KEYS TO WEALTH MANAGEMENT™

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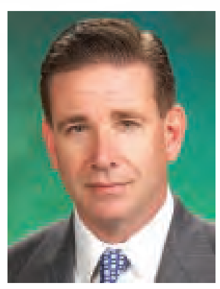
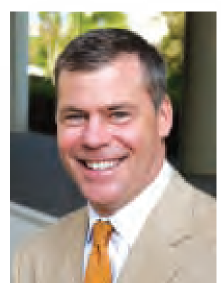


W. Henry Walker

F&M
Farmers & Merchants Bank



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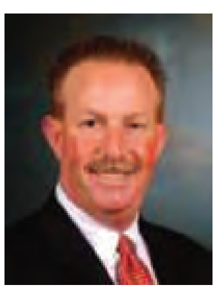

Joe Sweet

UnionBank
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Steve G. Economos

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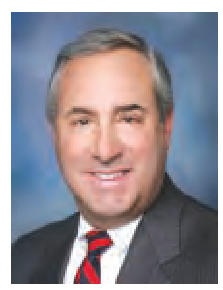

Chris Lapple

Comerica Bank

A Supplement to the Orange County Business Journal • May 31, 2010

On Point *with Camille Jayne*

Hilary Kaye, President of HKA, Inc. Public Relations, Interviews Camille

As an agency servicing wealth management advisors, HKA gets Camille's insights on wealth management. Anyone who knows Camille Jayne, founder of Matters at Hand™ wealth management facilitators and educators, knows that when she grabs hold of something, her relentless drive, energy, and desire to help others know few boundaries. Her passion to educate the OC business community and families on understanding the complexities of wealth management is no exception. Since her arrival on the OC wealth management scene in 2006 she has taken the leadership reins to expose us to the best of the best advisors by partnering with the Orange County Business Journal to produce its annual Wealth Management supplement; she is a Charter Member of UC Irvine's Merage School of Business Center of Investment and Wealth Management (CIWM); and helped design and co-teaches The Merage School of Business's first Wealth Management MBA course as a Visiting Professor – only one of two such courses in the country. She also offers a basic wealth management lecture to employees of OC businesses. Come join an "On Point" discussion with Camille Jayne.


Camille Jayne

HKA: Why is it so important to educate people on wealth management (WM)?
Camille: Because it is so misunderstood. People think WM is only about the investment management of your portfolio. While that's a big part of it, it's only one aspect. Tax planning, your trust and estate planning, asset and risk management through life, long term care insurance and property/casualty/liability insurance, and smart gifting are all important to keeping your assets while alive, and transferring where you want them to go once you're gone.

HKA: What are the three or four biggest mistakes you see time and time again with clients?
Camille: Oh my goodness, there are so many more than three or four! First, people don't know what they have; while they may have a revocable living trust, most have no idea what kind, if it's adequate, or what should be changed. And most don't realize that a revocable living trust, if designed properly, protects them as they go through life's stages: pre-marriage, children, divorce, blended families – hence the word *living* in the name. They think a trust comes into play just after death. Second, they are usually over exposed from a liability standpoint while paying too much in insurance premiums. Third, too many people participate in what we call 'involuntary philanthropy" versus "voluntary philanthropy."

HKA: OK, I give, what is 'involuntary philanthropy?"
Camille: Involuntary philanthropy means giving too much money away each year in taxes, through divorce, to partners' spouses, in lawsuits, estate taxes, or to pay for in home care – when much of that can be avoided through tax planning between your CPA and investment advisor, the right kind of trust(s) and corporate agreements, adequate liability insurance, life insurance protected in a trust, and long term care insurance. Voluntary philanthropy means doing all the right wealth management planning and execution to keep more of your money invested and growing, so you can voluntarily give your assets to people or charities during your life and beyond.

