CLARION [Klar'i-on] *adj.* brilliantly clear; loud and clear
(A clarion call to action)

ClearView Wealth Management

The Clarion

COVER STORY

Inflation: How Do You Protect Or Grow Your Purchasing Power?

By G. Drew Bowlds

G. Drew Bowlds

If there is one word that strikes fear in the heart of most investors it is inflation. Over the past few months I have heard more people voicing concerns about inflation than I have ever heard up until this point. When asked: "What is the concern?" I usually get a response like, "Well the government simply can't spend all this money and not have a drastic effect on inflation and interest rates." There is certainly some truth in that statement. First let's take a look at the historical numbers on government spending.

History of U.S. Government Bailouts

YEAR	ISSUE/COMPANY	COST/LOAN IN 2008 $s
1970	Penn Central Railroad	$3.2 Billion
1971	Lockheed	$1.4 Billion
1974	Franklin Natl. Bank	$7.7 Billion
1975	New York City	$9.4 Billion
1980	Chrysler	$3.9 Billion
1984	Continental Illinois Natl. Bank & Trust	$9.5 Billion
1989	Savings and Loan	$293.8 Billion
2001	Airline Industry	$18.6 Billion
2008	*Bear Stearns*	*$30 Billion*
2008	*Fannie Mae/ Freddie Mac*	*$200 Billion*
2008	*U.S. Auto Industry*	*$25 Billion*
2008	*American Insurance Group (AIG)*	*$85 Billion*
2008	*Troubled Asset Relief Program (TARP)*	*$700 Billion*
2008	*Citigroup*	*$280 Billion*
2009	*Bank of America*	*$142.2 Billion*

**Source: www.propublica.org/special.government-bailouts*

After a brief glance at these staggering numbers, there is no doubt that our government has spent an enormous amount of money over the past two years. If you do the math, you will find that in 2008 & 2009 the US government injected over 3 times as much bailout money into various industries as in all of the previous years combined, even after those previous years were adjusted for 2008 dollars. Is this proof positive for inflation? Probably not. Is it a decent indicator that increasing inflation is possible, if not probable, for the future?

First let's take a look at what inflation really means. Wikipedia defines inflation as a rise in the general level for prices of goods and services in an economy over a period of time. This means a loaf of bread, a gallon of gas or an average sized home will cost more in the future than it does today. We all pretty much understand and experience this to be true.

So what does this mean for your money and investments? In simple terms, if you hold on to the money you have and don't lose a penny of it but fail to make it grow, then your ability to purchase the same goods over time will be less in the future than it is today.

The goal for most investors is to make their money grow relative to inflation without exposing themselves to greater risks than they are prepared to tolerate. These risks vary, but to name a few there are risk of loss of principal, liquidity risk and reinvestment risk.

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Go Green! *If you would like to receive our newsletter electronically instead of by U.S. Mail, send an email to KathyLindeke@cvwm.com to be added to our email list.*

Client Corner

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

We would like to congratulate the following new and returning clients who invested in one or more products in June, July and/or August as well as those that requested not to be listed.

Anna Bowlds

Drew & Nicole Bowlds

Elizabeth Desimone

Rimma Tikhonov

Ron & Beverly Iverson

Chris & Amy Liu

Financial Services

- Tenant-in-Common Real Estate
- Delaware Statutory Trust
- Natural Gas & Oil Investments
- Managed Money
- Notes & Debentures
- Equipment Leasing
- Real Estate Funds
- Managed Futures
- Fixed Income
- Mutual Funds
- Annuities
- Cash Management Funds
- Life Insurance

Preparing For Retirement

Why Do So Many People Fail To Save?

Bob Cannon, President/CEO

I have noticed a disturbing pattern among our clients over the years when it comes to retirement planning; many people enter retirement without adequate savings in their retirement accounts. In fact, many people do not even have a qualified retirement account such as an IRA, SEP, 401k, Simple IRA, etc. Most of our clients are entrepreneurs, many of whom were self-employed for most of their lives. A significant number of that group chose to use Social Security benefits and their personal investments to fund their retirement and never established a retirement plan. Some were formerly employed and rolled over their 401k from their employer into an IRA, but rarely if ever added more money to it over time. As a result, a great number of people are entering their retirement years without the benefit of a fully funded retirement plan.

