

# The Clarion

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## COVER STORY

# Asset Allocation Can Help Create Wealth; High Net Worth Clients Seek Diversification

by Bob Cannon, President/CEO

National surveys have shown that asset allocation and diversification of their investment portfolio are two of the services high net worth clients seek the most from their investment advisors. I strongly believe one of the major benefits we bring to our clients is the diverse mix of investment alternatives provided by Pacific West Securities, Inc. We offer the traditional services an investor can find at any of the national wire houses such as stocks, bonds and mutual funds. What separates us from our competitors at the wire houses is the broad array of alternative investment products we can offer to our clients to help them diversify their investment portfolios.

Harry Markowitz is widely considered to be the father of modern portfolio theory. He won a Nobel Prize in Economics for his research demonstrating that a primary reason for an investor's success or failure is predicated upon achieving a broad asset allocation and diversification of their portfolio into non-correlated investments. This concept is the centerpiece of our investment strategy at ClearView. Our goal is to diversify our clients' assets into a variety of suitable, non-correlated investment products selected specifically for them to meet their unique set of goals, risk tolerance, investment horizons, income objectives and estate planning needs.

Pacific West offers a number of investment products that help us accomplish these goals including: equities,

bonds, mutual funds, life insurance products, gas & oil, real estate, managed futures, fixed account investments, managed money platforms, a variety of separate account products, equipment leasing, private equities and more. Not all of these options are suitable for everyone. They come with an offering memorandum or a prospectus which must be read carefully before investing. Collectively, they provide our clients with a broad set of non-correlated alternative investments that help them accomplish their goal of diversification through asset allocation.

Asset preservation, capital appreciation and tax-advantaged income are the top priorities of our investment strategy at ClearView. Asset allocation and diversification into non-correlated investment products is our basic strategy for helping our clients achieve their long-term goals of wealth preservation and tax-advantaged income for a great life in retirement. How diversified is your investment portfolio? We can help.

**"A goal is a dream  
with a deadline."**

~Napoleon Hill (1883-1970)

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The material contained in this newsletter does not constitute an offer to sell or any offer to buy real estate or securities. Such offers are made only by a sponsor's memorandum, which is always controlling. There are material risks associated with the ownership of real estate. As with any real estate investment, there are various risks including, but not limited to: loss of principle; variations in occupancy, which may negatively impact cash flow; illiquidity; and limits on management control of the property. If you wish to be removed from our mailing list, please contact us and we will do so.

## Client Corner

ClearView Wealth Management provides a broad array of financial services to individuals, families and businesses focusing on three key areas: Asset Allocation, Financial and Estate Planning and Tax-Advantaged Investments.

We would like to congratulate our new and returning clients who invested in one or more products in February and March.

- Tenants in Common Real Estate
- Natural Gas & Oil Investments
- Managed Equities
- Equipment Leasing
- Managed Futures
- Annuities and Mutual Funds
- Real Estate Funds
- Cash Management Funds

Richard & Celine Schroeder  
Mollie Pardo  
Jim & Jeanne Budlong  
Jack & Julie Greenfield  
Patti Hulvershorn  
Ed Owens  
Bill Newcomer  
Carol Sanford

## PRESIDENT'S MESSAGE

### ACHIEVING ASSET ALLOCATION AND DIVERSIFICATION

#### Using Income to Reinvest and Diversify

We represent high net worth clients who have already figured out how to become wealthy. They have identified a business enterprise, an investment model, a long-term savings strategy or some other method of creating wealth. Our job is not to make them wealthy, but to preserve their wealth, help them achieve capital appreciation and tax-advantaged income. The cover story in this issue of The Clarion is dedicated to the important topic of asset allocation and diversification. Most of our new clients come to us with the vast majority of their assets in only one investment class; generally, it is either real estate or equities. Our job is to educate clients about the value of diversifying their portfolios into a broad range of suitable, alternative and non-correlated investments that help them achieve their long-term income goals.

The best way to do this is NOT to sell off all of our clients' assets, pay the taxes due and then redeploy their investment dollars. However, it may be a good idea to reposition certain assets that are not achieving the results our new clients intend. Another effective way to accomplish diversification is to reinvest the income from current investments that is above and beyond what is required to pay for life's monthly expenses. One of the ways to create financial independence is to make your money make more money than you do. By reinvesting the earnings on investments, one can compound their compounded earnings and make their money work hard for them. We use a variety of alternative investment products provided through Pacific West Securities, Inc. that are designed to generate monthly income to implement this strategy for our clients.

Call me to learn more about this investment plan and how it can work for you.



Bob Cannon, President/CEO

## CLEARVIEW NEWS

### We Are Pleased To Announce An Addition To The Clearview Team

#### Leslie Cannon, Chief Financial Officer

Leslie Cannon serves as the CFO of the ClearView companies and runs the Managed Money platform for ClearView Wealth Management, LLC. Leslie was a founding partner of The ClearView Group, Inc. in 1986 with husband, Bob, and joined ClearView Wealth Management LLC full time in 2006. Leslie holds Series 7 and 66 securities licenses. She is a registered representative of Pacific West Securities and an investment advisor representative of Pacific West Financial Consultants.

## DELAWARE STATUTORY TRUSTS?

### It's Not a TIC But It Works For Your 1031 Exchange

In addition to investing in Tenant In Common investment properties, our clients may also 1031 exchange into a Delaware Statutory Trust.

A Delaware Statutory Trust ("DST") is a separate legal entity under Delaware statutory law. A DST qualifies for 1031 exchange as a fixed income trust. A DST must comply with IRS Revenue Ruling 2004-86.