HKA: I'm already not doing the first three as well as I should. I'm afraid to ask, what's the fourth big mistake in your opinion?
Camille: I think naming one or more of your children or a friend as your Successor Trustee is a mistake. This is my opinion, but I've learned this from the best advisors. If you care about family harmony, or if you love your friend, you should name a Corporate Trustee as your Successor or Co-Successor Trustee. This is a hugely stressful and time consuming job, one that carries fiduciary responsibility and liability with it. Most people do not know how to read a trust, let alone carry out its terms the right way in a timely fashion.

HKA: Why is this WM supplement so important for the OC community?
Camille: Because over the past 4 years, some of the very best OC advisors are represented here to help educate the community about WM. If readers read this WM supplement, and/or go on the ocbj.com website to access all past supplements, they should use these experts. I've called on many of them for our clients, and to guest lecture in our WM MBA course, because they are truly the best of the best. And I am glad to say may of them have gotten valuable new relationships through participation in the supplement.

HKA: How could the WM supplement be better?
Camille: I think more estate planning attorneys and P&C/Liability experts and CPAs should participate, as their disciplines are critical to good wealth management planning.

HKA: Tell us what UC Irvine's Center for Investment and Wealth Management is doing for the OC community?
Camille: First, the CIWM exists to educate the OC business community, our members, and our UC Irvine Merage School students on all the latest facets of investment and wealth management. We do this through guest experts at our quarterly board meetings for members and invited guests, at our community lunches, CIWM members mentoring the MBA students and providing them internships, and the MBA course itself. Second, the vision of Dean Policano and our founding Chair, Mark Moehlman, is for the CIWM to be a destination point and repository for the best advisors, and the best research for the OC community as well as on a national basis.

I am very proud to work side by side with the visionaries at The Orange County Business Journal and UC Irvine Merage School of Business to help the OC community become more aware.

What is Wealth Management?

Camille Jayne Asks the Experts

One of the objectives of the Keys to Wealth Management supplement is to educate the OC business community on the broad disciplines under the wealth management umbrella that help people grow, protect and transfer their assets during their careers, throughout retirement and for generations to come – *"assets"* defined as anything of value to you. To that end, I have asked expert advisors who are part of this year's supplement to answer some key questions that pertain to our wealth management "health."

Your Wealth Management Advisory Team: Investment Portfolio Manager, Estate Planning Attorney, CPA, Banker, Life Insurance Broker, P&C/Liability Broker, Corporate Trustee, Corporate Attorney, Real Estate Expert, Trust Officer, Family Law Attorney, Family Office Partner.

***Camille:* What do you see as the most common, yet most negatively impactful, mistake business owners make that affects their wealth management picture?**

A: For closely held business owners, the most common mistake is failure to set up (and properly fund with "key person" life insurance or otherwise) an appropriate buy-sell agreement. If this is not done, when a co-founder or partner dies, you could become partners with his or her heirs, something usually not desirable. Buying out a decedent's interests without key person life insurance or reserves is very difficult and expensive to finance, yet easy to avoid with some planning.

- Stephen E. Blaine, Esq. Principal Callahan & Blaine, APLC

***Camille:* What is the greatest value that a Corporate Trustee can have as an advisor in a person/family's wealth management picture?**

A: I see two areas where a corporate trustee offers distinct advantages. First, as a fiduciary, you are assured that every decision made within your portfolio is driven by their responsibility to act in the best interest of you, the client - an increasing important standard these days. Second, a corporate trustee provides consistency and objectivity that can be difficult to achieve if the trustee is a family member, and sometimes leads to irreparable family discord.

- Chris A. Walters, EVP, Head of CitizensTrust/Citizens Business Bank

Mark Moehlman, Principal and Co-Founder of Wealth Management Network and Camille Jayne, Founder and President of Matters at Hand

***Camille:* How does active investing (stock picking and market timing) compare to the passive investing approach in an environment like we have today?**

A: Passive investing owns stock market averages, with broad diversification and reasonable fees. You won't underperform, but you won't outperform. You must stick with the passive strategy even when volatility accelerates. Active investing seeks to outperform the market by allocating capital to undervalued sectors or stocks, and adjusting market exposure to take advantage of & manage market volatility. We believe this strategy needs an advisor with a strong record of picking individual stocks, versus putting you only in mutual funds.

