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INSIDE

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The Necessity of Now

Estate planning is one element of your financial life that can't wait

Now is the best time to think about proper estate planning, because it allows you to be sure you are providing for yourself and your loved ones without forfeiting control of your affairs—and there are many issues to consider.

DAN AKERS
Managing Principal

First, flexibility with regard to tax planning is important since tax laws will change. However, the tax planning tail should never wag the estate distribution dog.

To achieve the most effective estate plan, your professionals (attorney, CPA, life insurance agent and investment advisor) must understand your family members, family dynamics and your philanthropic goals.

Remember also that the potential beneficiaries of your estate are your family, friends and favorite charities—or involuntarily, the Internal Revenue Service (IRS).

Although the estate tax exemption is $1.5 million for an individual and $3 million for a married couple, planning for taxes in this context is still needed so you can eliminate or minimize what goes to the IRS wherever legally possible.

Most families have some retirement plan assets, and planning for the income tax effect on these assets at death should remain a priority.

The importance of proper titling of your assets cannot be over-emphasized. Personal financial protection, tax savings and control depend on title, which comes in three basic types: Joint Name, Contract and Individual Name.

Joint Name title generally encompasses joint tenancy (co-ownership) with rights of survivorship, tenancy in common (without rights of survivorship), and in some states, tenancy by the entirety (joint tenancy between husband and wife).

Contract title includes beneficiary designations (such as in IRAs and life insurance policies) and trusts.

Assets owned in individual name, through beneficiary designations payable to the estate, and by joint tenancy in common are the only assets controlled by a will.

Normally, you should avoid having your assets controlled by your will because of the delay, cost, court control and publicity of the probate process. However, if you act with too much zeal to avoid probate, you could overlook important estate and income tax consequences.

Often, the best-prepared wills and trusts fail to accomplish desired objectives because assets were never retitled to conform to the overall estate plan!

Several common tools provide for a disability, avoid probate and achieve a favorable tax outcome. They include a properly drafted will, a revocable living trust, a durable power of attorney, a

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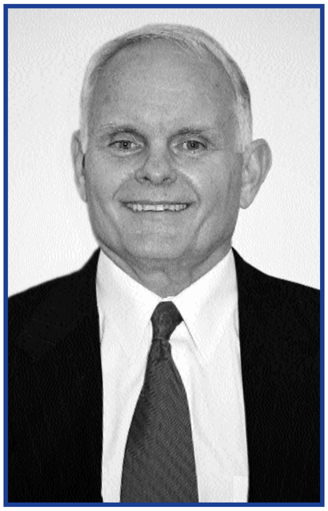
Mutual Concerns



Greg Jones
Managing Principal

Mutual fund regulatory issues shouldn't affect the underlying value of a large, diversified portfolio.

Investors should avoid rash response to recent scandal

Concerned investors have been asking what to do about the mutual fund scandal, and here's Altavista's take on the matter; initially, nothing rash should be done. Mutual fund regulatory issues shouldn't affect the underlying value of a large diversified portfolio. However, if many investors hastily exit a fund, this could be a problem for those remaining.

To place this problem in perspective, most of the largest and well-known fund companies have not been implicated in the recent scandals. Also, very few of the smaller, independent fund companies have been mentioned. The higher profile investigations have involved companies such as Alliance, Bank of America, and Putnam, Strong.

Before it's all over more funds may be involved in the scandal. According to the SEC, perhaps one-third of all funds may be implicated before long.

The scandal focuses on two recently highlighted practices (rapid trading and late trading in mutual funds) that hurt long-term, buy-and-hold investors. These practices and other long-standing issues of concern in mutual funds are symptoms of larger problems that need to be addressed. Managers of funds should not be appointing their own fund directors, an obviously conflicted practice. Very highly compensated directors have a fiduciary duty to shareholders and should be called to task. Other issues to look at that are not new include:

- Trendy new funds, offered at market tops, that entice the unwary.
- Funds that charge fees of over three percent.
- High sales loads as pointed out in a recent SEC statement.
- Sales contests at brokerage firms to push certain funds, especially their own in-house funds.

Mutual funds are supposed to work like ordinary corporations where shareholder value is paramount. The 1940 act governing mutual funds says they must be operated in the interest of shareholders—not managers, directors or insiders. The good fund companies, both large and small, do just that. Recent developments point out what we have known all along—that there are some fund companies that do not place their fiduciary duty to shareholders at the top of their priority list.

At Altavista, we are vigilant in our search for funds that promote shareholder value. We're behind the efforts of regulators to flush out and deal with the bad apples. In the meantime, we'll continue doing what we do best—looking out for the best interests of our clients.

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The Necessity of Now

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health care power of attorney, and in some cases, an irrevocable life insurance trust.

Consultation with an attorney who specializes in estate planning matters is essential if you wish to ensure proper handling of your estate with minimum expense to beneficiaries.

The bottom line is that estate planning is a complex matter that needs your attention now, not later!

