

THE QUARTERLY

THE BOTSFORD GROUP – SUMMER 2011 NEWSLETTER

FROM THE DESK OF ERIN BOTSFORD

BY ERIN BOTSFORD, CFP®



Summer is finally here—the kids are out of school, and folks across the country are enjoying weekend barbeques, trips to the water park, and family vacations. The news media seems to be on summer holiday, as well, focusing its attention on celebrity scandals and political Twitter-pic antics, instead of the more serious matters of the fledgling economy and rising unemployment rates. Likewise, our Congressional leaders appear to prefer a lackadaisical approach to fiscal management, voting to extend the drop-dead date for a decree on whether to raise the national debt ceiling, rather than dig in and solve a huge and looming economic crisis.

Maybe it's the heat, maybe the humidity, but the apparent lack of focus among our nation's political and economic decision-makers I believe continues to lead the country down a treacherous path. The fact that photos of a Congressman's bare torso merit more attention than ongoing conflicts in the Middle East, or that a comedian's politically incorrect act commands more debate than the national budget, is disheartening, to say the least.

As Americans, we hold the distinctive power and honor of living in a democratic society. We have the authority to vote political leaders in (and out) of office at the local, state and national levels. More than ever, I encourage you to seek out your local and state politicians and share your concerns with them. Unfortunately, at this time in our country's history, none of us can afford to allow the relaxed summer atmosphere to distract us from the very vital matters at hand when it comes to protecting our country's future and our way of life.

In the meantime, The Botsford Group will continue to work diligently during the summer and throughout the year to help you implement a financial strategy designed to help you to live the lifestyle you have worked so hard to achieve. If we can ever be of any assistance, please don't hesitate to give us a call.

On a more positive note, I hope you will enjoy reading a special insert in this quarter's newsletter. It is a true story I wrote about two worlds converging under the American flag. I hope you will see what freedom, independence and our American flag mean to two different men; one who came from Nepal seven years ago looking for freedom and another who just returned from Afghanistan, defending it.

Elite Investing Seminars are Back



The Botsford Group will be hosting educational seminars in Dallas and Atlanta this October for clients and qualified friends.

Guests at the Elite Investing seminars will enjoy an evening of fine food and cocktails and gain valuable insights on today's market environment, while discovering ways to move their investments into elite status. For more information on these upcoming events, please contact your Relationship Manager.

Save the Date

The Botsford Group Mediterranean Cruise May 2012
More details to come!



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Q2 2011 ECONOMIC UPDATE

By Bryan Strike, CFP®, CPA

The news during the recent quarter was both active and concerning, with continued violence in Northern Africa and the Middle East, the unfolding nuclear crisis in Japan following one of the worst earthquakes and tsunamis in modern history, along with pestering debt issues in the United States and Euro Zone.

Market Recap

The Dow Jones Industrial Average finished up 3.7% thus far for the year, as of June 20, 2011. The S&P 500, which represents the top 500 domestic companies in terms of market capitalization (size), is up only about 1% year-to-date. The technology-laden NASDAQ index and small capitalization securities both lost ground during the quarter, leaving them down 1% and 0.25% for the year, respectively.

Commodities have continued to hold the attention of many investors, with gold up around 6.5% for the quarter. The silver bubble that was being pumped up early in the quarter burst, causing the precious metal to fall 2.5% in value, and oil fell about 7.5% over the quarter—still up slightly less than 2% for the year.

The Economy

Over the last few weeks, the market has declined as the tide

recedes, representative of poor economic data. Unemployment has ticked up on a national scale to 9.1%, as first-time claims perched above the 400,000 mark for the ninth week in a row by mid-June. Analysts typically view this level to be indicative of unsteady or nonexistent job growth.

During the quarter, fixed mortgage rates continued to fall to the lowest rates of the year: 4.55% on an average 30-year mortgage. This did nothing to lift the struggling housing market, as foreclosures still vastly outpace home purchases. Although the credit is available, many would-be homebuyers no longer qualify, based on tightened lending standards.

Has the housing market stabilized? Absolutely not! For Georgia residents, the April figures for home foreclosures jumped 7.08% from the month before. Certain counties saw foreclosure rates reach as high as 129.3%. In Georgia, the number of houses being sold in comparison to those foreclosed on is about 1 to 8. Moreover, the Case-Shiller home price index hit a new low, dropping below its April 2009 trough. Another dip in the real estate markets is quite possible for those areas where any value remains.