- Kevin O'Grady, Chief Investment Officer, Palo Capital

***Camille:* How can OC people access UC Irvine's Merage School's Center for Investment and Wealth Management (CIWM) to benefit from what it offers?**

A: The Center is an important resource for Orange County families and individuals searching for unbiased, research-based and up-to-date information on wealth and investment management. Quarterly programming aimed at the general community is offered through the Center, which exists to provide vital information concerning the creation, management and intergenerational transfer of wealth. And, it's easy for members of the community to access the programming since our website is constantly updated with upcoming events and information.

- Pat Soldano, Co-Chair, CIWM; President, GenSpring Family Offices, Calif.

***Camille:* When is it a good idea for people to put a new policy, or transfer an existing life insurance policy, into an irrevocable life insurance trust? Will that automatically avoid having the death benefit estate taxed when that person dies?**

A: Estate planning objectives dictate whether or not one should transfer a new or existing life insurance policy into an irrevocable trust. This helps avoid the policy's death benefit being subject to estate taxes, and offers more control over how benefits are made available to beneficiaries. If transferring an existing policy into a trust, the person must typically outlive the transfer date by three years to avoid estate tax inclusion, and account for the value of the gift being made in that situation.

- Bob Waltos, Managing Partner The Waltos Group, Northwestern Mutual Financial Network

***Camille:* How can advisors best identify a safe banking environment for clients?**

A: Fortunately, many online resources are available to advisors that help identify the safest banks. One valuable source is the FDIC's *www.FDIC.gov*, which provides analyses and profiles of all banks under its jurisdiction. Additionally, advisors can look at a ratings website such as *www.veribanc.com* (look for "Blue Ribbon" rating), *www.weissratings.com* ("A" or "B" rating) or *www.bankrate.com* ("4" or "5" rating). Ratings services take many factors into account since an individual ratio or factor on its own cannot accurately portray safety and soundness.

- W. Henry Walker, CEO, Farmers & Merchants Bank

***Camille:* What role does investing in commercial real estate property play as part of a person's wealth management portfolio?**

A: Commercial real estate is, increasingly, a key component in individual investors' wealth management portfolios. Investors should consider purchasing with today's market-bottom prices. Building ownership will allow protection from future lease rate hikes, realization of tax and depreciation benefits, as well as the long-term benefits of appreciation. Commercial real estate ownership is a great way to positively impact your business' bottom line, and solidly build your retirement nest egg.

- Louis J. Tomaselli, Managing Partner, 360 Commercial Partners

***Camille:* When a trust company is designated as a Successor Trustee, when is the best time to start a working relationship, and why?**

A: Consider hiring the trust company immediately as Investment Manager to mange some or all of the liquid assets of the trust. If you become incapacitated or pass away, the trust company can then manage the financial affairs without interruption, which is very comforting to a family. It's also a great way to "test-drive" the trust company, and establish the relationship early on for the peace of mind of both you and your heirs.

- Kimberly Dwan Bernatz, CFP®, VP, First American Trust

***Camille:* What place does one's banker have in helping business people manage, grow and protect their wealth?**

A: People need to include their "traditional banker" in their wealth management planning. A banker typically can offer macro perspectives that balance input from other advisors. Sometimes, we see portfolios so badly balanced or so complex that clients have savaged any option of liquidity should they need access to money. People are so busy chasing yield or dodging taxes that they sacrifice liquidity, which is an essential element of flexibility, strategic growth and financial survival.

