

IN THIS ISSUE

Make sure all your advisors are communicating / 4

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Altavista Outlook: U.S. and Foreign Markets

Kyle Boyd, Managing Principal

U.S. stocks are working out the kinks. The recent rally represents the market's third assault on its four-year peak in less than 18 months. This resilience is remarkable considering \$65 oil, rising rates, Hurricane Katrina and creeping inflation.

Profits have been strong but growth in the bottom line is set to decelerate. The bull market is over 30 months old, making it a geezer by 20th century bull market standards. Accordingly, the upside in the current market looks limited.

Yet conditions for a real bear market do not seem to be in place either. Compared to bonds, stocks seem attractively priced.

Additionally, the valuation of this late-stage bull market is not out of line. Relative to history, the overall market is reasonably priced relative and the gap

(continued on page 3)

Make Wealth Management a Family-Inclusive Effort

Dan Akers, Managing Principal

Family wealth management today generally requires more than simply an understanding of how to manage money and maximize return on investment. In most cases, it requires us to understand the culture, values and beliefs within a client's family. Moreover, as wealth management counselors, it is our duty to align a family's heritage with its legacy, or vision for the future.

Historically, the head of a household has handled financial decisions and secured the counsel of a trusted outside advisor such as an attorney or CPA. Today however, we believe that this top-down or pyramid structure is an outdated model for achieving the most desirable results. That's not to say that we advocate a structure in which our client relinquishes control.

(continued on page 2)

Higher View quarterly

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Make Wealth Management a Family-Inclusive Effort

(continued from page 1)

Instead, we believe that family councils, family offices, family meetings – whatever the preferred term – provide ideal structures for achieving comprehensive, effective wealth management results within the context of family dynamics and our clients' goals.

In working with our clients, part of our job is to see how the family stage has been set. Are family members open or secretive about their wealth? Who within the family is privy to financial issues and who isn't? What organizations or causes does the family support as a whole? In short, what are their core values and longstanding beliefs and traditions? What are their current needs and what is their legacy?

The Family Meeting

We encourage families to have regular meetings in order to identify core values, resolve issues and roadblocks and create a singular vision for the future. If the family so desires, we are prepared to act as a coordinator of sorts among the client's advisors — CPA, attorneys, bankers and the like — to ensure goals are charted and met according to the vision.

Regular family meetings are very productive for all advisors seeking to help families achieve their goals. Generally, advisors want to help families deal with issues such as inter-generational estate planning, disclosure of estate issues to children, fair versus equal asset distribution and potential resentment among heirs. Some members of the family may have special needs, while others are more self sufficient. Some may be involved in a family business while others are not. One client may be primarily interested in philanthropy while another wants to preserve wealth for future generations. The bottom line is that the possibilities are as vast and varied as the diversity of families we serve.

Significant Benefits.

By facilitating family meetings, we achieve a number of significant benefits for our clients:

Meeting Financial Goals

We help the family to be successful in meeting its financial goals in several ways. When everyone has the opportunity to be heard, it generates a sense of inclusion and fairness. Direct communication builds consensus. Family members experience a feeling of belonging, and they have the opportunity to share a common purpose.

Educating Family Members

Family legacy myths can abound, yet family meetings can dispel them. Once family members understand the overall financial picture, recommended strategies begin to make sense. Armed with knowledge, they can be part of the process of wealth preservation for future generations. They can prepare to take their place of responsibility in a family business or foundation.

Preparing for the Future

The family meeting process should begin with developing a mission statement. This can lead to conversations with children and grandchildren about wealth preservation, financial goals and the client's wishes. In short, this model gives our clients the ability to get maximum leverage of their wealth as they see fit.

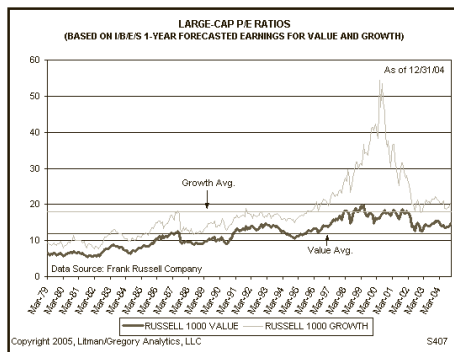
Like every aspect of wealth management at Altavista, every situation is unique and calls for the individualized care and counsel that is at the heart of our business and its mission.

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Overweight positions in international markets should enhance equity returns over the next 12 to 24 months.

Altavista Outlook

(continued from page 1)



between the most expensive stocks and the least expensive stocks is narrower than the average of the last 25 years. This means that if stocks fall, it will be from a lower altitude. Such a fall will cause less damage than the 2000 through 2002 bear created.

BOTTOM LINE: Maintain a normal allocation to U.S. stock markets, preferring higher quality shares over pure growth stories. Be prepared to move to a more defensive position under certain conditions, such as if the situation in the Middle East deteriorates, or if inflation spikes by more than 3.5 percent.

International Markets

International markets remain attractively priced compared to the U.S. The developing Asian markets are particularly attractive with strong economic growth and improving profits.

BOTTOM LINE: Overweight positions in international markets should enhance equity returns over next 12 to 24 months.

Bond Yields

Long-term bond yields have pushed up by about one-half of one percent over the past month or so. Rates may rise more as inflation expectations are reset.

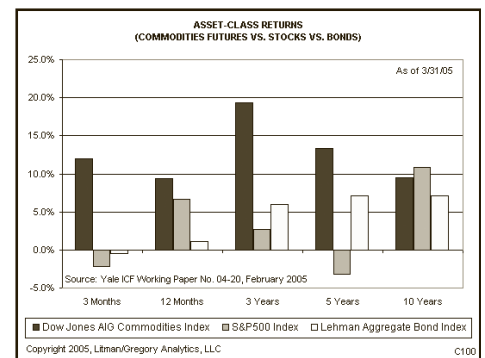
However, considering the global glut in savings, we believe it will turn out that the recent flight from bonds was overdone. As a result, it is now favorable to buy high-quality bonds (short term to medium term) to increase yield from short-term reserves.

BOTTOM LINE: Recent price weakness means it's a good time to deploy excess cash in to shorter maturity, high-quality debt instruments.

Commodities

In the past two years, general commodity prices have risen on the backs of two large influences—a weaker dollar and increasing global demand. Recent strength in the dollar and rising rates are negatives for commodities.

The long-term outlook for industrial metals and oil is well supported by demand from developing markets. However, over-zealous traders have bid prices up to levels that foreshadow a temporary pullback.



BOTTOM LINE: Longer-term trends support a bullish outlook for energy and industrial commodities but a shorter-term pullback would not be unexpected.

For more information and a complete outlook from Altavista Wealth Management, please contact Kyle Boyd at kboyd@altavistawealth.com or by phone at 828.684.2600.

Make Sure All Your Advisors Are Communicating

Greg Jones, Managing Principal

Nearly all of our clients benefit from a variety of opinions from their individual professional advisors. Attorneys, CPA's, insurance representatives, financial advisors and others all provide advice in their own area of specialty. Some areas are more important to clients than others. Often, one advisor will serve as the quarterback of the overall relationship with the client, coordinating the other advisors to provide optimum service to the client.

In any case, regular communication between the advisors is critical so that opportunities are taken advantage of, risk is properly controlled and costs are minimized.

Investment decisions nearly always have tax implications. Insurance transactions

need to be coordinated with estate planning objectives and documents. Filing and payment of income taxes and estimates need to be coordinated with the client's overall cash-flow planning. Dozens of everyday decisions can have multiple effects: legal, investment, tax and general financial planning.

In a perfect world, several things will happen:

Yearly strategy session

A client will have a yearly strategy session with all advisors present. Ideas will be presented, refined and finalized. Discussion will center around the client's current situation. The session will also include a review of short-term and long-term family and financial goals. The process will result in a list of action items for the upcoming year.

Quarterly monitoring

Regular quarterly meetings with the quarterback of the relationship (and other advisors as desired) will monitor the changing landscape and progress toward the goals agreed upon in the yearly meeting.

Continual communication

Throughout the year, there will probably be continual communication between the advisors to ensure that every major decision has been properly thought out.

At Altavista, we view our client as the CEO of the Family Corporation. We are honored to be a part of their management team and we enjoy fulfilling our assigned role on the team of advisors. To best of our ability, we pledge to enhance the communication between all of your advisors, and with you, so that your family's goals and objectives become reality.

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