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The American Flag

By Erin Botsford, CFP®

As we get ready to celebrate our country's independence, I thought it would be valuable to share a true story. It is a story of two worlds converging under our flag.

A little over seven years ago, a couple from Nepal won the diversity visa, which is a free pass to come to the United States that is given to 1,000 people each year in poor nations. This couple, Krishna and Kalpana, made their way to McKinney, Texas and somehow came to attend our church on a Sunday morning. They knew very little English and were living in a one bedroom apartment next to our church; they had never driven a car. Their furnishings were a lone mattress, a few odd dishes, and a few pieces of flatware. We learned they both worked the night shift at Wal-Mart and walked to and from work each night. Yet, they were grateful for their life of freedom.

The couple was given driving lessons at a local driving school and passed their exams. Krishna would not accept any monetary gifts, but he did accept a loan of \$4,000 to buy a used car and agreed to repay it at \$100 per month. They repaid the entire loan in 10 months. This was remarkable, in light of the fact they were also sending \$500 per month to Nepal for the care of their children who, due to problems with immigration paperwork, had to remain in Nepal with family until Krishna and Kalpana could send for them.

Realizing their stubbornness in accepting any gifts, we told them it was a tradition in America to welcome new people to the United States by giving them a "shower" to help them begin their lives here. They had trouble believing Americans would do this for perfect strangers, but we were convincing! Dishes, pots and pans, flatware and other items for their daily needs were purchased, and their gratitude was immeasurable. In their minds, they had everything they would ever need.

Time was spent with the couple teaching them how to go through their mail to determine what was important and what was not. They believed if someone took the time to mail them something, it must be important, having no concept of junk mail. Benefits packages through their employer were completed, doctors appointments were met, and they were helped on occasions when they needed an interpreter.

Paying it Forward

About three years ago, members of the couple's family also received the diversity visa and came to live with them—a husband, wife and child—five of them living in the one-bedroom apartment. Subsequently, the parents were hired by Wal-Mart, and they were able to sign a lease on their own one-bedroom apartment. They were incredibly grateful for the opportunities that lie ahead. They were also given a loan for a car, which Krishna stated he would guarantee. When the offer of a “shower” for them was made, Krishna said, “No, WE will give them their shower. We will do it for them for that is the American way!” And they did. Krishna and Kalpana went with Srikesh and Sarita and purchased the items for their American shower...paying it forward.

Fortunately, the story doesn't end there. Krishna and Kalpana saved enough money to buy a house last year, paying back the money they were loaned to help with the down payment well

before it was due. Meanwhile, Krishna was secretly studying to take the exam to become a U.S. citizen. He purposefully kept this a secret because he wanted to surprise us, and to make us proud of him.

A Remarkable Gift

During this time, our son Kevin had just returned from his fourth deployment, the latest to Kandahar, Afghanistan. During a visit with Kevin and his wife, Kristin, Kevin mentioned to me he brought back an American flag that had been flown on a mission over Afghanistan. He explained that each time a mission is flown on the AC-130 gunship, where my son is a navigator, they fly an American flag. At the end of the mission, the flag is folded and put in its original box with the date of the mission. These flags are normally presented to people on very special occasions. Since so many of our friends had supported Kevin and his unit in this last deployment, he wanted me to choose someone to receive this flag.

One day later, I received a phone call from Krishna, telling me he had some good news. He said, “I am now an American citizen and I wanted you to be the first to know!” I could tell through the phone he was beaming with pride. He was so incredibly happy and he expressed his gratitude for all of the help that was given them that made this possible. Now he would be able to get his children to America. He had been apart from them for more than seven years.



Left: Bob and Erin Botsford present Krishna and Kalpana with the American flag their son Kevin brought back from a mission in Afghanistan. **Right:** Captain Kevin Botsford and his wife Kristin.