For more information, or if you need a referral for estate planning legal assistance, contact Altavista at 866-684-2600 or 828-684-2600, or email Dan at dakers@altavistawealth.com.

Means and Motive

While rising stock prices are less certain, prospect of cash dividends brightens

As our current outlook indicates, Altavista believes the broad U.S. stock market is in pretty good shape in early 2004. The market's smart advance in late 2003 continued into 2004 before cooling a bit in late January and February. We believe the market, having come so far, is vulnerable to some pretty sharp setbacks despite the profit picture and the economy being in good shape. Profit-taking and fairly high valuations might cause a temporary retreat in stock prices.

It is clear, then, that one big benefit of owning equities (rising stock prices) is less certain than last year. However, the prospect of cash dividends (that other great reason for owning stocks) brightened considerably. About two-thirds of the companies in the S&P 500 that pay dividends increased the size of the payout. Twenty-one companies that have never paid dividends before initiated a dividend last year.

KYLE BOYD
Managing Principal

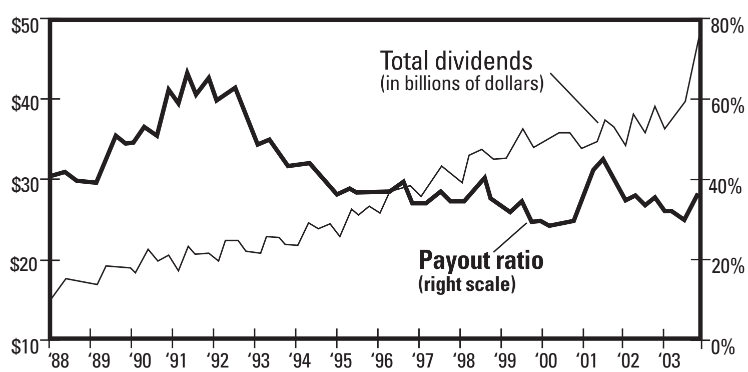
The capacity of companies to pay dividends has also increased greatly in the past two years. Most of the corporate excesses have been purged from company balance sheets, leaving corporate financial health the best it has been in years.

The total dividends paid out by S&P 500 companies increased sharply last year. However, the payout ratio (the percentage of the firms' earnings paid out in the form of dividends) is below 40 percent—below the historical average. Accordingly, companies have the means to pay out more in dividends. The motive for increasing the payout is apparent when you combine this with the new, lower 15-percent federal tax rate on qualified dividends. When you put the means and the motive together, you do not have to be Sam Spade to figure out which way dividend yields are headed.

Contact Kyle at 866-684-2600 or 828-684-2600, or email kboyd@altavistawealth.com.

Corporate financial health is the best it has been in years.

S&P 500 dividend payouts rose sharply last year, but the payout ratio is below the historical average—improving the likelihood dividend yields will continue to rise.



Looking Ahead

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Will good times keep rolling in 2004?

We were encouraging our clients to stay invested at the end of 2002, assuring them that their risk-taking would be rewarded. In 2003, the three-year drought in stock market returns ended.

While acknowledging risk, we believe that the Fed and the government prescription of liquidity and low rates has been right and that markets should continue to work their way higher, albeit with more volatility. However, we believe investors will have to contend with higher inflation, moderately higher interest rates and a falling dollar.

Attractive sectors

In our view, sectors such as health care and consumer staples have room to advance. Energy and basic materials shares, as well as old-economy industrials such as GE should do well—and China's growth as a consumer society should insure more than just a cyclical rebound.

What's more, materials-based and resource-based shares can hedge the risk of a falling dollar. Rotation from high-beta areas such as technology and retailing to the more defensive areas already seems well underway early in the year.

Small-Cap stocks such as those in the Russell 2000 and the S&P 600 should continue to outperform their large cap brethren until monetary policy begins to tighten.

We continue to recommend exposure to both the developed and emerging foreign markets.

The recent advance of Real Estate Investment Trusts (REITs) has chilled our enthusiasm, but REITs should still be considered as part of a diversified portfolio.

With a forecast of higher interest rates and an expanding global economy, enthusiasm for bonds is hard to muster. Corporate bonds should continue to outperform government bonds. Municipal bonds should hold their value. The high yield sector should continue to outperform but these bonds are closer to the end of their cycle than the beginning. Long-term treasuries are the most vulnerable.

A diversified approach worked well in 2003, and not just within the S&P 500. Smaller companies, foreign shares, high-yield bonds and real estate investment trusts provided healthier returns than the blue chips.

2003 Returns	
Large-Cap U.S. Stocks	28.5%
Small-Cap U.S. Stocks	46.9%
Foreign Stocks	40.3%
REITs	35.7%
High-Yield Bonds	27.2%
Investment-Grade Bonds	4.0%

For a complete copy of Altavista's current outlook, call 866-684-2600 or email info@altavistawealth.com with your request.

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