



## Pacific Crest Financial Advisors, LLC

Dear Clients and Friends,

The market momentum that carried stocks higher through the first four months of the year fizzled in May as investors became increasingly concerned about a slowing economy (exacerbated by supply chain interruptions stemming from the Japan earthquake) and fears that a Greek default would spread contagion to other weak EU members and rattle the European and even global financial systems. Those concerns, particularly relating to Greece, intensified as the second quarter progressed, and a modest retreat in May worsened in June before we saw a late-month rebound as it became increasingly likely that the EU and IMF would manage to kick Greece's debt can down the road at least one more time.

When the dust settled, stocks wound up roughly flat for the quarter. Large-cap U.S. stocks were barely positive while smaller-cap stocks lost 1.6%. Growth did better than value across all market caps. Domestic high-quality, intermediate-term bonds gained 2.2% for the quarter. Looking abroad, developed-market foreign stocks gained 1.1%, while emerging-markets equities fell 1%. One year CDs rates nationally average .44% with local strong institutions paying out .8% (Washington Federal) and a national search locating 1.20% high yield.

### **Global Government Debt Issues**

The US debt situation continues to add to uncertainty. We certainly do not believe that there is any real risk of default by the United States due to not raising the debt ceiling, a view confirmed by the continued extremely low yields of Treasury securities. However, we are concerned about the deal that may be made in Washington. It appears highly likely that the agreement will involve at least an agreement to cut spending by approximately the same amount of the boost to the debt ceiling (likely somewhere around \$2 trillion). Spending needs to be cut, but details are important including the timing of the cuts and whether there is a bias toward budget gimmickry. If too much cutting is pushed out into future years, then any short-term benefits to the recovery may be offset by longer-term continued uncertainty.

While in Greece, we are seeing that the near-term moves to avert a default have whipsawed global markets, but we believe that a default is not likely in the cards for Greece at this time. Meanwhile, exposure in the United States to a default of any one peripheral country is not definitively quantifiable but is likely small, as reaffirmed by Fed Chair Bernanke in his press conference following the June Fed meeting. The near-term liquidity strain, with Greece needing cash immediately to keep its government working and make interest and principal payments on its debt, was likely solved when Parliament passed the austerity package demanded by the ECB and IMF. However, longer-term, there is a need for Greece to address its two main problems: too much debt (insolvency) and an inability to grow.

### **Family Loans**

In the past we have referred several clients to a loan service that documented intra-family loans, Virgin Loans, owned by Richard Branson's group. The Virgin Loan organization closed down the US division of the company two years ago and we just discovered that several key management people at Virgin Loan USA set up a new company providing private loan servicing. The company is National Family Mortgage and provides formalized intergenerational lending documentation and servicing. If you are considering lending to children or grandchildren, this service can formalize the agreement so the borrowing party sees the arrangement as a real mortgage with real obligations. All intra-family lending should only be initiated with multiple repayment sources from the debtor and the lender should never have

excessive concentration of their bonds & notes in any single entity including family. There could be a potential savings of loan fees but there should not be a reduced interest rate over what is available in the public market. We would welcome a discussion on how this vehicle maybe appropriate and not appropriate in your particular situation. The National Family Mortgage website is as follows: <http://www.nationalfamilymortgage.com/>. We also have an article from the New York Times covering the family mortgage possibilities if you are interested more in this area.

### **Long-Term Care Stats**

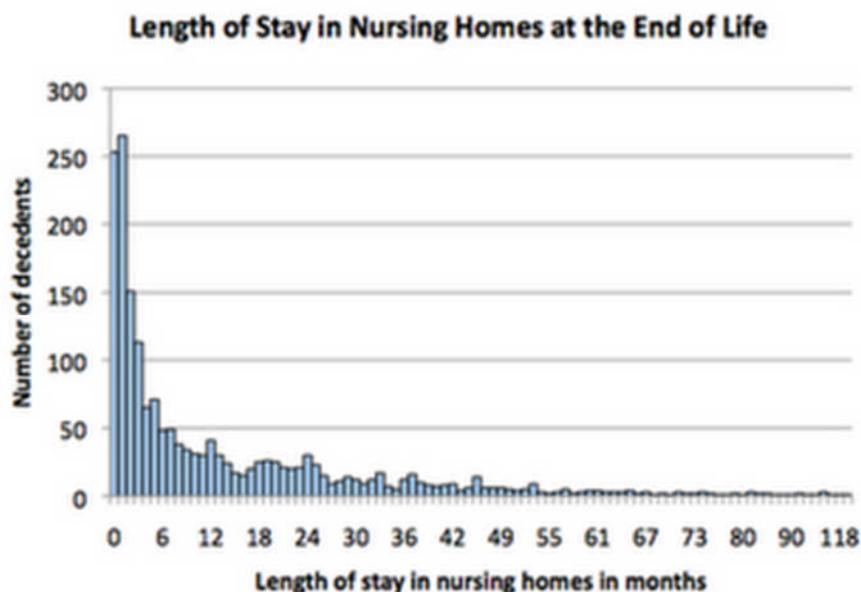
We have had several detailed conversations over long-term care possibilities and average stays in nursing homes and wanted to share some interesting findings.