In the course of this conversation, he asked if he could come visit me at my office the next day. That morning, I called Kevin to ask if it would be okay if I gave our newest American citizen the American flag. Kevin said, "Of course, mom...that makes perfect sense." Then my team went into action. Nicole, Jena, Vicki and the rest of the team organized a little party for Krishna. We got a cake with an American flag on it, and when Krishna and Kalpana came in, we had a ceremony for them, welcoming our new citizen of the United States of America. I was able to present Krishna with a flag that had been flown on a combat mission by my son and his crew, and as I gave it to him I said, "Krishna, my son and his crew put their lives on the line for all of the citizens of the United States of America, from the oldest citizen to the newest one....YOU. It is with great honor and privilege that I present this flag to you, from Captain Kevin William Botsford and his crew."



Krishna and his wife Kalpana admire the cake congratulating Krishna on becoming a U.S. citizen.

Krishna fell on his knees and hugged the American flag and then he got up and hugged every member of our team. We were able to witness first-hand what the flag means to someone who was not born in this country. It made us realize how much we sometimes take for granted.

The lessons I have learned in the last seven years by watching someone who has believed in the American Dream has given me hope in the future of our country. I have learned from watching my son leave his wife and his home how proud I am to be an American and the mother of a patriot. As you celebrate the July 4th holiday, please be mindful of the price that is paid for our freedom, for our flag, and remember there are people like Krishna and Kalpana who are eternally grateful for the opportunity to live in our country. Please send up a prayer when you see a flag for a patriot that is serving in our military.



On behalf of The Botsford Group, I wish you a very Happy July 4th. May God bless you, and may God bless the United States of America!



Q2 2011 ECONOMIC UPDATE

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The Government

Ben Bernanke's Federal Reserve has led the U.S. monetary policy of "soft-dollar" economics. Our central banking institution has engaged in Quantitative Easing 1 (QE1), followed by QE2, which appears to have done little to encourage economic growth and hiring. Quantitative easing is the process where the Federal Reserve buys Treasury bonds and thereby injects cash into the market. More purchases means more cash goes into the market, which translates into even lower interest rates and, ideally, more investment by business. This may seem logical, but the Federal Reserve's balance sheet indicates otherwise: \$2.79 trillion in assets and \$52.6 billion in total capital, or a leverage ratio of 53-to-1. That is higher than Bear Stearns and Lehman when they went bankrupt!

Now, there is talk of possibly entering into QE3. Perhaps federal regulators are relying on instructions given to them as young children: "If at first you don't succeed, try, try again." As noted economist and fund manager John Hussman has stated, "Despite our view that any further extension of quantitative easing would be both misguided and reckless, we simply can't rule it out because frankly, we believe that Bernanke himself is misguided and reckless."

Outlook

We feel the unimaginable government debt is merely sowing the seeds of the next crisis, to be dealt with by currency debasement and inflation—a hidden tax owed by every holder of U.S. dollars. Commodities, such as precious metals, are likely to continue their march higher, but at a decreasing rate.

If history demonstrates one thing, it is that the worst periods for the stock market are those where risk premiums are thin and risk aversion is increasing. This is the current situation. Since fundamentals are faltering and negative macro-economic shocks are more frequent, the expectation is for a rough summer and third quarter.

The past quarter has been vindication to those who believed the market was overvalued and fundamentals never truly returned, and surprise to those who believed the market could never turn down again. At the Botsford Group, we have learned from the past, both the good times and bad, and continue to structure our clients' portfolios in a manner that allows participation in upside returns and also helps protect against severe downside corrections. If you have questions about this article or our position on your investments, please reach out to your Relationship Manager.



The Botsford Group's own Vicki Perrin, Director of Compliance and Office Services, walked as a seven-year breast cancer survivor in the 2011 Susan G. Komen North Texas Plano Race for the Cure on June 11th. Women from all over the country walked for loved ones who have survived breast cancer or passed away from the disease. We are so proud of Vicki and are blessed to have her at The Botsford Group.



INTESTACY AND ESTATE PLANNING: WHO GETS WHAT WHEN YOU'RE GONE?

By Jason Richerson, JD

What happens to your assets in the event of your death? If you have a will or trust, your assets will be distributed to your heirs, alma mater, charitable organizations, or others according to your directives. Without such legal documentation, however, the answer becomes less clear.

A person who dies without a will is considered to be intestate. Under intestacy laws, which vary from state to state, the deceased does not determine who gets the assets, the state does. The state of the deceased person will determine which heir gets what asset. Generally heirs are considered to be the surviving spouse, children, relatives, and remote relatives. Close friends and other non-family relationships are normally not considered heirs under intestacy laws. Inheritable assets are commonly money, real estate, and personal property.

