

# THE SUCCESSFUL INVESTOR

A PUBLICATION OF WAYPOINT WEALTH PARTNERS

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Waypoint Wealth Partners is an independent wealth management firm providing investment management and wealth planning services to individuals and couples. We specialize in working with successful families with school-age children, helping parents plan and navigate the myriad of issues and decisions common to this demographic.

We understand that time is your most precious resource as you juggle the demands of career and family. For that reason, we focus on organizing and simplifying all the pieces of your financial life and developing an actionable plan with key success metrics to keep you on track toward achieving what's most important to you.

At Waypoint Wealth Partners, we strive to develop long-term relationships, deliver tangible results and have a meaningful impact on our clients' lives.

## **Southern California**

4695 MacArthur Court, Ste. 1100  
Newport Beach, CA 92660

## **Northern California**

595 Market St., Ste. 2740  
San Francisco, CA 94104

1255 Treat Blvd., Ste. 300  
Walnut Creek, CA 94597

(877) 768-4802

www.waypointwp.com

## *Shaking things up*

**W**ith devastating earthquakes around the world, Californians are bracing for the inevitable — a 99.7 percent chance of a major quake rattling the Golden State in the next 30 years.

We've been fielding calls from clients asking about earthquake insurance, so we've brought in insurance expert Lupe Erwin to answer that call on page 5.

In addition to Lupe's informative article, we also put together some tips — specifically for families — on how to best prepare for the big one. See page 7 for some insightful ideas on what to do now to keep your family safe later.

Now that your physical home and insurance needs are addressed, how about your financial home? Ed tackles the question of whether this is an economic recovery or a speculative bubble on page 2.

To find out more about what Waypoint partners have been up to, check out page 6. From a new office in San Francisco to the first WWP retreat in Lake Tahoe, your financial team has been moving and shaking all over the state.

And finally you can get an up close and personal look at Steve Beal, the president of California College of the Arts. He's a painter, administrator and cyclist — not necessarily in that order. See page 4. —



Chuck Bowes, Principal



Annette Brinton, Principal



Ed Runyon, Principal

*"The choices we make with our money can change the world."*

— *Nathan Dungan, founder and president of Share Save Spend*

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# What's an investor to believe: Solid recovery or speculative bubble?

*Either way, wise investors stay focused on long-term goals, watch the bottom line*



Ed Runyon  
Principal

It's nearly impossible to ignore many financial commentators' claims of gloomy markets to come. So shouldn't we all be getting rich taking their advice and shorting the market?

Chief among the prognosticators is *The Economist* magazine, which recently ran a cover story titled "Bubble Warning: Why Assets are Overvalued."<sup>1</sup>

The argument in *The Economist* — and other like-minded commentators — is that risk assets are overly dependent on extremely lax monetary policies and unsustainable government fiscal stimulus.

The magazine argues that the U.S. equity market is still nearly 50 percent overvalued. And it says these excessive prices are being maintained essentially via the benefit of free money and the transference of private-sector debt to the public sector.

"Investors tempted to take comfort from the fact that asset prices are still below their peaks would do well to remember that they may yet fall back a very long way," the magazine intoned in its editorial.

To be sure, there is a lot of discussion in the media and markets about new "bubbles" forming. Some speculate a messy reckoning is in store when governments and central banks begin withdrawing stimulus.

Indeed, the arguments can seem so convincing at times that you are left wondering why the individual commentators don't put some of their own money at

## What to do?

There's no magic formula, but there are some sound strategies to employ.

- Build a diversified portfolio with assets that match your individual appetite for risk.
- Rebalance your portfolio regularly.
- Focus on long term, not short term.
- Be mindful of costs and taxes.
- Work closely with your financial planner to develop a written investment strategy.

risk and short the market. If it is so evidently a bubble, why not get rich from its inevitable implosion?

The quick answer to that question is that while these people are fairly sure their predictions will eventually be proved correct, they are not sure when.

So in the meantime what are the rest of us supposed to do?

## COMPETING VIEWS

For every pessimist who thinks the rally in asset prices over past 10 months is built on easy money and nothing more, there is an optimist who sees a fundamental underpinning for the gains.

