

Fourth Quarter 2009 Client Commentary

December 31, 2009

“Our focus in upcoming discussions will be to continue to assess your portfolio allocation with an emphasis on diversification and capital preservation, balanced with our anticipation of an economic recovery we predict will occur sometime in the latter half of 2009.”

George Pierce 2008 Year-End Economic Summary, January 9, 2009.

Despite the fear and uncertainty that confronted investors in early 2009, we remained cautiously optimistic that the response by both the Bush and that of the new Obama Administration would begin to stabilize the financial markets by the middle of the year. In hindsight, our prediction was pretty darn accurate. The “Depression Scenario” began to fade on March 9th. By late summer, as economists began predicting positive Gross Domestic Product (GDP) growth in the 3rd quarter, the recession unofficially ended as well. Equity markets ended 2009 with their best gains since 2003. The S&P 500 index rose 23.5%, the Dow climbed 18.8%, and the NASDAQ jumped 43.9% from its close on December 31, 2008.

As we move into 2010, it is important that we continue to build on the momentum of 2009 while not forgetting the lessons of 2008. These lessons included recognizing that investment strategies must consider even extremely rare market events similar to those seen in 2008 and that in addition to owning equities, portfolios must hold an adequate component of liquidity, fixed income, and non-correlating assets in order to reduce the likelihood of severe portfolio downdrafts again.

Will I Outlive My Money?: Ross Snyder

After the rollercoaster ride of 2008 and 2009, many, if not all of our clients are questioning whether their accumulated wealth will be sufficient to last the balance of their lives or at least at the same standard they had anticipated. For most, if not all our clients, we firmly believe that need not be a concern.

The possibility of outliving our assets in retirement is actually a complex question and the answer needs to be customized to each person’s situation. Factors to be considered include the amount of assets you have, what your investment mix is based on, your risk profile, the age of retirement, life expectancy, current and expected tax rates, lifestyle patterns and other future expense needs (car purchase, education, health concerns, etc.). These and other factors are evaluated in order to determine what a proper sustainable withdrawal rate is for you.

Our primary goal in 2010 will be to provide our clients with the peace of mind and assurance that that their portfolios are secure and capable of providing them the long-term security they desire.

It Takes a Team: George Pierce

Premier investment advisory practices generally have the following characteristics: 1) They are highly ethical and trustworthy, 2) They are proficient in identifying and guiding clients to clearly stated goals and objectives, and 3) They consist of highly experienced teams that provide accessibility and superior service to their clientele. It is the team concept that allows George R. Pierce & Associates the ability to provide these services. The Client Service Team is led by Valerie Wilson and consists of Tara Cancro, Kasie Nevers, and Kristin Stead. The Advisory Team is led by myself and consists of Tom Owen, Ross Snyder, CFP/CPA, and Elaina Moldskred. Each Advisory Team member brings a measure of value and expertise to our clientele and because of daily ongoing communication can be interchangeable to allow for more frequent contact with clients or in order to accommodate a scheduling request that may not be available with another advisor. For a more complete description of each team member’s background please refer to our website at www.georgerpierce.com.

As we move forward into 2010, Tom, Ross, Elaina and I will be conducting client reviews. As our staff contacts you to schedule a convenient time for this discussion, they will indicate which of us we anticipate will be speaking to you. Be assured that we actively communicate with each other to make sure that we all present a consistent message. If you have not had the opportunity to meet with Ross or Elaina yet, I believe that you will enjoy doing so and will appreciate their perspective and commentary.

The four of us look forward to continuing to serve you, both now and for what will hopefully be a long and successful retirement!

LPL Financial Stability Update: Elaina Moldskred

The unprecedented events and market volatility we have experienced over the past two years have raised serious questions about the stability of financial service organizations. The demise of firms such as Bear Sterns, Lehman Brothers, and Washington Mutual lead many people to have concerns about the strength of firms they invest in. Therefore, I wanted to take the time to update you on LPL's Financial's stability.

As of September 30, 2009, LPL Financial was required to have a minimum net capital of \$8.3 million. At quarter end, we had \$153.9 million in net capital, over 18 times our requirement. We are in compliance with all of our lender debt covenants and believe the total liquidity of the firm is sufficient for our capital needs. As a result, LPL Financial has had no need for any capital infusions and has not participated in any federal relief programs.

LPL Financial remains financially sound and continues to maintain the strongest commitment to providing superior service and satisfaction. Unlike traditional brokerage firms, we operate on a conflict-free platform, with no proprietary investment products. We neither engage in the business practices of investment banks, nor have exposure to mortgage-related investments or securities, or provide loans to hedge funds or other speculators. If you would care to receive additional information about LPL Financial, we would be happy to send you a copy of their annual report.

Northwest Economy: Tom Owen

The economy of the Pacific Northwest continued to register indications of weakness in the fourth quarter 2009. The housing market, employment levels, industrial output and the service section all served as drags on commercial health throughout the region. A partial offset to this slowdown was the export sector which continued to benefit from a weakening dollar. These are some early signs that the worst is over and the prospect is reflected in a number of leading indicators, the most closely watched being the stock market. A gradual and modest economic expansion is expected in 2010 with the unemployment rate and housing prices beginning to stabilize and eventually improve during the course of the year.

The Roth IRA Conversion Opportunity: Elaina Moldskred

There has been much talk and debate surrounding the new Roth IRA Conversion rules for 2010. Starting January 1, 2010 the \$100,000 modified AGI limit will be lifted, and anyone with an IRA or retirement plan is eligible to convert to a Roth IRA. All individuals doing so will have to pay income tax on any pretax contributions, as well as any growth in the investment value. For conversions in 2010 only, taxes owed can be paid in 2010, or spread 50% over tax years 2011 and 2012. For conversions in 2011 and beyond, you are not allowed to spread the tax. Doing a Roth conversion is not for everyone, and there are several different factors to consider, such as whether you will be in a lower or higher income tax bracket when you start withdrawals. The decision to covert will prove to be an important planning discussion during our upcoming reviews this year.

Office Manger Corner: Valerie Wilson

As we begin setting appointments for your reviews this year, please anticipate that we will be setting appointments two weeks out from the date in which you call or email to schedule. This will allow our staff to ensure that all of the preparation for your meeting has been fully put together, and George, Tom, Ross or Elaina will have enough time to review the portfolio for any changes in order for us to help make the meetings more efficient. Also, at the time of your review we would like to at least tentatively schedule the next review if possible.