There are many benefits to funding a retirement plan such as an IRA or Roth IRA, including tax-free growth on the principal. With a traditional IRA contributions are made on a pre-tax basis, reducing taxable income for the year the contribution is made. The investment grows tax-deferred and if withdrawn after the age 59 ½, there is no 10% penalty for early withdrawal and the gains are taxed at your current tax rate, which could be lower in retirement. A Roth IRA is an after-tax contribution where the investment grows tax-deferred and no tax is paid on the gains upon withdrawal. These are the two basic plans used by most investors to create a self-funded retirement plan. SEPs, 401ks and Simples are usually used in small businesses with multiple participants.

There are rules and contribution limits to be aware of for the 2009 tax year. The maximum contribution for people less than 50 years of age is $5,000 for both the traditional IRA and the Roth IRA. If the taxpayer is age 50 or older, there is a catch-up provision allowing an additional $1,000 contribution. There are also phase-out ranges for deductible contributions to traditional IRAs. For example, if married filing jointly, the income limit before phase-out begins at $89,000 and the phase out continues through $109,000. The phase-out range for contributions to Roth IRAs for married filing jointly is $166,000-$176,000. Phase-out ranges vary for different tax filers.

Clients offer many reasons why they never opened a qualified retirement account such as an IRA. We hear statements like, "I never got around to it" (take action today), *"didn't know who to speak to about it"* (call us at ClearView), *"never had the money at the end of the tax year" (many investment options allow monthly contributions), and probably the most common reason, "I don't like the stock market and didn't want to put money into stocks," (so don't; there are many other options). One of the biggest reasons people haven't made their money work hard for them is often just because they did not take the action steps necessary to implement a savings and investing plan.*

At ClearView, we have millions of dollars of clients' IRA funds self-directed into products of their choosing. Some select the stock market through our managed money program for all or a portion of their IRA portfolio, but many others prefer a broader asset allocation and choose to include investments like notes and debentures, equipment leasing, managed futures, real estate funds, or our traded bond strategy among others.

The most important point is to save money in the qualified plan that is the most suitable for you and take advantage of the power of time and tax-deferred growth.

If you have earned income, you can invest in an IRA. So as long as you are working, it is never too late to put your money to work for you in a qualified tax-deferred investment plan to give you more money in retirement.

Real Estate Funds

To REIT or Not to REIT…

REITs, or Real Estate Investment Trusts, have become an increasingly popular investment as they provide diversification, dividend income and the potential for capital gains. What are REITs, how do they work and what is their role in a diversified investment portfolio?

The primary business of a REIT is the ownership of commercial real estate properties designed to produce income such as apartments, offices, retail centers and industrial warehouses. The REIT strategy is to hold the property for the income and also for the potential increase in property values over time.

In the 1960s, REITs were created by Congress to enable individual investors to purchase equity in large portfolios of real estate. Regulations require that the majority of REIT assets and income be related to real estate investment and that 90% of its taxable income be distributed as dividends if realized. REITs are registered with and regulated by the Securities and Exchange Commission (SEC) and must file quarterly and annual reports, report material information and hold shareholder meetings.

While REITs have enabled individuals to participate in commercial real estate investment, institutional investors such as pension funds, insurance companies and mutual funds also invest in REITs for similar reasons - to provide diversification and the potential for dividend income and capital gains.

Investments in REITs can be made by: a) purchasing shares in a Traded REIT or public corporation traded on a national stock exchange, or b) through investment in private, non- traded REITs in a Direct Participation Program (DPP). While publically traded REITs have no restrictions on ownership, investment in DPPs are limited to investors who meet certain suitability requirements such as income, net worth, etc.

Since Traded REITs are on a national stock exchange, they can be sold or liquidated in the secondary market. Non-traded REITs, as the name implies, have no formal secondary market and the ability to sell or liquidate shares is controlled by the REIT. Most non-traded REITs do contain provisions for repurchase of shares after a minimum holding period.

The prices of Traded REITs tend to be driven by changing economic conditions and short-term expectations of the stock market. Prices tend to rise and fall with the stock market vs. underlying real estate values and are said to have a positive correlation to the market. Non-traded REITs are not as directly correlated to changing market conditions, although economic conditions can impact purchase prices, interest rates and property incomes.

