



## Pacific Crest Financial Advisors, LLC

Dear Clients and Friends,

Our equity markets and the international equity markets finished the 3<sup>rd</sup> quarter lower due to swelling anxiety about the European debt crisis and fears that the US economy might slip into a double dip recession. Large-cap domestic stocks fell 13.9% during the third quarter and have lost 8.8% year to date. Smaller-cap stocks suffered larger losses, down 21.8% for the quarter, and 17% for the year through September. International stocks also suffered double-digit losses, with developed-market equities losing 20.9% for the quarter and 18% year to date. Emerging-markets stocks were hit hardest, losing 24% for the quarter and 23.4% year to date.

Domestic high-quality, intermediate-term bonds gained 4% in the third quarter and are up 6.6% year to date, driven by investors' flight to the relative safety of Treasuries. Developed-market international bonds were up 2.4% for the quarter and have gained 6.5% year to date. Local-currency emerging-markets bonds dropped significantly in September as capital flowed out of emerging-market currencies, and ended the quarter down 8.5% and are now in the red by 2.2% year to date.

The equity market volatility appears likely to continue even with German Chancellor Angela Merkel and French President Nicolas Sarkozy pledging over the weekend to recapitalize banks shaken by the euro zone's debt crisis. We are not out of the woods but most economists believe we have less than a 50% chance of a double dip recession. It appears the emerging economies will be the leading force behind a global recovery over the next several years.

In late September our Federal Reserve announced "Operation Twist," a plan to lower longer term interest rates, which was largely expected, but did little to calm the market when announced. The program will likely hold down longer term interest rates for the next year. We are currently seeing the lowest 30 year mortgage rates in decades.

This market volatility is occurring both on the upside and downside swings. We continue to stick with our targeted allocations staying away from emotionally driven trading. Our ultimate safety net remains the broad diversification of our portfolios.

### **Medicare Enrollment Period**

This year's open enrollment period for Medicare Advantage or Part D prescription drug plan for 2012 is from October 15 to December 7, an earlier period than past years. Participants should have received your plan's "annual notice of change" informing the participant of any alterations or termination to the plan. You can get more information at Medicare's Plan Finder tool ([www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan)), a great resource for all Advantage and Part D plans in your area. If you enrolled in an Advantage plan and don't take action by the deadline, you will be automatically enrolled back into your current plan unless your current plan is terminated.

### **Social Security**

Over the past two years Social Security recipients have not had any cost of living increases. However, with the rise in the Consumer Price Index (CPI) over the past year, Social Security recipients are likely to see a 3.5% cost of living increase for 2012, based upon August 2010 to August 2011. The actual cost of living increase is based on the September 2010 to September 2011 comparison which is not due out until the end of October. If you are in the higher income brackets

(over \$170K of income), your Part B premium increase could more than counter balance the Social Security benefit adjustment for 2012.

### **College Planning**

The Department of Education has recently launched a new interactive tool to aid parents and students in searching both public and private colleges by not only their published tuition prices, but also by their “net price” – the average costs after tuition, room and board, book fees and financial aid are all taken into consideration. The tool is called the College Affordability and Transparency Center, This was mandated by education reforms passed by Congress in 2008 and is meant to reveal the true costs of going to college. The site is: <http://collegecost.ed.gov/catc>.

### **Bank Notices**

Please be watchful of electronic notices from your bank. Alec recently received a text message from his bank asking him to contact it at the above phone number. He called the number and got an outgoing message identifying his bank and requesting a password/PIN number to proceed. He nearly entered his password into the phone but fortunately hesitated, hung up and called the bank directly at a phone number that he knew. Alec discovered when talking to the bank representative that he nearly entered his password into a decoy to steal passwords. “I was so close!” Please remember if you are ever contacted for passwords or pins, always make sure you are certain that you are dealing with the actual firm or bank by contacting them on an independently verified phone number.

### **Client Gathering**

We held our Client Appreciation barbeque at the Hood Canal in August. We had a great mix of generations, clients and supporters. Jenny Kuehn whipped up refreshing salads and month watering desserts while Alec was in charge of the oysters, all harvested and cooked that day, and barbequing the salmon. The weather was perfect for the event and we so enjoy just being with our clients and sharing our lives. We are planning on doing an event the first half of 2012 closer to home so the gathering will not entail such a long drive for many of our clients.

### **Seattle Times Article**

Alec was mentioned in the Seattle Times on October 9th. We completed a review on a soon to retire widow. In the end, we created a lot more clarity in possible options for her retirement. The biggest point we raised was that she was not asking the correct questions to her Social Security representative. She was getting very limited answers on her benefits. We sent her back to Social Security with a series of questions that resulted in raising her long-term benefits by \$400 per month. This is why we insist on learning the client’s full financial picture and life history; so any advice we give will consider the comprehensive situation.

### **Personal Life**

As summer finally showed up in August and September, both Darron and Alec’s children have returned to school with great enthusiasm (now pre-school thru fifth grade). Both older daughters are playing soccer with Darron coaching his daughter’s team. Alec reflects upon how parenthood is guiding our children to explore and discover who they are. His older daughter, Olivia, is discovering just how much she enjoys soccer and being physically active. It is such a privilege to see our children discover their own talents.

We are now utilizing Skype, a free video conferencing service that is proving quite useful when clients do not have the time to come into our office. We are finding the Skype service facilitates a better overall meeting than a telephone conference call alone. As always, we greatly appreciate those of you who have been sharing our name and the work we do.

Sincerely,



Alec Williamson, CFP®  
Managing Director



Darron Kuehn  
Managing Director