One out of every four of us will die while residing in a nursing home. For most of us, that stay in a nursing home will be brief, although this may depend upon social and demographic variables like our gender, net worth, and marital status. These are the conclusions of an important new study published in the Journal of the American Geriatrics Society in August of 2010.

The study authors used data from the Health and Retirement Study (HRS) to describe the lengths of stay of older adults who resided in nursing homes at the end of life. What they found was that out of the 8,433 study participants who died between 1992 and 2006, 27.3% resided in a nursing home prior to their death. Most of these patients (70%) actually died in the nursing home without being transferred to another setting like a hospital.

The length of stay data were striking:

- the median length of stay in a nursing home before death was 5 months
- the average length of stay was longer at 14 months due to a small number of study participants who had very long lengths of stay
- 65% died within 1 year of nursing home admission
- 53% died within 6 months of nursing home admission



The authors also found that length of stay varied based on a number of demographic, social, and clinical factors. For instance:

- men died sooner after admission than women (men had a median length of stay of around 3 months versus 8 for women)
- married nursing home residents died sooner after admission than unmarried participants (an average of 4 months sooner)
- nursing home residents in the highest quartile of net worth died six months sooner than those in the lowest quartile.

This study is noteworthy in the difference between the mean and median length of stay. The mean stay at a nursing home is the old classic average or the sum of all data points (lengths of stay) divided by the total number of data points (nursing home participants). The median stay is the middle measurement with all the data points lined up shortest to longest stay. The median stay is significantly shorter than the mean stay at a nursing home. The study also points out the pattern that those with supportive community around them have shorter stays in nursing facilities, an important insight on how we all delegate our volunteer or family support time and how we should guide our government to spend healthcare dollars.

### **Social Security Statements**

The Social Security Administration has stopped mailing out annual benefit statements to all contributing participants that contain a summary of an individual's earnings history and estimated retirement benefits at various ages. The cost saving the government estimated is \$70 million per year. The Social Security Administration plans to resume mailing annual benefit statements next fall to citizens aged 60 and over who are not currently receiving benefits. The long-term plan is to allow the public access to the benefits statements online. If you want to estimate your future benefits please go to [www.ssa.gov/estimator](http://www.ssa.gov/estimator). The estimator does not show your earnings history but gives benefit estimates from your reported earnings and projects current earnings continuing to retirement.

### **Professional Development**

Alec spent three days out of the office, focused on learning methods and tools called Financial Life Planning to better uncover our clients life drives, goals and dreams with a goal of building a better understanding of each client's true aspirations. Kathleen Cotton took this training and weaved the tools throughout her practice. We will be doing likewise. Our focus is to always see money as a tool to reach the client's goals. Money is not the goal but rather living life fully within our economic resources is our calling for each client.

Financial Life Planning is about:

- Exploring what money represents to your client
- Defining both the tangibles and intangibles that clients expect their assets to provide them
- Anticipating life events and transitions, and making financial preparations for those transitions
- Assisting clients in the process of establishing financial goals that facilitate their life goals
- Initiating awareness regarding the non-financial aspects of retirement preparation and retirement living
- Developing a network of professionals to whom you can confidently refer your clients

We plan to work all willing existing clients through these exercises to document your life stories and aspirations. All new clients will be taken through an initial exploration using the Financial Life Planning tools so that we gain insight into each client prior to any detailed discussion on the finances. Our continued goal is to emphasize the person first and the money follows.

### **Personal Activities**

Alec took a week in June to return to his family farm in California. He brought his two daughters and bikes and spent a couple of hours each morning on a bicycle ride while his daughters spent each morning and early afternoon riding horses. They had lots of sun, great food and wine (this is the wine country), exercise and fun with his girls, siblings, parents and old friends.

Darron has been enjoying working on his home and coaching his daughters in basketball. He has also recently wrapped up his own indoor soccer league and is now joining the board of directors for Everett Youth Soccer.

We are planning a Friends of Pacific Crest Financial Advisors gathering at Alec's family place on Hood Canal for Friday August 26, 2011. We will be enjoying barbequed salmon, oysters harvested that day, some good wine tasting from Alec's most recent trip to the family farm in North California and many other tasty items. Please mark your calendar. An invitation should be coming shortly.

We continue to enjoy our time in both Everett and Seattle and have had a wonderful quarter of meetings with the majority of you. As always, we greatly appreciate those of you who have been sharing our name and the work we do.

Sincerely,



Alec Williamson, CFP®  
Managing Director



Darron Kuehn  
Managing Director