As mentioned earlier, non-traded REITs are offered to qualified investors through DPPs. These programs are designed to raise funds to purchase and build a diversified real estate portfolio over time, with the objective of increasing shareholder value and providing both current dividend income and an opportunity for investors to ultimately liquidate their holdings and realize capital gains. Liquidation events can include taking the REIT public through an Initial Public Offering (IPO) or selling the portfolio or individual properties outright to a pension fund, another REIT, etc. Liquidation can be targeted for a term of as little as three years to as much as ten years. The timing of the liquidation is dependent upon a number of factors including values of the underlying real estate, the feasibility of taking the company public, availability of real estate purchasers, etc. Dividends are typically available to investors of non-traded REITs and may increase over time as results of operations allow.

If you are interested in diversifying your investment portfolio, potentially obtaining dividend income and realizing long-term capital gains, you should take a look at non-traded REITs to see if one or more is of interest to you. Many investors choose to use money from their qualified plan, or IRA for this long-term investment. While diversification alone will not prevent potential loss, a well-balanced allocation can help manage risk.

Before making any investment, we encourage investors to do their own due diligence – review the prospectus and get an understanding of the business plan and the company who is sponsoring the investment. Please let us know how we can assist you with this and help you find a non-traded REIT that is right for you. Investments in real estate have various risks including lack of liquidity and devaluation based on adverse economic and regulatory changes. Additionally, investments in real estate will fluctuate with the value of the underlying properties and your investment may be worth less than the original purchase price when redeemed.

College Funding Options

Several Ways To Save For Tuition And/Or Expenses

How do families meet college costs today? They save early and often. You should too. Here are some college savings vehicles to consider.

529 plans. These state-sponsored college savings plans let you put away up to $12,000 per year for your child's college costs without having to file an IRS gift tax return. (The plans in some states have no contribution limits – and you don't have to live in those states to invest in those plans.) You can even "frontload" a 529 plan and put in $60,000 to start ($120,000 for a married couple) without triggering the gift tax. The money you invest grows tax-deferred, and withdrawals are tax-free as long as the money is used for college expenses. If your child doesn't want to go to college, you can change the beneficiary if the account is in your name.[1,2]

Coverdell ESAs. Single filers with modified adjusted gross income (MAGI) of less than $95,000 and joint filers with MAGI of less than $190,000 can pour up to $2,000 annually into these tax-advantaged accounts. The money saved and invested can be used for college or K-12 education expenses. Contributions aren't tax-deductible, but the account enjoys tax-deferred growth and withdrawals are usually tax-free. Contributions may be made until the account beneficiary turns 18. The money must be withdrawn when the beneficiary turns 30. After 2010, there is a chance that the annual contribution limit on a Coverdell ESA may drop to $500.[2,3,4]

UGMAs & UTMAs. These all-purpose savings and investment accounts are often used to save for college. When you put money in the account, you are making an irrevocable gift to your child. You manage the account assets. When your child turns 18 - or 21 in some states - he or she can use the money to pay for college. There are two caveats: 1) your child can actually use the money for anything, 2) the money withdrawn from the account is considered income and might lessen your child's chances to qualify for financial aid.[5]

Cash value life insurance. If you have a whole or variable life insurance policy, you can borrow from, withdraw against, or even cash out the policy to meet college costs. You can make tax-free withdrawals from such a policy as long as you don't exceed the cost or "basis," or the total amount of premiums paid.[6]

Mutual funds. Lastly, you can put a professional money manager in charge of your college savings and invest for college with a mutual fund. Yes, many of them took huge hits in 2008, but for the long term, they remain a strong and viable option.

Parents and grandparents can save at the same time. Grandparents can start a 529 plan - or other college savings vehicle - just as parents can. The earlier, the better. Talk to a financial advisor today about these savings methods. It will be great for you and your child if he or she graduates from college debt-free.

These are the views of Peter Montoya Inc., not the named Representative nor Broker/Dealer, and should not be construed as investment advice.

Citations.

[1] *usatoday.com/money/perfi/columnist/block/2007-11-12-529-plans_N.htm [11/12/07]*

[2] *investors.com/editorial/IBDArticles.asp?artsec=19&issue=20081031 [10/31/08]*

[3] *360financialliteracy.org/Life+Stages/College/Articles/Paying+for+College/The+best+ways+to+save+for+college.htm [11/18/08]*

[4] *irs.gov/taxtopics/tc310.html [11/18/08]*

[5] *aarpfinancial.com/content/resource/investing/ugma_utma.cfm [11/21/08]*

[6] *bloomberg.com/apps/news?pid=10000039&sid=a67WOYsKiVbE&refer=columnist_wasik [11/10/03]*

A SPECIAL MESSAGE TO OUR CLIENTS

After the Investment

Q: ***So I've made my investment decisions, I've completed the investment subscription documents; the ink is dry. Now what? What can I expect from here?***

A: Most sponsor companies of TIC/DST properties and the alternative securitized product investments we offer will provide you with reasonable updates on the status of your investments – some monthly, most quarterly. (Note: In some rare instances, such as notes and debentures, the frequency may be less often.) These updates will generally provide a written description of how your investment is performing, the challenges or opportunities taking place in the market, as well as the financial data for your investment. Many companies will also send you a notice each time a distribution is made. We highly encourage you to take a few minutes to read through these status reports when received to monitor the progress of your investment. Additionally, many sponsor companies, especially those involved with TIC/DST properties, will schedule conference calls to discuss your investment and most allow a question and answer period at the end of the call to ensure you have an opportunity to provide feedback or ask your particular question.

At ClearView, our service doesn't end when your investment is transacted. In our mission to partner with you to achieve your financial goals, we are dedicated to help answer your questions – even if such questions arise years after the investment is made. Melissa Andrews, our Client Relations Director, wants to remind our clients they can call for assistance with sponsor company communications and with questions about distributions, properties or other investment documents. Melissa, Bob, Leslie and/or Kathy participate in all conference calls involving our clients' investments. If you've missed a call, please call Melissa for an update. If you know you'll be unavailable for a scheduled call, but want a particular issue addressed during the call, contact Melissa in advance of the call to ensure your issue is presented. Melissa can be reached by email at *melissaandrews@cvwm.com*, or by phone at (425) 557-0559, toll-free (866) 557-1031. As of August 1st, her new work schedule is Tuesday, Wednesday and Thursday, 9am-5pm Pacific. Please ask for Bob or Leslie Cannon if Melissa is unavailable.

CLEARVIEW NEWS

A Special Message...

For the last few years we have had the pleasure of holding annual client appreciation events in Seattle and Portland, the two cities where we have the largest number of clients. These events have become very popular and we have enjoyed the opportunity to acknowledge hundreds of our clients and good friends who have attended them in years past. In recognition of the difficult times people are experiencing in this turbulent economy, ClearView has decided not to hold our Annual Client Appreciation Dinner in October. We look forward to resuming this event in 2010, and we are hopeful you will join us then in what we anticipate will be a celebration of better times!!

The Last Legal Loophole

By Robert E. Onnen, Esq., CES

Tax-deferred exchanges are still a viable way to legally defer taxes on the sale of real estate held for investment or used in a trade or business.

While the volume of sales has followed the overall slowdown in the economy, there are still significant tax issues to evaluate if you are considering a sale of your investment real estate. If you sell improved real estate (as opposed to bare land), you will be faced with a 25% tax on all depreciation taken over the life of your ownership. If your gain is greater than your total depreciation, the excess will be taxed as long term capital gain, currently 15%. If the property is located in a state with a state income tax, you would also be required to pay up to an additional 10% tax, depending on the state. Ask your tax advisor to do the math.

All of these taxes can be legally deferred by utilizing an exchange under Section 1031 of the Internal Revenue Code. A completely successful exchange will follow three guidelines:

(1) The fair market value of your replacement property should be equal or greater than the net sales price of your relinquished property.

(2) You should reinvest all exchange proceeds from your sale into your replacement property.

(3) Your replacement property debt (mortgage) should be equal to or greater than the mortgage (if any) on your relinquished property.

No taxes will ever be paid on your gains if you leave the property to your heirs because they will receive a stepped-up basis under our current tax laws.

The most crucial decision you will make relative to the exchange process will be the selection of a qualified intermediary to facilitate your exchange. This is no time for amateurs to handle your funds. You want experience and safety for your hard-earned funds. Do your homework! Ask the intermediary exactly where and how your money will be invested. It should not be co-mingled with other client funds nor be deposited to the general account of the 1031 company. It is YOUR money and must be safe and liquid.

Because of concerns for client fund security, several states have recently passed legislation to regulate the activities of qualified intermediaries. In my home state of Washington, a new law took effect on July 26, 2009. Companies in Washington who facilitate the sale and exchange of properties located in this state must register and meet minimum safety requirements. Among these requirements are a $1,000,000 fidelity bond, or the use of a qualified trust or a qualified escrow. Errors and omissions insurance or an equivalent deposit of at least $250,000 is also required.

