ClearView Wealth Management

Investing with Clarity and Vision

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ClearView's Wealth Management Program

The stock market offers liquidity and opportunity for growth

By Leslie Cannon

In the last 20 years, the investment marketplace has transformed. In addition to stocks, bonds, and mutual funds, there are many new products, markets and strategies which add opportunity and complexity for investors. There are ever increasing choices for putting together an investment portfolio - should you: buy long, sell short; use leverage through margin accounts; utilize option trading; manage actively or passively; invest in growth, value, small cap, large cap, mutual funds, ETFs, derivatives, emerging markets, commodities, futures? How should you allocate your assets? How often should you rebalance? Once you figure out what you think you should do, you need to constantly monitor and readjust your portfolio when markets or conditions change.

Computing and the information age have changed the landscape of the investment world. If you do not want to manage your own investments in the market, we can help you select the investment platform, money managers and long-term strategy to match your investment style and risk tolerance.

What are money managers? Why should you consider having someone else manage your portfolio?

Even if you are a well informed investor, you may not have the time to monitor and manage your investment portfolio. Additionally, you may not have the ability to keep up with and utilize products and strategies in your portfolio to mitigate risk and increase returns. Individuals have a difficult time competing with teams of market makers, market movers, day traders, and hedge funds.

As a result, many investors have turned to professional portfolio

(Continued on page 2)

Bob Cannon has been selected as a recipient of the **2012 FIVE STAR** Award for Wealth Managers in the Seattle area for the second consecutive year.
The April edition of **Seattle Magazine** carries the story of this survey. The final list of award recipients for the 2012 FIVE STAR Wealth Manager represents less than 5% of the wealth managers in the greater Seattle area.

Thank you to our clients and colleagues for this vote of confidence and support. We look forward to working closely with all of our clients in the years to come, helping them achieve their goals of financial independence.

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(Continued from page 1)

management to take on this critical job. Formerly available only to ultra-wealthy individuals or institutions such as endowments and pension plans; professional, third party money management is available to individuals today through financial advisors.

Third party managers and advisors are compensated on a fee basis. Fees are usually fixed as a percentage of the value of your portfolio's assets. This creates incentives for the managers to preserve and grow your assets. As your portfolios grow, their income from the fees will grow. If your portfolio does not grow, neither does their income. The fees and expenses vary, but are generally less than 2.25% of the gross asset value.

Based upon your investment objectives, risk tolerance and time horizon, we can provide recommendations for specific money managers and investment portfolios suitable for you. We use third party managers that have a solid track record and are able to build portfolios to meet a range of investor needs and risk tolerance. While past performance is not a guarantee of future results, it is a valuable indicator together with other important metrics. We have selected a variety of investment platforms and third party managers for the liquidity/growth portion of our clients' portfolios based not only upon their long-term investment track record, but also their respective investment styles and strategies to complement the diverse needs and interests of our investors.

Clients invest cash and retirement funds (IRA, ROTH IRA, 403(b), SEP, etc.) in these products for the liquidity and long-term growth portion of our Three-Legged Stool investment plan. With several options and investment models to choose from, we are confident we can help you select a long term strategy and build a portfolio of investments to help you accomplish your goals and objectives.

Please call me on the phone or come to our office to learn more about ClearView's Wealth Management Program. Talk to you soon!

An Introduction to the "BDC"

Emergence of the Business Development Company

From this point forward you will hear a lot about a “new” investment product called a Business Development Company (BDC). The BDC is a form of a Registered Investment Company regulated under the Investment Company Act of 1940 (The Act). An important requirement of The Act is that a BDC must pass through at least 90% of their profit and capital gains to investors in the form of taxable dividends, similar to REITs. This requirement enables them to avoid the corporate income tax (double taxation) to which corporations are subject.

More well known investment programs of The Act are the Mutual Fund and the Real Estate Investment Trust (REIT), both traded and non-traded. Because these investment programs are publicly registered, they are available to mainstream investors; not just accredited, high net worth investors and/or institutions. TICs, DSTs, hedge funds, private REITs and equity funds et al are for accredited investors only (>$1,000,000 net

(Continued on page 3)

(Continued from page 2)

worth excluding the primary residence). Investor requirements for publicly registered programs such as equipment leasing, REITs and BDCs are $250,000 net worth, OR $70,000 annual income and $70,000 net worth, making these investments available to the general public.

