 0.1350 | 18.23 | 19.17 | 18.23 |
| July 29, 2011 | 0.1350 | 18.34 | 17.89 | 18.33 |
| August 31, 2011 | 0.1395 | 17.71 | 18.25 | 17.71 |

- (1) Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Unaudited)**1. Aggregate Information for Federal Income Tax Purposes**

At August 31, 2011, the aggregate cost of securities for federal income tax purposes was \$268,814,273, the aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$24,315,077 and the aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$30,985,768.

2. Additional Accounting Standards

Fair Value Measurement: The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period. A summary of the inputs used to value the Fund's investments as of August 31, 2011 is as follows:

| | Total Value at August 31, 2011 | Level 1 Quoted Price | Level 2 Significant Observable Inputs | Level 3 Significant Unobservable Inputs |
|-------------------------------------|---|-------------------------------------|--|--|
| Preferred Securities | | | | |
| Banking | \$ 95,134,763 | \$ 65,446,024 | \$ 29,295,779 | \$ 392,960 |
| Financial Services | 9,121,273 | 741,002 | 6,229,901 | 2,150,370 |
| Insurance | 53,341,874 | 29,250,784 | 24,091,090 | |
| Utilities | 69,357,713 | 17,281,140 | 52,076,573 | |
| Energy | 13,212,984 | 13,212,984 | | |
| Real Estate Investment Trust (REIT) | 255,000 | 255,000 | | |
| Miscellaneous Industries | 3,260,812 | | 3,260,812 | |
| Corporate Debt Securities Common | | | | |
| Stock | 17,154,975 | 3,665,602 | 12,689,259 | 800,114 |
| Banking | 466,695 | 466,695 | | |
| Utilities | 674,600 | 674,600 | | |
| Money Market Fund | 162,893 | 162,893 | | |
| Total Investments | \$ 262,143,582 | \$ 131,156,724 | \$ 127,643,414 | \$ 3,343,444 |

The Fund did not have any significant transfers in and out of Level 1 and Level 2 during the period.

Flaherty & Crumrine/Claymore Total Return Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)

The valuation of the Fund's investments in Level 2 and Level 3 is based primarily on market information, where available. This includes, but is not limited to, prices provided by third-party providers, observable trading activity (including the recency, depth, and consistency of such information with quoted levels), and the depth and consistency of broker-quoted prices. In the event market information is not directly available, comparable information may be observed for securities that are similar in many respects to those being valued. The Fund may employ an income approach for certain securities that also takes into account credit risk, interest rate risk, and potential recovery prospects.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

| | Total Investments | Preferred Securities | | Corporate Debt |
|--|------------------------------|-----------------------------|-------------------------------|---------------------------|
| | | Banking | Financial Services | Securities |
| Balance as of 11/30/10 | \$ 2,137,752 | \$ 30,968 | \$ 1,457,430 | \$ 649,354 |
| Accrued discounts/premiums | | | | |
| Realized gain/(loss) | | | | |
| Change in unrealized appreciation/ (depreciation) | 818,692 | (25,008) | 692,940 | 150,760 |
| Purchases | | | | |
| Sales | | | | |
| Transfers in | 387,000 | 387,000 ⁽¹⁾ | | |
| Transfers out | | | | |
| Balance as of 8/31/11 | \$ 3,343,444 | \$ 392,960 | \$ 2,150,370 | \$ 800,114 |

⁽¹⁾ Transferred from Level 2 to Level 3 because of lack of observable market data due to decrease in market activity for these securities.

For the period ended August 31, 2011, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$818,692.

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Directors

Donald F. Crumrine, CFA
Chairman of the Board
David Gale
Morgan Gust
Karen H. Hogan
Robert F. Wulf, CFA

Officers

Donald F. Crumrine, CFA
Chief Executive Officer
Robert M. Ettinger, CFA
President
R. Eric Chadwick, CFA
Chief Financial Officer,
Vice President and Treasurer
Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary
Bradford S. Stone
Vice President and
Assistant Treasurer
Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary
Linda M. Puchalski
Assistant Treasurer

Investment Adviser

Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

Servicing Agent

Guggenheim Funds Distributors, Inc.
1-866-233-4001

Questions concerning your shares of Flaherty & Crumrine/Claymore Total Return Fund?

If your shares are held in a Brokerage Account, contact your Broker.

If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent
BNY Mellon Shareowner Services
P.O. Box 358035
Pittsburgh, PA 15252-8035
1-866-351-7446

This report is sent to shareholders of Flaherty & Crumrine/Claymore Total Return Fund Incorporated for

their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Quarterly
Report

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