Using the Tools

Generally, with a good estate plan, a person can distribute their property according to their wishes. Wills and trusts are tools of estate planning that let you control the distribution of your assets should you die or become incapacitated. A will is a legally binding statement directing who will receive your property at the time of your death. A will allows for clear expression of your

wishes, which in turn allows for a smoother and less expensive administration of the estate. In addition, a will can appoint who administers the estate and distributes assets according to your instructions.

Another effective tool of estate planning is a trust. A trust is a legal agreement through which one person, called a "trustee," holds legal title to property for another person, called a "beneficiary." An advantage of a trust is avoiding probate. In a trust that terminates with the death of the donor, any property in the trust prior to the donor's death passes immediately to the beneficiaries by the terms of the trust without requiring probate.

Putting it all Together

A well-crafted estate plan can save your beneficiaries time and money. Furthermore, estate planning lets you identify beneficiaries. Lastly, and perhaps more importantly, a successful estate plan can distribute assets in a way that coincides with your wishes. If you would like to discuss an estate planning strategy that can help safeguard your wealth and ensure that your assets are passed on to the people and organizations you love and support, we invite you to call your Relationship Manager today.

TOP 3 QUESTIONS TO ASK WHEN SELECTING A SENIOR CARE AGENCY

When was the last time that you looked into buying a new car? Most likely when you decided that your old one wasn't meeting your need then chances are good you Googled your closest car dealership and ordered a new one over the phone, sight unseen, expectations unexpressed and needs unconsidered.



If you are in the market for a Senior Care Agency to assist a parent or loved one, you can view the steps much like purchasing a car. Rather than just accept the first available option, you will want to determine your loved one's needs, set expectations with your family members, and shop for the right agency to meet your individual circumstances. Here are some great questions to ask during that shopping process:

1. How do you screen your caregivers?

Requirements for background checks are minimal within certain states; however, regardless of where you are looking for services, make sure that background checks go beyond the state requirements and cover all areas where the caregiver has lived. The check must include driving record, sex offender registry and all forms of criminal history. These background checks also should be conducted more than once a year.

You will want to thoroughly screen the caregiver for their experience level, as well, to know their work history outside of the Senior Care field. It is best to personally contact their work references. The agency should provide excellent training for the caregiver and screen for those who have impeccable problem solving skills.

2. What services do you provide? What are your limitations?

Listen closely to the explanation and inquire as to what training the caregiver has received in the areas that most concern you.

3. What is the cost? What percentage is caregiver pay?

Services that fall in the range of \$21 - \$23 per hour will have better, more educated caregivers. They will usually pay the caregiver more, and this naturally attracts better candidates and also lowers the risk of theft or exploitation.

Many families find that the difficult task of determining what is best for their loved one is overwhelming and exhausting. If you live in Texas and need help selecting a senior care facility for a parent or other loved one, Mom's Best Friend Senior Care (www.mbfseiniorca.com) can help guide you through this process. Outside of Texas, OurParents (www.ourparents.com) and Elder Care Link (www.eldercarelink.com) both offer extensive online directories of senior care providers nationwide.

WOMEN'S CORNER Heart Disease: It Isn't a "Man's Disease"

By Kay Lynn Mayhue, CFP®

Did you know heart disease is the leading cause of death in postmenopausal women? In the United States, nearly 500,000 women per year will suffer a fatal cardiovascular event. This is twice the number of all female cancer-related deaths in the same age group.

Symptoms of a heart attack can be very different in women vs. men. Earlier this year, I attended an incredibly informative talk by Michele Molden, President and CEO of the Piedmont Heart Institute, who shared some vital information on this issue.

Awareness – Symptoms may be very subtle at first

- Pressure traveling down arms, neck, or back
- Shortness of breath
- Nausea and vomiting
- Sweating
- Weakness, lightheadedness and general fatigue

Prevention – What can you do to keep yourself healthy?

- Take time to see your doctor regularly
- Don't smoke
- Control your blood pressure and cholesterol
- Maintain a healthy weight by exercising regularly and eating right
- Discuss with your doctor if taking a daily dose of Aspirin is right for you

Bottom line: make taking care of yourself a priority. You need your great health to care for everyone who depends on you!

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