Mutual funds enable small investors to buy the bonds and equity of multiple public companies through one investment vehicle. REITs allow small investors to participate in multiple, large scale real estate assets. The intent of the 1980 Small Business Investment Incentive Act (an amendment to the 1940 Act) was to enable small investors to invest in the debt and/or equity of privately held companies. A limitation in the 1940 legislation had the unintended consequence of blocking private equity and venture capital firms from investing in small or private businesses. The 1980 amendments made the BDC a new class of closed end investments and a bridge between mainstream investors and the entrepreneurs who need investors' capital to build the companies of tomorrow. In return small investors can now participate in this dynamic investment space with the protections provided by The Act.

Since BDCs combine many popular features of REITs and mutual funds, the rise in popularity of this investment vehicle is not surprising. Like their more well known cousins, BDCs must go through a rigorous registration process with the SEC: Sarbanes-Oxley controls apply; all BDC assets are held with an independent custodian; the company must file periodic financial reports (8-K, 10-K, 10-Qs) and maintain a Board of Directors with a majority of independent directors; and a BDC must revalue its portfolio of private company assets at least quarterly.

BDCs make it possible for the non-accredited investor to direct a reasonable amount (minimum investment is $5,000) to be invested in the debt and/or equity of private companies with the help of professional management and the protections of Federal regulations. Now the common investor can participate in the entrepreneurial process that helps drive the growth and wealth of the U.S. economy.

We are very excited by the addition of BDCs to our investment platform, enabling our clients to gain additional diversification and broader asset allocation in their portfolios. We currently have BDC offerings approved by Centaurus Financial for our clients' review and consideration. Please call us for more information and to obtain a prospectus. These investments carry risks and the prospectus should be read carefully for a complete description of the potential risks and benefits associated with BDCs before investing. Please call Leslie or Bob to learn more about these products and determine if they might be suitable for you.

1031/DST Exchange Solution

Huge backlog of investors ready to sell their rental properties

It has been almost five years since the recession began, now recognized as the deepest, broadest and worst recession since the Great Depression. Many economists agree one major cause of the recession was an

(Continued on page 4)

(Continued from page 3)

over supply of money due to highly questionable lending practices of financial institutions, conduit lenders and community banks. Despite their role in this recession, we are all waiting anxiously for banks to start lending again to get our consumer-based economy back on track.

Waiting in the wings are tens of thousands of landlords ready to sell their rental properties and 1031 Exchange into Delaware Statutory Trusts (DSTs). These structures still offer the best solution for landlords tired of property management who want to defer taxes due at sale on capital gains and depreciation recapture; and for many, potentially increase their monthly income, while transitioning to a more comfortable lifestyle.

The recession touched all property owners. We have all lost value in our real estate holdings; 30%-45% according to some reports. But values began increasing a while ago for many properties, and when kindled by inflation, landlords will soon seek to take advantage of the opportunity to raise rates, increase profitability and sell to 1031 Exchange into an up market. That makes perfect sense. That is how money is made in the investment property business.

The recession has been tough on all real estate and TICs and DSTs took their share of lumps along with the rest of the market. But in general, most TICs and DSTs are Class A real estate which held its value better than any other asset class during this recession. Better locations, better tenants, higher quality materials and professional property management all contributed to help Class A real estate do a pretty good job of holding on to value in down markets.

If we are at or near the bottom of the real estate market, then NOW is a great time to buy Class A, investment grade real estate. DSTs are being purchased at current market values and come with financing at today's rates. It is this fact alone which makes it a good time to sell rental properties: because we can now buy our exchange property at current market prices and financing rates.

We see many signs banks are finally starting to lend again. (See "Do You Need a Referral for Mortgage Financing"). Once the banking industry begins to compete again in the lending business, buyers will return and landlords will sell and exchange their properties into DSTs. The most encouraging sign of market recovery is the rather large number of clients who have recently advised us they are listing their rental properties for sale and want to do a 1031/DST Exchange with ClearView.

Class "A" DST properties in most asset classes are available as 1031 Exchange options for our clients provided through our Broker/Dealer, Centaurus Financial. PPMs are available at our office for accredited investors. Please read the PPM carefully for an explanation of potential risks and benefits associated with the investment.

Thought for the day

The investment world is a scary jungle — don't go on safari without an experienced guide.