

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND INC

Form N-30B-2

October 22, 2004

FLAHERTY & CRUMRINE/CLAYMORE TOTAL RETURN FUND

Dear Shareholder:

The Flaherty & Crumrine/Claymore Total Return Fund ("FLC") produced a total return on Net Asset Value ("NAV") of 3.2%(1) during the three month period ending August 31, 2004. Since the beginning of the fiscal year on December 1, 2003, the total return on NAV has been 3.7%.

The NAV returns are consistent with our expectations for how the Fund should perform during periods of volatile long-term interest rates. As can be seen from the chart below, the yield on the 30 year U.S. Treasury bond has changed direction in each of the first three fiscal quarters of 2004 (changes in the value of the Fund's assets and hedge positions are closely correlated to the performance of this bond). The decline in rates during the first fiscal quarter contributed to strong returns for the period. The subsequent jump in rates during the second fiscal quarter resulted in negative returns for the period, as the Fund's hedges only partially offset the drop in value of the Fund's investment portfolio.

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

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YIELD ON LONG-TERM U.S. TREASURY BOND

Date	Yield
12/01/03	5.155%
12/05/03	5.047%
12/12/03	5.090%
12/19/03	4.959%
12/26/03	4.969%
01/02/04	5.170%
01/09/04	4.964%
01/16/04	4.892%
01/23/04	4.938%
01/30/04	4.965%
02/06/04	4.928%
02/13/04	4.916%
02/20/04	4.954%
02/27/04	4.855%
03/05/04	4.743%
03/12/04	4.707%
03/19/04	4.718%
03/26/04	4.771%
04/02/04	4.972%
04/09/04	5.028%
04/16/04	5.174%
04/23/04	5.246%
04/30/04	5.281%
05/07/04	5.462%
05/14/04	5.500%
05/21/04	5.460%
05/28/04	5.345%
06/04/04	5.461%
06/11/04	5.474%
06/18/04	5.374%
06/25/04	5.336%

07/02/04	5.205%
07/09/04	5.213%
07/16/04	5.121%
07/23/04	5.171%
07/30/04	5.203%
08/06/04	5.034%
08/13/04	5.008%
08/20/04	5.027%
08/27/04	5.016%
08/31/04	4.935%

As we began the most recent fiscal quarter, the Fund's hedge positions had appreciated significantly and were offsetting changes in value of the investment portfolio almost dollar-for-dollar. Following the weakness in March and April we were unwilling to risk further declines in NAV, so we maintained the existing hedge position. If interest rates had continued to rise, the NAV of the Fund should have remained reasonably stable. That is exactly how the Fund's safety net hedging strategy is intended to work!

Shortly after the start of the third quarter, long-term interest rates reversed course and began a steady DECLINE, despite the fact that the Federal Reserve began INCREASING short-term rates in June (for a more detailed discussion of the economic conditions driving interest rates, see the "3rd Quarter Economic Update" on the Fund's website: WWW.FCCLAYMORE.COM). As expected, the Fund's preferred securities and corporate bonds appreciated throughout the period, while the hedge fell in value, dragging down overall performance. Initially this drag was substantial, but it lessened as rates continued to fall.

The Fund also benefited from a modest, favorable move in the relationship between the Fund's preferred securities and U.S. Treasuries. Simply stated, the price of our preferreds rose by more than the price of corresponding Treasury bonds during the quarter. This was the opposite of conditions in the previous quarter.

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(1) Based on monthly data provide by Lipper Inc. Distributions are assumed to be reinvested at NAV in accordance with Lipper's practice.

NAV investment performance is comprised of principal change and income. The discussion to this point has focused on factors that impact the principal change. Let's turn to the other component of performance -- income. The Fund's investment portfolio continues to produce sufficient amounts of dividend and interest income to support the current monthly dividend. There are, however, some potential warning flags on the horizon.

The Federal Reserve's present policy of raising short-term interest rates directly affects the Fund by increasing the cost of its leverage. The Fed's policy has been in place for some time now, and we have factored it into our management strategy. However, changes in long-term interest rates and the resulting impact on income are more difficult to plan for. If long-term interest rates rise, the Fund's hedges should appreciate and enable the Fund to purchase additional income-producing securities; this additional income should tend to offset the higher leverage expense.