The exchange company must be under the direct management of an attorney, CPA or a Certified Exchange Specialist. This is where you should insist upon references and financial information on your selected exchange company. Call the references and ask about their individual experiences.

The cost for hiring an exchange facilitator is nominal compared to the tax savings. A typical delayed exchange would cost about $750. A reverse exchange is more complicated and thus more expensive, starting around $3,000. The taxpayer should also receive interest on their proceeds. Experience and safety are more critical than saving a few dollars in fees. You probably do not want the lowest cost provider on such an important decision.

Now you can refocus your attention upon finding a replacement property. It is still a buyers' market in most local economies, so happy hunting!

This is a guest article by Rob Onnen whose views and comments do not necessarily reflect the views of CVWM or Pacific West Securities. Mr. Onnen received his law degree from the University of Iowa in 1973. He founded the Pioneer 1031 Company in Boise, Idaho in 1993. He has written numerous articles and is a frequent lecturer to attorneys, accountants, and real estate agents. Mr. Onnen holds the designation of Certified Exchange Specialist from the Federation of Exchange Accommodators, and has successfully structured over 5,000 exchanges.

His toll-free number is 1 (877) 417-1031 and his e-mail address is robonnen1031@olypen.com

When most investors talk about investing for the future, what they want to see is a return on investment that is greater than the rate of inflation so that their ability to purchase grows over time. Let's refer to this as purchasing power.

Now that we have established a basic understanding of inflation, let's look at what causes it and why there is this concern that the massive government bailouts may lead to greater inflation, known as hyperinflation, in the future. The U.S. dollars we have in our pockets and bank accounts are what are referred to as Fiat money. This term comes from Latin meaning "let it be done." In essence, a Fiat currency is not backed by any hard assets but is accepted as legal tender because our government accepts it to pay taxes and because it can be used to purchase other goods and services. In essence, our money has value because we all agree it has value.

Many people still believe that our money is backed by gold in Fort Knox. It actually was for a short time after World War II, when what was known as the Bretton Woods system was established, where each dollar's value was pegged to 1/35th of a troy ounce (888.671 milligrams) of gold. This system ended in 1971. The key reason why money decreases in value is that the government keeps printing it. In truth, every year old money is destroyed and replaced with a slightly larger amount of new money in its place. If you think of this in terms of a commodity it makes more sense. All money ever really does is get passed around from one place to another in exchange for goods or services. As more money goes into the system for circulation, there is greater supply, so more money is needed for whatever is being purchased. In an over simplified explanation, this is what creates inflation.

It may be that *the U.S. needs the inflation* you see with inflation. With inflation, the dollar loses its purchasing power. As a result, people charge more for goods and services which means those who work make more money as well as spend more money. Because the working masses are making more money (quantity not adjusted for inflation), even without increasing the rate of taxation, the government increases their tax revenue needed to service the national debt. In essence, this weakening of the dollar in real terms makes our national debt manageable. As best I can tell, this is the real reason so many people believe we will see increased inflation in the future.

So if you believe inflation is coming, how does one invest wisely for the future? Most financial analysts talk about inflation as though it was the plague. The financial equivalent of a pandemic to the economic system we live in. I was watching CNBC on a flight to San Diego a few weeks ago and there was a financial analyst advising people they should weight stocks more heavily because inflation would lead to an increase in the cost of goods as well as the cost of materials. Therefore, corporate profits would increase as would the stock price and they would be just fine. The analyst then identified about 10 stocks and discussed why they were good inflationary market picks with the required disclosure that the analyst held these investments in their own portfolio or charitable trust. This advice seems a bit too simple and takes much for granted as well as the fact that in weighting stocks vs. bonds more heavily, excluding other investment decisions, many would argue that you have increased your risk for potential loss of principal.

Let's look at another option that may make a little more sense. Many experts agree that investing in **hard assets** is a good way to hedge or protect against inflation. Essentially what this does is peg the value of your dollar to the value of the hard asset you are buying. This is difficult to do with many stocks; however many alternative investment programs, or Direct Participation Programs, are just that - direct ownership of an income producing venture or asset with ownership interest in that asset.

Many of the products we offer may provide an inflation hedge with little or no market correlation. Each of these products, like any investment, have risks specific to them. It is important you understand and consider not only the upside for growth or income as well as potential risks before making any investment whether traditional or alternative

So now for the golden question: How will inflation affect your portfolio? If you're not sure please contact us at ClearView for an evaluation. You worked hard for your money. Isn't it time your money worked even harder for you!

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