A survey of global fund managers, recently released by Bank of

America Merrill Lynch, found declining cash balances among money managers and a 13 percentage point rise to 52 percent in the proportion of those surveyed that were overweight equities.<sup>2</sup>

"This survey is one of the more bullish we have seen and suggests that investors buy into the idea that this recovery has legs," said Gary Baker, head of European Equities strategy at BofA Merrill Lynch Global Research.

The point of drawing attention to such research is not to endorse its conclusions, but to point out that the market reflects many differing opinions about what the future holds — from those who think the recovery

Continued on page 3

## Who should investors listen to in times of turmoil?

### Sunny Skies Ahead

- A net 63 percent of global investors expect corporate earnings to increase by at least 10 percent over the next 12 months.
- A net 2 percent is taking “higher than normal” risk, compared with a net 7 percent taking “below normal risk” in December. These figures follow several months of investors displaying optimism about the economy but maintaining a more cautious risk and investment profile.
- The Senate approved a \$15 billion job-creation bill that would give businesses tax breaks for hiring the unemployed and states more money for infrastructure projects.
- Spending by U.S. consumers increased in January for a fourth consecutive month, a sign that the biggest part of the economy may contribute more to growth in coming months.

### The Sky if Falling

- America’s unemployment rate was 9.7 percent — or 14.8 million people — in January 2010.
- More than 11.3 million homeowners — nearly one-fourth of all Americans with a mortgage — owe more on their loan than their home is now worth.
- U.S. banks at the risk of failing has risen to a 16-year high.
- Disposable income, or the money left over after taxes, dropped 0.4 percent, the largest decrease since July, reflecting an increase in federal non-withheld income taxes.

Sources: Bank of America Merrill Lynch, Bloomberg.com, Federal Deposit Insurance Corp., FirstAmerican CoreLogic, The Economist

is justified by fundamentals to those who think it is a speculative bubble.

These opinions can change as stuff happens and as new information becomes available, influencing individual investors’ views of future cash flows and the returns they expect to receive from risking their capital.

### MANAGING UNCERTAINTY

Feeling certain that prices are overvalued (or undervalued) is a natural human tendency. But betting against the market and basing one’s strategy on identifying mistakes is a dangerous occupation. Even if you are “right,” what is to say the market will not go on being “wrong?”

Better instead to start by assuming that prices are a fair representation, based on current information, about future



business conditions.

This liberates the individual investor from having to try to time the market and rely on forecasts — even from reputable publications like *The Economist*.

Instead, at Waypoint, we continue to recommend to our clients to focus on elements within one’s own control — like building a diversified portfolio of assets matching one’s individual appetite for risk, current life circumstances and long-term goals. It also includes being mindful of costs and taxes and

occasionally rebalancing the portfolio to manage risk.

There will always be uncertainty in investing. That is the nature of risk — not knowing what will happen next. But this can be managed without having to rely on seers and soothsayers, no matter how credible their reasoning. —

1. *The Economist* magazine, Jan. 9, 2010

2. “Survey Says Managers Bullish on Equities, Recovery, Pensions & Investments,” Jan. 19, 2010

## Painting a bright future

Imagine an art studio, on a brisk foggy morning, filled with paint, canvas and a passionate artist absorbed in creating a colorful grid painting. Fast forward to noon and watch a tall, lean businessman interacting with students, managing a \$55 million budget and working with a staff that bubbles over with creativity.

This is a typical day for Steve Beal, president of California College of the Arts, which is noted for the interdisciplinarity and breadth of its programs. It offers studies in 20 undergraduate and seven graduate majors in fine arts, architecture, design and writing.

Beal was recruited by the school in 1997 to become provost and chief academic officer. After playing a significant role in the expansion of the college's programs, he was promoted to top dog in 2008.

"[Steve is] a product of art schools, he possesses a true passion for the kind of education we offer, combined with the financial acumen he's gained as provost," said Ann Hatch, chair of the college's Board of Trustees when Steve was announced as president. "Steve's presidency will ensure a dynamic and sound future for the college as we fulfill our mission to educate those who shape our culture."

Steve's passion for all things arts oozes out of him.

"When I reflect on my experience as an art student, for the first time in my life, I was surrounded with other people who shared the same passion for art that I did," he said. "We all had a collaborative, shared experience of learning how important art could be in defining our relationship with the world."

Steve's relationship to the world definitely extends beyond CCA. He serves on the board of directors of the Yerba Buena Center for the Arts in San Francisco and the internationally renowned Creative Growth Art Center in Oakland.

Creative Growth Art Center serves adult artists with developmental, mental and physical disabilities, providing a stimulating environment for artistic instruction, gallery promotion and personal expression.

"Creative Growth is extraordinary," he raves. "They are exploring and working to shrink boundaries between all artists."

Steve's passion for Creative Growth Art Center was fueled by



**First thing you do in the morning:** Try to exercise

**Last thing you do at night:** Read

**Coffee or tea:** Both

**Last book you read:** "Summertime" by J.M. Coetzee

**Magazines do you subscribe to:** Frieze, Artform

**Last movie you saw:** "A Serious Man"

**Favorite way to spend a Saturday:** In the studio

**Favorite vacation spot:** Paris

his 20-year-old daughter, Joanna, who has special needs. Steve and his wife, Dee, also have a 16-year-old son, David, whose creativity is directed toward the screen. Last summer, David attended a session on filmmaking at New York University's Tisch School of the Arts.

Steve and David share more than just a creative streak — they also know how to hit the road. Two years ago, the pair participated in an "America by Bike" excursion that had Steve riding from San Francisco to Pueblo, Colo. David hooked up with his dad in Salt Lake City and rode the second week. Yep, you read that right: a 20-day, 1,500-mile trek over the Donner Pass, the Continental Divide and various deserts. It was a bonding experience for father and son and definitely unlike their previous cross-country journey.

The last family trek was in 1997, when Steve was recruited by CCA and they moved from Chicago to the Bay Area. Steve previously was vice president of academic planning and associate dean at the School of the Art Institute of Chicago.

"In some ways, I've never left art school," Steve laughs casually. "I believe in art schools. I'm an ambassador for art schools!" 🍷

# Don't get shaken by earthquake insurance decision

The chance of a 6.7 magnitude earthquake hitting California in the next 30 years is almost certain — 99.7 percent — according to scientists with the Uniform California Earthquake Rupture Forecast. The 1994 6.7 magnitude Northridge earthquake in Southern California resulted in 57 deaths, nearly 1,200 injuries and more than \$40 billion in damage, according to FEMA.

In the San Francisco Bay Area, 30 to 40 percent of homeowners have earthquake insurance, compared with 25 percent statewide, according to the U.S. Geological Survey, Earthquake Hazards Program.

So how does earthquake insurance work and is it really worth it? To be eligible for earthquake insurance, homeowners must first be covered by an underlying homeowners or property insurance policy.

Many people mistakenly believe their homeowners insurance will help pay for their home to be rebuilt in the event of an earthquake, said Glenn Pomeroy, CEO of the California Earthquake Authority (CEA).

"Homeowners insurance specifically excludes earthquake insurance," said Pomeroy. "You've got to make a choice to buy it."

One of the first things to do is to analyze your risk. Look at your house, what it's made of and where it is. How likely is it to suffer severe damage in an earthquake? To help evaluate whether you live in an area prone to earthquakes, check out [www.shakeout.org](http://www.shakeout.org), [www.usgs.gov/hazards/earthquakes](http://www.usgs.gov/hazards/earthquakes) or <http://quake.abag.ca.gov>.

What are earthquake insurance options? You can purchase earthquake insurance from the CEA or from a stand-alone insurer.

The CEA is a publicly managed, largely privately funded organization that provides catastrophic residential earthquake insurance.

A CEA policy requires a 10 or 15 percent deductible, which is subtracted from the amount of money sent to the insured after a claim is filed.

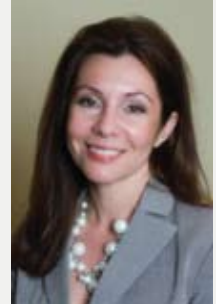
On the private insurance side, there are two types: stand-alone insurers and non-CEA member carriers that provide earthquake coverage to their customers who have a residential policy. The same basic policy is provided, but significantly higher limits are often offered with the supplemental protection.

After assessing a home's risk profile, homeowners should contact an independent insurance agent to get a side-by-side comparison of the options. Non-CEA policies typically cost more than a CEA-backed policy.

The annual cost of residential earthquake insurance ranges from \$2 to \$9 per \$1,000 of coverage. For example, if you have a house in Irvine that would cost \$1 million to construct, your earthquake insurance bill would be nearly \$2,000 per year. This price tag would be impacted by the year of construction, proximity to an earthquake fault and a variety of other factors.

Earthquakes can not be prevented, but the economic impact can be greatly reduced through prudent planning and insurance preparedness.

*Lupe Erwin is a personal insurance advisor and producer at Wood Gutmann & Bogart Insurance Brokers. You can reach her at [lupe@wgbib.com](mailto:lupe@wgbib.com).*



Lupe Erwin

## Should you buy earthquake insurance?

- Determine your risk for damage resulting from an earthquake. Visit Web sites listed in article to make an assessment.
- Make a decision: Will you purchase earthquake insurance, self insure or retrofit your home to minimize potential damage? Or will it be a combination of options?
- Can you afford to replace your personal belongings without insurance? If not, you may want to consider earthquake insurance.
- If your home is destroyed by an earthquake, can you afford to live in temporary housing until you can move back into your home?
- Do you have a mortgage? If you do, can you afford to pay the mortgage while at the same time paying to repair or replace your home?

# New San Fran office, top honors, first WWP retreat

WWP moved to a new office in San Francisco at 595 Market St., Suite 2740. From here, Chuck and Annette will serve their clients in San Francisco, Marin and the Peninsula. The Walnut Creek office on Treat Blvd. will continue to serve our East Bay clients.

Annette was selected the "2009 Member of the Year" for Full Circle Fund, a philanthropy organization cultivating the next generation of community leaders and driving lasting social change in the Bay Area. "I cannot think of a more deserving recipient of this award," said Amy Lesnick, CEO and executive director for Full Circle Fund. "[She has] led by example — clearly communicating, driving results, learning/continuously improving, solving problems and facilitating the involvement of other members."

Ed will be the featured speaker for a March 25 meeting in Orange County. He was planning to discuss the rules and regulations on IRA Roth conversions.

Chuck joined the board of directors for the Financial Planning Association of the East Bay ([www.fpaeastbay.org](http://www.fpaeastbay.org)). Chuck's two-year term started in January.

Ed joined the Financial Planning Association of Orange County ([www.fpanet.org/Chapters/OrangeCounty](http://www.fpanet.org/Chapters/OrangeCounty)). He recently attended an all-day meeting that was packed with continuing education,

planning topics and information to better serve WWP clients.

Annette attended a great presentation by Nathan Dungan on kids and their money habits. Chuck, Ed and Annette believe it's critical as a society to raise financially responsible and literate kids, so stay tuned for more information on this important topic. Annette also recently attended an event at which two Nobel Prize-winning economists, Paul Krugman and Dr. Joseph Stiglitz, shared their views on the global economy and where we go from here.

Chuck attended the semi-annual Family Wealth Advisory Council meeting in Dallas in late February. This is a prestigious nationwide study group of independent advisors. At the meeting, members discussed everything from Roth IRA conversions and alternative investments to women in transition and efficient market theories.



Waypoint Wealth Partners held its first firm retreat in January. Partners discussed how to better serve clients, improve communications and build Waypoint Wealth Partners in a strategic and meaningful way. In addition to two days of intense work, they found time to relax and enjoy Tahoe with their spouses. ☺

## Fascinating Financial Facts: Cost of College

**67%**

The rate of college enrollment immediately after high school completion was 67 percent in 1997, an increase from 49 percent in 1972, but has since fluctuated between 62 and 69 percent.

**\$12,000-\$30,000**

For the 2007–08 academic year, annual prices for undergraduate tuition, room, and board were estimated to be \$11,578 at public institutions and \$29,915 at private institutions.

**\$23,186**

Average debt load of two-thirds of college students who borrow to pay for college by the time they graduate.

**No guarantees**

"There are no guarantees about how easily you'll be able to pay off your student loans."

— Lauren Asher, president of the Institute for College Access and Success in the Wall Street Journal, Sept. 4, 2009

**66%**

Sixty-six percent of all undergraduates received some type of financial aid in 2007–08. For those who received any aid, the total average amount received was \$9,100. Fifty-two percent received grants averaging \$4,900, and 38 percent took out an average of \$7,100 in student loans.

Sources: U.S. Dept. of Education, National Postsecondary Student Aid Study, Wall Street Journal

# How to prepare your family for an earthquake

It's almost inevitable that you and your family are going to experience a major earthquake. It's 99.7 percent likely that a 6.7 magnitude earthquake will hit California in the next 30 years, according to scientists with the Uniform California Earthquake Rupture Forecast. So, what's a family to do? Prepare and plan to make the inevitable as good as possible.

## Seven steps to earthquake safety

### BEFORE

#### 1. Identify potential hazards in your home and fix them.

For families: Go on a "hazard hunt" to identify potential dangers. Visit [www.redcross.org/preparedness/familymodule/fam-cd-earthquakes-14.html](http://www.redcross.org/preparedness/familymodule/fam-cd-earthquakes-14.html) for a checklist.

#### 2. Create your disaster plan.

For families: Be sure to include an out-of-state contact person's name and number. Visit [www.fema.gov/areyouready/emergency\\_planning.shtm](http://www.fema.gov/areyouready/emergency_planning.shtm) to get a sample "contact card" to put in your child's backpack and your car.

#### 3. Create your disaster supply kits.

For families three things to think about:

- Include age-appropriate foods.
- Stash books, coloring supplies and age-appropriate toys.
- Pack clothes for all family members, preferably layers so you can adjust to weather conditions.



#### 4. Identify your home's potential weaknesses (bolt frame and strap water heater) and begin to fix them.

Download "Is Your Place Safe" from [www.earthquakecountry.info](http://www.earthquakecountry.info).

### DURING

#### 5. During earthquakes and aftershocks: Drop, cover and hold on.

For families: Be sure to identify safe places in all rooms in your home so children know best spots to stay safe.

### AFTER

#### 6. After the shaking stops, check for damage and injuries needing immediate attention.

#### 7. When safe, follow your disaster plan.

## Tips for preparing infants and toddlers

Special emphasis should be placed on making infant's and toddler's environments as safe as possible.

- Cribs should be placed away from windows and tall, unsecured bookcases and shelves that could slide or topple.
- A minimum of a 72-hour supply of extra water, formula, bottles, food, juices, clothing, disposable diapers, baby wipes and prescription medications should be stored where they are most likely to be accessible after an earthquake.
- Store strollers, wagons, blankets and cribs with appropriate wheels to evacuate infants, if necessary.
- Install bumper pads in cribs to protect babies during shaking.
- Install latches on all cupboards so that nothing can fall on your baby during a quake.

## Preschool and school-age children prep

- Take the time to explain what causes earthquakes in terms they'll understand. Include your children in family discussions and planning for earthquake safety.
- Conduct drills and review safety procedures every six months.
- Show children the safest places in each room when an earthquake hits. Also show them all possible exits from each room.
- Use sturdy tables to teach children to Duck, Cover & Hold.
- Make sure children's emergency cards at school are up-to-date.
- Although children should not turn off any utility valves, it's important that they know what gas smells like. Advise children to tell an adult if they smell gas after an earthquake.

Sources: American Red Cross, California Governor's Office of Emergency Services, USGS Earthquakes Hazards Program, FEMA, Earthquake Country 

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*Solid **recovery** or speculative **bubble**?*

*Don't let earthquake insurance make you **tremble**.*

*Importance of **art** from an “art school ambassador.”*

*The **price tag** on a college education.*

*Find out more inside...*



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