Things get more challenging if long-term rates decline. This so-called "bull flattening" scenario (short-term rates rise while long-term rates decline), initially puts a strain on distributable income. Once again, the cost of LEVERAGE goes up along with higher short-term rates, but now the income

generated by the investment portfolio may at some point actually fall if issuers retire older securities with relatively high coupons and replace them with new issues that pay a lower rate (the issuer is analogous to a homeowner refinancing a mortgage when interest rates drop).

Fortunately, there is a bright side to this scenario -- as the yield curve flattens, the cost of the Fund's HEDGING strategy falls. The mathematics behind this are fairly complicated, but the concept is quite simple. Hedging a long-term security creates a package that closely resembles a short-term security. The market imposes a "charge" for this transformation, the amount of which is closely tied to the difference between long-term and short-term interest rates. The larger the difference, the more expensive it is to hedge. Therefore, the cost of hedging declines when the yield curve flattens and the interest rate differential shrinks. The benefits to the Fund don't materialize immediately, but they can be significant over time.

Changes in investment income, leverage expense and the cost of hedging (as well as other factors like realized gains or losses) mean that setting the dividend rate entails both science and art. We carefully monitor all of these moving parts, and do our best to set a rate that is sustainable under current market conditions.

Readers will notice some changes to the appearance of the information that follows. These changes are in accordance with recent changes to the SEC rules on shareholder reporting. The biggest change is the inclusion of a complete listing of the investment portfolio (previous reports for the Fund's first and third fiscal quarters did not include a portfolio listing). In addition, we've included a page entitled "Portfolio Overview" that contains a number of schedules summarizing important measures of the Fund's investments.

We hope you will also continue to visit the Fund's web site at [www.fcclaymore.com](http://www.fcclaymore.com) where a broad range of information about the Fund is updated regularly. We also encourage you to visit [www.preferredstockguide.com](http://www.preferredstockguide.com). It contains useful information about most of the issues that make up the preferred securities universe.

Sincerely,

/S/DONALD F. CRUMRINE

/S/ROBERT M. ETTINGER

Donald F. Crumrine  
Chairman of the Board

Robert M. Ettinger  
President

October 11, 2004

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
PORTFOLIO OVERVIEW  
AUGUST 31, 2004  
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FUND STATISTICS ON 8/31/04

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Net Asset Value                   \$       23.71  
  
Market Price                       \$       23.46  
  
Premium/Discount                   -1.05%

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Yield on Market Price 8.31%

Common Shares  
Outstanding 9,744,666

MOODY'S RATINGS	% OF PORTFOLIO
AAA	1.1%
AA	2.1%
A	37.0%
BBB	46.6%
BB	8.8%
Not Rated	3.5%
Below by Investment Grade*	7.9%

\* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P

INDUSTRY CATEGORIES % OF PORTFOLIO

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

Banks	34%
Utilities	27%
Insurance	18%
REITs	7%
Financial Services	6%
Other	5%
Oil and Gas	3%

TOP 10 HOLDINGS BY ISSUER % OF PORTFOLIO

J.P. Morgan Chase	5.4%
Wachovia Corp	4.8%
Duke Energy	3.9%
HSBC Holdings PLC	3.8%
Prudential Holdings	3.6%
Lehman Brothers	3.5%
Florida Power & Light	2.6%
Nexen, Inc.	2.6%
OneAmerica Financial	2.5%
HBOS PLC	2.3%

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 Holdings Generating Qualified Dividend Income (QDI) for Individuals  
 Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)  
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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS  
 AUGUST 31, 2004 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- 70.6%  
                   BANKING -- 34.2%

28,000	ABN AMRO Capital Fund Trust VII, 6.08% Pfd. ....
1,000	ABN AMRO North America, Inc., 6.59% Pfd., 144A**** .....
\$4,500,000	Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B .....
38,800	BAC Capital Trust I, 7.00% Pfd. ....
25,000	BAC Capital Trust III, 7.00% Pfd. ....
10,900	BAC Capital Trust V, 7.00% Pfd. ....
4,700	Bank One Capital Trust I, 8.00% Pfd. ....
50,900	Bank One Capital Trust VI, 7.20% Pfd. ....
\$1,000,000	BT Preferred Capital Trust II, 7.875% 02/25/27 Capital Security .....
\$10,000,000	Chase Capital I, 7.67% 12/01/26 Capital Security .....
79,300	Chase Capital VII, 7.00% Pfd., Series G .....
19,400	Chase Capital XI, 5.875% Pfd. 06/15/33 .....
30,000	Citigroup, Inc., 6.231% Pfd., Series H .....
40,000	Cobank, ACB, 7.00% Pfd., 144A**** .....
20,000	Colonial Capital Trust IV, 7.875% Pfd. ....
11,000	Comerica (Imperial) Capital Trust I, 7.60% Pfd. ....
\$2,000,000	First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A**** .....
\$400,000	First Empire Capital Trust I, 8.234% 02/01/27 Capital Security .....
\$1,900,000	First Hawaiian Capital I, 8.343% 07/01/27 Capital Security, Series B .....
\$2,000,000	First Midwest Capital Trust I, 6.95% Pfd. 12/01/33, Capital Security .....
\$1,500,000	First Tennessee Capital Trust II, 6.30% 04/15/34 Capital Security, Series B .....
\$2,000,000	First Union Institutional Capital II, 7.85% 01/01/27 Capital Security .....
18,000	Fleet Capital Trust VII, 7.20% Pfd. ....
2	FT Real Estate Securities Company, 9.50% Pfd., 144A**** .....
\$2,795,000	Great Western Finance Trust II, 8.206% 02/01/27 Capital Security, Series A .....
\$6,000,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security .....
\$8,000,000	HBOS Capital Funding LP, 6.85% Pfd. ....
\$6,820,000	HSBC Capital Funding LP, 10.176% 144A**** .....
\$855,000	HSBC Capital Trust II, 8.38% 05/15/2027 Capital Security, 144A**** .....
\$3,000,000	Haven Capital Trust I, 10.46% 02/01/27 Capital Security .....
4,200	Household Capital Trust VI, 8.25% Pfd. ....
1,940,000	J.P. Morgan Capital Trust I, 7.54% 01/15/27 Capital Security .....

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6,455	J.P. Morgan Chase & Co., 6.625% Pfd., Series H .....
\$5,000,000	KeyCorp Institutional Capital A, 7.826% 12/01/26 Capital Security, Series A .....
10	Marshall & Ilsley Investment II, 8.875% Pfd., 144A**** .....
\$2,500,000	North Fork Capital Trust I, 8.70% 12/15/26 Capital Security .....
\$810,000	North Fork Capital Trust II, 8.00% 12/15/27 Capital Security .....
\$4,000,000	RBS Capital Trust B, 6.80% Pfd. ....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
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PREFERRED SECURITIES -- (CONTINUED)  
 BANKING -- (CONTINUED)

2,100	Regions Financial Trust I, 8.00% Pfd. ....
\$1,600,000	Republic New York Capital I, 7.75% 11/15/26 Capital Security .....
\$716,000	Republic New York Capital II, 7.53% 12/04/26 Capital Security .....
20	Roslyn Real Estate, 8.95% Pfd., Pvt., Series C, 144A**** .....
20,000	Royal Bank of Scotland Group PLC, 6.40% Pfd., Series M .....
\$5,050,000	Union Planters Capital Trust, 8.20% 12/15/26 Capital Security .....
19,000	USB Capital V, 7.25% Pfd. ....
\$5,000,000	Wachovia Capital Trust I, 7.64% 01/15/27 Capital Security, 144A**** .....
350,000	Wachovia Preferred Funding, 7.25% Pfd., Series A .....
7,900	Wells Fargo Capital Trust IV, 7.00% Pfd. ....
100,000	Wells Fargo Capital Trust IX, 5.625% Pfd. ....