There are some unique features that distinguish DSTs from TICs:

- 1) The DST will own 100% of the fee interest in the real estate (the investor is not on title), so unlike a TIC, the lender only needs to make one loan to one borrower (the trust). Also, unlike a TIC there is no need to set up individual single-member LLCs. Generally, the administrative paperwork involved for the investor in the transaction is substantially less, and the up front cost, or load, may be less as well.
- 2) The beneficiaries' (investors') only right with respect to the trust is to receive distributions. They have no vote or say in the operation of the property. Therefore, the concern regarding a "dissenting" or "rogue" investor is stricken.
- 4) There is no limit on the number of investors (in a TIC the number is limited to 35); therefore, the minimum investment size or "ticket" may be more flexible and smaller on average.
- 5) Given a single borrowing entity (the DST), and a less complex transaction structure, the loan rates and other terms extended to the DST may potentially be more favorable.

On the other hand, in addition to some other restrictions, under IRS Rev Ruling 2004-86, the trustee cannot renegotiate terms of the existing loan, borrow new funds, nor can the trustee enter into new leases or renegotiate the current leases. Due to these factors, the only types of real estate ownership befitting a DST are a Master Lease (wherein the master tenant takes on all operating duties), or a long-term triple net lease.

To learn more about DSTs, give Bob or Wes a call.



Wes Larson, Vice President

## Upcoming Tenants-in-Common Seminars

May | 2007

May 8 – Seattle, WA

May 8 – Tacoma, WA

May 9 – Bellevue, WA

May 9 – Skagit Valley, WA

May 22 – Chicago, IL

May 22 – Northbrook, IL

May 23 – Rosemont, IL

May 23 – Oakbrook, IL

May 30 – Portland, OR

May 31 – Portland, OR

June | 2007

June 5 – Seattle, WA

June 5 – Tacoma, WA

June 6 – Bellevue, WA

June 12 – Chicago, IL

June 12 – Northbrook, IL

June 13 – Rosemont, IL

June 13 – Oakbrook, IL

June 14 – Yakima, WA

June 19 – Portland, OR

June 20 – Beaverton, OR

July | 2007

July 10 – Bellevue, WA

July 11 – Seattle, WA

July 17 – Chicago, IL

July 17 – Northbrook, IL

July 17 – Tacoma, WA

July 18 – Everett, WA

July 18 – Oakbrook, IL

July 18 – Rosemont, IL

July 24 – Portland, OR

July 25 – Salem, OR

To register yourself or someone you know for an upcoming seminar, please call us at (866) 557-1031 or email: [seminars@cvwm.com](mailto:seminars@cvwm.com). We will send you a confirmation in the mail. Space is limited and early registration is recommended.

With over 20 years of experience in Financial Operations Management, Leslie brings solid analytical skills and best practices from her work with some of the largest and most respected companies in Puget Sound including Starbucks, REI and Microsoft. Leslie obtained her BS from Syracuse University and her MBA in Finance/Accounting from Cornell University.

Leslie and Bob have three children and have lived in the Seattle area since 1980. She enjoys travel, gardening and reading.

## It's a Boy!

A heartfelt congratulations to ClearView's Marketing Director, Najat Cola, and her family on their new baby, Zayne!

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New York, New York  
212/ 564 4649

[www.cvwm.com](http://www.cvwm.com)

## Upcoming Events

### Due Diligence Trip

Orange County, California

May 23-24, 2007

The following companies will give presentations in their home offices:

- Argus Realty Investors, LC
- Passco Companies, LLC
- Triple Net Properties, LLC
- CORE Realty Holdings

### Sponsor Presentations

Gulf Coast Rig & Equipment, LLC

May 29, 2007 at 12:00 PM

Issaquah, Washington

CORE Realty Holdings

June 7, 2007 at 11:30 AM

Issaquah, Washington, and

June 8, 2007 at 12:00 PM

Portland, Oregon

Space is limited and early registration is recommended.

Please call (866) 557-1031.

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## PRODUCT FOCUS: Separately Managed Accounts

Separately Managed Accounts (SMA) historically have been limited to those who could afford the \$1 million minimum investment. For those select individuals, pension funds or endowments, SMAs offered sophisticated, customized portfolio management from institutional money managers. Fortunately, technological advances have allowed money managers to reduce minimum investments significantly, making this powerful and increasingly popular investment choice an option for more investors.

What is a Separately Managed Account? An SMA is a portfolio of securities which are customized to an individual's investment objectives. Unlike mutual funds, where investors own a share in the fund, an SMA owns specific securities. The SMA can also be tailored to investor requirements in a number of ways.

Active tax management and portfolio customization are two of the big advantages SMAs offer. Since the investor owns the specific stocks/securities in an SMA, the investor controls capital tax gains/losses by selling specific securities in his portfolio. Mutual funds do not have this "tax harvesting" option and in contrast, can have "phantom" capital gains. This

embedded tax can occur when the mutual fund realizes a profit from selling a security and credits the investor with the tax gain – even if his account value has not increased. Through customization, certain securities or industries can be eliminated from an investor's portfolio. This could include companies in which the investor already has a large investment or companies/industries the investor chooses not to support.

Curian Capital LLC is one of the pioneers in offering Separately Managed Accounts to a broader range of investors. Their Custom Style portfolio product includes institutional money management, customized asset allocation and ongoing portfolio management. The minimum investment to open an account is \$25,000.

In the past, SMAs have offered many advantages to a very select class of investors. The flexibility and customization opportunities of an SMA are a great boon to the wider audience of individual investors who can now utilize this powerful investment alternative. Please call us to learn more about how Curian Capital can help you achieve these investment advantages.