- JP Gough, Chairman & CEO, Orange County Business Bank

***Camille:* As a PR company to WM advisor clients, what are you specifically recommending as far as proactively building their practices through social media activity?**

A: Layering your PR outreach is key – adding the newer social media channels to traditional media, or using multiple stand-alone social media. For professional services clients, such as financial advisors, attorneys or CPAs, we create a unique social media strategy, and then proactively implement. Most clients benefit from adding a relevant blog to their Website, plus using their own mix of social media channels, such as Twitter, Linked-In, Facebook and YouTube – all of which HKA can maintain for them.

- Hilary Kaye, President, HKA, Inc. Public Relations

***Camille:* What is the most important thing people need to know about wealth management?**

A: What most people might not realize is that Wealth Management is much more than investments, loans and retirement products. It's about creating solutions that are tailored to each person or family's particular needs and situation. A good Wealth Manager dives into the details and really listens in order to gain an understanding of what's important to a client to then create a Wealth Management plan that is designed to meet their specific goals and objectives.

- Joe Sweet, SVP, Wealth Market Executive, Union Bank, Orange County

***Camille:* What could people do from a tax standpoint that would help them build greater personal or business wealth on an annual basis?**

A: Have the right mix of investments and tax advisors. Your investment advisor should be working closely with your tax advisor to harvest losses at the end of the year to offset current or expected capital gains. Trusted professionals will be able to help keep the investment mix tax-optimized, stay on top of new developments and shift capital accordingly for the greatest net gains.

- Francois Hechinger, Tax Partner, High Net Worth Practice, BDO Seidman

***Camille:* What kind of wealth management advisors should consider being members of the Merage School's CIWM, and what is the benefit to them?**

A: CIWM should be considered as a vehicle of involvement by any wealth management professional who views themselves as an enlightened provider of a specific financial product or service in the context of a collaborative, comprehensive, dynamic process. The benefits derived will be access to cutting-edge thinking, world-class students and faculty, and like-minded professional colleagues, as well as opportunities to teach and interact with affluent residents of the community.

- Mark L. Moehlman, Charter Member, CIWM; Principal, Wealth Management Network, LLC

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Wealth Management Through Estate Planning

Business-savvy individuals realize wealth management requires careful planning to provide maximum benefits for surviving loved ones. Effective estate planning is essential to accomplish that objective. At a minimum, an estate plan will include a revocable family trust, a pour-over will and an advance healthcare directive.

Revocable Living Trust

A revocable family trust ("trust") serves at least two, and beginning 2011, three fundamental purposes. First, the trust will direct the disposition of an individual's estate at death.

Second, the trust serves as an alternative to probate. Those who wish to avoid the delay and expense of a probate proceeding and to maintain privacy over their personal financial affairs will ensure that virtually all of their assets are transferred into trust, with the ultimate disposition of those assets controlled by the trust.

Minimizing estate tax is the third essential purpose of a trust. Prior to 2010, many estates were required to pay federal estate tax, depending upon the value of the estate and the amount of available estate tax exemption. That exemption increased gradually over the past decade. For those who die in calendar year 2010, it is likely that no estate tax will be payable. However, most estate practitioners predict that commencing 2011, federal estate tax will again come into play. A trust may lessen the impact of federal estate taxes upon the estate of the first spouse to pass.

A person who establishes a trust is known as the "settlor." The settlor typically manages his or her own trust. Pending death or incompetency, the settlor retains full control over the trust, including without limitation the right to amend its provisions, to add and remove assets from the trust and to revoke the trust entirety. A designated successor trustee takes over upon the settlor's death to ensure that the settlor's wishes, as expressed in the trust, are carried out insofar as the management and disposition of the estate assets are concerned.

Pour-over Wills

A "pour-over will" ensures that assets not otherwise part of the trust prior to the settlor's death are placed in trust, after death. A pour-over will is a backstop that catches any asset inadvertently omitted from the trust during the settlor's life and directs disposition of such asset according to the trust, despite the oversight.

Advance Healthcare Directives

An Advance Healthcare Directive ("AHD") allows an individual to dictate their own level of healthcare, should intervening injuries or illness prevent the individual from making those decisions while disabled. An AHD identifies one or more agents to ensure that the patient's instructions set forth in the AHD are carried out when the patient is no longer able to personally communicate those instructions. Utilizing an AHD is absolutely critical to minimize intra-family disputes concerning the disabled patient's medical care.

Other Planning Devices

An Irrevocable Life Insurance Trust ("ILIT") has one primary purpose: to ensure that death benefits payable upon the settlor's life are not included in the settlor's estate at death. By transferring large life insurance policies into an irrevocable life insurance trust, the insured may still designate the beneficiaries yet minimize estate taxes.

Another device known as a Family Limited Partnership ("FLP") provides a very convenient vehicle through which one may gift unappreciated assets, while retaining the right to manage those assets as the general partner of the partnership. This device will therefore minimize the estate tax which would otherwise be payable were the assets gifted after they appreciate. Additionally, many estate planning practitioners recommend the use of an FLP to help legally shield an individual's otherwise attachable assets from the reach of creditor's claims. While certainly not bulletproof, an FLP constitutes a formidable obstacle in the path of any creditor.

More sophisticated estate planning solutions exist for those with particularly large or complex estates or extraordinary needs. Nevertheless, the use of a revocable family trust, pour-over will and AHD, complimented as necessary by an ILIT or an FLP, will provide for the orderly disposition of an individual's estate upon death, minimize estate taxes post-2010, protect the privacy of the family's financial affairs otherwise disclosed through probate and offer asset protection.

Stephen E. Blaine

Mr. Blaine has been practicing law for nearly 30 years in Orange County and surrounding environs, serving thousands of clients as corporate and outside general counsel. His practice focuses upon business and transactional representation, intellectual property, corporate, environmental, real property, entertainment and business law and related litigation. He has been with Callahan & Blaine since 1990.

Mr. Blaine is a graduate of Loyola Law School (J.D. 1980 Dean's Scholarship); he earned his Bachelor of Arts in Political Science and Economics from California State University, Northridge (1976). Mr. Blaine was admitted to the California State Bar in 1980. He is a member in good standing of not only the State Bar, but also with the U.S. Tax Court, all United States District Courts located in California, the U.S. Court of Appeals, Federal Circuit, and the United States Supreme Court. Mr. Blaine can be reached at (714) 241-4444 or at sblaine@callahan-law.com.

Callahan & Blaine APLC

Callahan & Blaine is a 25-attorney firm that is widely recognized as "California's Premier Litigation Firm." Callahan & Blaine specializes in complex business litigation, business transactions, employment law, insurance law and personal injury.

The firm won a recordbreaking $934 million jury verdict in a business case for the Orange County company Beckman Coulter. For more information, please visit the firm's website at www.callahan-law.com.

515 Puente, Brea CA

Carpe Deal

Now is the time to add commercial real estate to your wealth management portfolio

by Louis J. Tomaselli, Managing Partner, 360 Commercial Partners

When it comes to adding commercial real estate to your investment portfolio, there has never been a better time to carpe diem – and carpe deal.

At 360 Commercial Partners, we've noted that the commercial real estate market's recessionary ebb seems to have a bit more flow recently. Key industry players and investors have been seizing the opportunities presented by the market to buy properties at values not seen since the early 2000s – with multiple offers indicating that there is strong interest in, and competition for, Class-A properties.

Louis Tomaselli

In addition, national economic developments indicate that the commercial real estate market has hit bottom and is on the road to recovery:

This year, pension funds and other large institutions are expected to invest $10+ billion in commercial real estate.

Employers added 290,000 jobs in April according to the Labor Department. Private payrolls have now grown for four consecutive months. Industry surveys further indicate that job growth is poised to continue at a healthy pace.

U.S. consumer spending rose at a 3.6% annualized rate, the fastest rate in three years, during the first quarter of 2010. Likewise, business investments in equipment and software jumped at a 13.4% pace. Such spending will power the economy to an estimated 3.2% growth rate.

In April, manufacturing payrolls increased by 44,000 after rising 19,000 in March. