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Altavista staff

The Global Re-Pricing of Risk

Kyle Boyd, Managing Principal

The U.S. stock market has been a stormy place over the last few months. After spectacular first half performance, the equity markets are attempting to find solid footing as a moderate price correction unfolds. The risk of further deterioration has diminished somewhat, but volatility around the recent low is likely to continue. Ongoing concerns regarding the credit environment have set the stage for a global re-pricing of risk and the stage is being set for a more durable advance in share prices, based more on fundamentals versus financial soap opera hype.

We believe that the world's central banks such as our Federal Reserve have the capacity (in the form of further interest rate cuts and other monetary policy tools) to curtail the severity of any potential economic slowdown.

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New Places and New Faces

Dan Akers, Managing Principal

Four and a half years ago Altavista Wealth Management was founded with the mission of offering a true wealth management experience to clients versus a vendor-type investment management product, i.e. a mutual fund. With a commitment by each principal to work with no more than 50 client families, we are able to take the time to develop deeper relationships and therefore provide more meaningful recommendations and solutions to the issues that our clients bring to the table.

We gain just as much (if not more) satisfaction from helping a client resolve a thorny family situation, or implement a philanthropic financial plan as we do from outperforming our investment benchmarks.

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Higher View quarterly

ONE TOWN SQUARE BLVD, SUITE 260

ASHEVILLE NC 28803

TOLL-FREE / 866.684.2600

FAX / 828.684.2680

6624 FAIRVIEW ROAD

CHARLOTTE NC 28210

PH / 704.365.4867

FAX / 704.365.4868


ALTAVISTA
WEALTH MANAGEMENT, INC.

News in Brief

Altavista has earned a coveted spot in Bloomberg's Wealth Manager Magazine annual ranking of America's 500 top Wealth Managers for the fourth year in a row. Since its founding, Altavista has placed in the top third of this survey every year, the only North Carolina based firm to do so.

Effective January 1, 2008, Altavista's Charlotte office will be expanding to a new location on Morrison Blvd. in South Park, adjacent to the mall. Altavista Trust President Ned Zorigian and Managing Principal Greg Jones will continue to reside in the Charlotte office. The address is 6525 Morrison Blvd., Suite 107, Charlotte, NC 28211.

Ned Zorigian, President of Altavista Trust >



< Altavista Wealth Management, Inc. Group

New Places and New Faces

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Over the last 18 months, we have been contemplating our plans for future growth, management succession and scope of services. We are fiercely committed to remaining independent and free from the conflicts that are sometimes found in the larger corporate world. The recent advances in technology allow us access to "big corporate" solutions for our clients, while remaining in control of the overall wealth management process.

The key, however, is not technology. It has been and always will be people. We see opportunity to provide the highest quality financial services, in the context of a meaningful personal relationship to

those clients who are being shuffled off to 800 call centers by the larger banks and brokerage firms.

Recently, our Trust Administration service has been greatly enhanced by the arrival of Ned Zorigian in our Charlotte office. Ned brings thirty-seven years of trust and investment experience to our company, but more importantly he brings his enthusiasm and love of working with client families. We have known Ned for over 20 years (from our "big bank career" days) and he will serve as President of Altavista Trust, a Division of National Independent Trust Company.

While it's always fun to contemplate growth, upgrade your facilities and hire new people, we are constantly wary of losing sight of our true mission: to provide a meaningful wealth management

experience to clients and their families. We will strive to remain small enough to avoid the creeping growth of bureaucratic thinking, and yet structured enough to properly handle important things like maintaining a disciplined investment process, vigilance over our internal controls and of course exceeding our clients' expectations.

Right now, we have relationships with clients in seven states. Geographically, our footprint is limited only by our ability to travel to see our clients. While the bricks and mortar may only occupy Charlotte, Asheville and Hendersonville, we do travel occasionally, because there is no substitute for working face to face with clients.

Dan Akers can be reached at dakers@altavistawealth.com or by phone at 828.684.2600.

We think investors should temper their enthusiasm for the next "easy money" boom with defensiveness in equity selections.

The Global Re-Pricing of Risk

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Under these conditions, it is hard to make the case for severely cutting exposure to the stock market. On the other hand, we think investors should temper their enthusiasm for the next "easy money" boom with defensiveness in equity selections.

The last two boom-bust cycles occurred in technology and telecommunications stocks and in housing. Our work indicates that the next cycle will be related to growth in developing nations. As a result, we are looking at the natural resources these emerging economies will need and the building of the infrastructure (roads, bridges, schools, etc) they will undertake as

they modernize. This leads us to consider emerging markets stocks and capital goods companies in addition to the obvious oil, gas and mineral interests. We believe an emphasis on the highest quality U.S. businesses along with some money spread among these "boom" candidates will give our clients a good chance to capture gains, while limiting risk.

Due to creditors becoming more discriminating in doling out loans (versus a full blown credit crunch) we believe the list of outperforming equity groups will contract. Riskier companies may find it harder to secure capital for even slightly questionable business ventures or stock buybacks. The implication is that large cap, traditionally defensive company share prices stand to benefit, and the explosive growth of small cap prices will moderate.

Indeed, small cap prices may be as overvalued (relative to large cap) now as they were undervalued in 1999. This does not necessarily mean that small companies' share prices will decline, but rather the eight year dominance of small cap performance may be coming to an end. A well thought out strategy to take gains in those holdings dovetails nicely with our stated mission of keeping clients well diversified with regular rebalancing.

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.

The Estate Tax Yo-Yo

Greg Jones, Managing Principal

Estate tax planning is a nightmare. In 2009 the exemption jumps from \$2 million to \$3.5 million. In 2010 the federal estate tax is eliminated, though the heirs of larger estates may face higher future tax bills because they will have to use carryover basis (for capital gain purposes) on inherited assets. In 2011 the estate tax returns with a 55% top rate and only a \$1 million exemption.

Politics is mostly to blame. Last year, when Republicans were in control of the House and Senate, there was a push to raise the exemption to \$5 million and cut the rate to 15% for estates of \$30 million or less and to 30% for larger estates. Senate Democrats scotched that plan. Now that Democrats control Congress, they are in no hurry to cut taxes for high-incomers. Compromise

in 2008 is a slim bet as well. It is unlikely to be popular in an election year.

We believe this will change in 2009 as the prospect of a one-year repeal nears. Meanwhile, there are steps you can take regardless of the outcome:

- *Keep making annual gifts to children and grandchildren. You can give up to \$12,000 per year, or \$24,000 if your spouse agrees, without owing gift tax.*
- *Don't overlook your ability to pay tuition and medical expenses directly to providers on behalf of the donees. These gifts do not count against the \$12,000 annual exclusion or the \$1 million lifetime federal gift tax exemption.*
- *Be sure to consult with your attorney and review the wording of family credit shelter bypass trusts in your estate plan. As the estate tax exemption increases, problems may arise for these trusts because fewer assets may be*

available to fund the marital share, and thus provide proper support for a surviving spouse.

Until we get some clarification on the direction of federal estate taxes, it is probably best to defer major decisions such as:

- *Purchasing life insurance to reimburse beneficiaries for anticipated estate taxes.*
- *Creating Family Limited Partnerships or Family LLCs. In any event, these types of estate planning tools should be utilized only for legitimate business management purposes and not with the sole purpose of avoiding taxes.*

As always, we strongly advise clients to consult with their own tax and legal advisors with regard to these issues. We do not provide tax or legal advice and since each client situation is different, the above discussion should not be construed as the rendering of tax or legal advice.

Greg Jones can be reached at gjones@altavistawealth.com or by phone at 866.684.2600 or 704.609.8050.

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SHSVEITLLE NC 28803

ONE TOWN SQUARE BLVD / SUITE 260

ALTAVISTA
WEALTH MANAGEMENT, INC.