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 FINANCIAL SERVICES -- 3.9%

9,900	The Bear Stearns Companies Inc., 5.49% Pfd., Series G .....
	Lehman Brothers Holdings, Inc.:
50,000	5.94% Pfd., Series C .....
192,100	6.50% Pfd., Series F .....
9,700	Merrill Lynch Capital Trust III, 7.00% Pfd. ....
168,650	Merrill Lynch Capital Trust V, 7.28% Pfd. ....
17,200	Morgan Stanley Capital Trust II, 7.25% Pfd. ....
30,000	Morgan Stanley Capital Trust III, 6.25% Pfd. ....
6,000	Morgan Stanley Capital Trust V, 5.75% Pfd. ....

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 INSURANCE -- 9.9%

15,000	AAG Holding Company, Inc., 7.25% Pfd .....
177,380	ACE Ltd., 7.80% Pfd., Series C .....
\$6,420,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security .....
189,400	Everest Re Capital Trust II, 6.20% Pfd., Series B .....
	ING Groep NV:
36,000	7.05% Pfd. ....
125,000	7.20% Pfd. ....
40,000	St. Paul Capital Trust I, 7.60% Pfd. ....

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\$4,815,000 USF&G Capital, 8.312% 07/01/46 Capital Security, 144A\*\*\*\* .....  
 30,000 XL Capital Ltd., 7.625% Pfd., Series B .....  
 6,675 Zurich RegCaPS Funding Trust, 6.58% Pfd., 144A\*\*\*\* .....

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- 13.9%

225,000 Alabama Power Company, 5.30% Pfd. ....  
 45,700 Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 .....  
 \$2,750,000 COMED Financing II, 8.50% 01/15/27 Capital Security, Series B .....  
 Duke Energy Corporation:  
 50,214 7.04% Pfd., Series Y .....  
 22,934 7.85% Pfd., Series S .....  
 37,000 Duquesne Light Company, 6.50% Pfd. ....  
 20,000 Energy East Capital Trust I, 8.25% Pfd. ....  
 758 Energy Arkansas, Inc., 7.40% Pfd. ....  
 70,000 Florida Power Company, FPC Capital I, 7.10% Pfd., Series A .....  
 \$4,500,000 Houston Light & Power, Capital Trust II, 8.257%, 02/01/37 Capital Security .....  
 30,445 Indianapolis Power & Light Company, 5.65% Pfd. ....  
 Interstate Power & Light Company:  
 90,000 7.10% Pfd., Series C .....  
 38,600 8.375% Pfd., Series B .....  
 \$5,000,000 PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security .....  
 16,200 PSEG Funding Trust II, 8.75% Pfd. ....  
 30,000 Public Service Electric & Gas, 4.30% Pfd., Series C .....  
 120,000 Southern Union Company, 7.55% Pfd. ....  
 10,000 Southwest Gas Capital II, 7.70% Pfd. ....  
 5,000 Union Electric Company, \$7.64 Pfd. ....  
 82,717 Wisconsin Power & Light Company, 6.50% Pfd. ....

OIL AND GAS -- 0.8%

2,750 EOG Resources, Inc., 7.195% Pfd., Series B .....

REAL ESTATE INVESTMENT TRUST (REIT) -- 6.6%

16,020 AMB Property Corporation, 6.75% Pfd., REIT, Series M .....  
 40,000 BRE Properties, Inc., 6.75% Pfd., REIT, Series C .....

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38,750	Carramerica Realty Corporation, 7.50% Pfd., REIT, Series E .....
	Duke Realty Corporation:
19,549	6.625% Pfd., REIT, Series J .....
50,000	6.50% Pfd., REIT, Series K .....
	Equity Residential Properties:
18,962	6.48% Pfd., REIT, Series N .....
85,000	8.29% Pfd., REIT, Series K .....
100,000	Health Care Property Investment, 7.10% Pfd., REIT, Series F .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
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PREFERRED SECURITIES -- (CONTINUED)

REAL ESTATE INVESTMENT TRUST (REIT) -- (CONTINUED)

	PS Business Parks, Inc.:
57,000	6.875% Pfd., REIT, Series I .....
34,500	7.60% Pfd., REIT, Series L .....
45,000	7.95% Pfd., REIT, Series K .....
	Public Storage, Inc.:
44,200	7.50% Pfd., REIT, Series V .....
1,400	7.625% Pfd., REIT, Series T .....
48,600	8.00% Pfd., REIT, Series R .....
125,000	Regency Centers Corporation, 7.25% Pfd., REIT .....
95,000	Weingarten Realty Investment, 6.95% Pfd., REIT .....

MISCELLANEOUS INDUSTRIES -- 1.3%

65,300	Delphi Trust I, 8.25% Pfd. ....
34,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** .....

TOTAL PREFERRED SECURITIES  
 (Cost \$246,712,653)

CORPORATE DEBT SECURITIES -- 25.1%

FINANCIAL SERVICES -- 1.7%

45,000	Corp-Backed Trust Certificates, 5.80% Pfd., Series Goldman Sachs .....
\$5,000,000	Lehman Brothers, Guaranteed Note, Variable Rate, 12/16/16, 144A**** .....

INSURANCE -- 8.1%

20,000	American Financial Group, Inc., 7.125% 02/03/34, Senior Note .....
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\$8,700,000	OneAmerica Financial Partners, 7.00% 10/15/33, 144A****
\$10,455,000	Prudential Holdings LLC, 8.695% 12/18/23, 144A****
\$7,000,000	UnumProvident Corporation, 7.25% 03/15/28, Senior Notes

OIL AND GAS -- 2.6%

356,200	Nexen, Inc., 7.35% Subordinated Notes
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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)  
 UTILITIES -- 10.4%

\$2,000,000	AEP Texas Central Company, 6.65% 02/15/33, Senior Notes, Series E
\$6,100,000	Constellation Energy Group, 7.60% Pfd., 04/1/32, Senior Notes
	Duke Capital Corporation:
27,200	7.875% 02/15/32, Corp-Backed Trust
\$5,000,000	8.00% 10/01/19 Senior Notes
5,000	Entergy Mississippi, Inc., 7.25%, 1st Mortgage
75,000	Georgia Power Company, 6.00% Pfd., FGIC Insured
\$4,000,000	Indianapolis Power & Light Company, 6.60% 01/01/34, 1st Mortgage, 144A****
\$4,000,000	Interstate Power & Light Company, 6.45% 10/15/33, Senior Notes
\$5,670,000	Oncor Electric Delivery Company, 7.25% 01/15/33, Secured
\$4,000,000	Wisconsin Electric Power Company, 6.875% 12/01/95

MISCELLANEOUS -- 2.3%

35,325	Ford Motor Company, 7.50% 06/10/43, Senior Notes
\$6,265,000	General Motors Corporation, 8.80% 03/01/21
25,300	Maytag Corporation, 7.875% 08/01/31

TOTAL CORPORATE DEBT SECURITIES  
 (Cost \$88,274,341)

CONVERTIBLE SECURITIES -- 2.8%  
 INSURANCE -- 0.2%

36,000	XL Capital Ltd., 6.50% Mandatory Convertible, 05/15/07
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 UTILITIES -- 2.6%

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 161,500 FPL Group, Inc., 8.50% Mandatory Convertible, Series A 02/16/05  
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TOTAL CONVERTIBLE SECURITIES  
 (Cost \$10,034,398) .....

OPTION CONTRACTS -- 0.1%

2,475 October Put Options on December U.S. Treasury Bond Futures, Expiring 9/25/04 ....

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 TOTAL OPTION CONTRACTS  
 (Cost \$1,875,470) .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
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SHARES/\$ PAR  
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MONEY MARKET FUND -- 0.6%

2,059,710 BlackRock Provident Institutional, TempFund

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 TOTAL MONEY MARKET FUND  
 (Cost \$2,059,710) .....

TOTAL INVESTMENTS (Cost \$348,956,572\*\*\*) ..... 99.2%  
 OTHER ASSETS AND LIABILITIES (Net) ..... 0.8%

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK ..... 100.0%++  
 -----

AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE .....  
 ACCUMULATED UNDECLARED DISTRIBUTIONS TO AMPS .....

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK .....

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FINANCIAL DATA  
PER SHARE OF COMMON STOCK (UNAUDITED)

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE	DIVIDEND REINVESTMENT PRICE (1)
December 31, 2003 - Extra .....	\$0.0400	\$24.41	\$25.85	\$24.56
December 31, 2003 .....	0.1625	24.41	25.85	24.56
January 31, 2004 .....	0.1625	24.65	25.80	24.65
February 29, 2004 .....	0.1625	24.72	25.86	24.72
March 31, 2004 .....	0.1625	24.84	25.93	24.84
April 30, 2004 .....	0.1625	24.02	23.24	23.47
May 31, 2004 .....	0.1625	23.45	23.48	23.45
June 30, 2004 .....	0.1625	23.22	22.25	22.94
July 31, 2004 .....	0.1625	23.28	22.69	22.89
August 31, 2004 .....	0.1625	23.71	23.46	23.68

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Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK(1)  
FOR THE PERIOD FROM DECEMBER 1, 2003 THROUGH AUGUST 31, 2004 (UNAUDITED)

OPERATIONS:

Net investment income .....	
Net realized loss on investments sold during the period .....	
Change in net unrealized appreciation of investments held during the period .....	
Distributions to Auction Market Preferred Stock (AMPS) Shareholders from net investment income, including changes in accumulated undeclared distributions .....	
NET INCREASE IN NET ASSETS FROM OPERATIONS .....	

DISTRIBUTIONS:

Dividends paid from net investment income to Common Stock Shareholders(2) .....	
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....	

FUND SHARES TRANSACTIONS:

Increase from Common Stock Transactions .....	
NET INCREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS .....	

NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE

PERIOD .....

NET ASSETS AVAILABLE TO COMMON STOCK:

-----  
 Beginning of period .....  
 Net decrease during the period .....  
 End of period .....

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 Flaherty & Crumrine/Claymore Total Return Fund Incorporated  
 FINANCIAL HIGHLIGHTS(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2003 THROUGH AUGUST 31,2004 (UNAUDITED)  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT THE PERIOD.  
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PERSHARE OPERATING PERFORMANCE:

Net asset value, beginning of period .....

INVESTMENT OPERATIONS:

Net investment income .....  
 Net realized loss and unrealized depreciation on investments .....

DISTRIBUTIONS TO AMPS\* SHAREHOLDERS:

From net investment income .....  
 From net realized capital gains .....

Total from investment operations .....

DISTRIBUTIONS TO COMMON SHAREHOLDERS:

From net investment income .....  
 From net realized capital gains .....

Total distributions to Common Shareholders .....

Net asset value, end of period .....

Market value, end of period .....

Common shares outstanding, end of period .....

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income + .....  
 Operating expenses .....

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DIRECTORS

Martin Brody  
Donald F. Crumrine, CFA  
Nicholas Dalmaso  
David Gale  
Morgan Gust  
Robert F. Wulf, CFA

OFFICERS

Donald F. Crumrine, CFA  
Chairman of the Board  
and Chief Executive Officer  
Robert M. Ettinger, CFA  
President  
R. Eric Chadwick, CFA  
Chief Financial Officer,  
Vice President, Treasurer  
and Secretary  
Peter C. Stimes, CFA  
Chief Compliance  
Officer and Vice President  
Nicholas Dalmaso  
Vice President  
Bradford S. Stone  
Vice President  
Laurie Lodolo  
Assistant Compliance Officer,  
Assistant Treasurer and  
Assistant Secretary

INVESTMENT ADVISER

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

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY &  
CRUMRINE/CLAYMORE TOTAL RETURN FUND?

- o If your shares are held in a brokerage  
Account, contact your broker.
- o If you have physical possession of your shares in certificate form, contact  
the Fund's Transfer Agent & Shareholder Servicing Agent --

PFPC Inc.  
P.O. Box 43027  
Providence, RI 02940-3027  
1-800-331-1710

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.

[END SIDEBAR]

[GRAPHIC OMITTED]  
LIGHTHOUSE  
Flaherty & Crumrine/Claymore

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Total Return Fund

Quarterly  
Report

August 31, 2004

web site: [www.fcclaymore.com](http://www.fcclaymore.com)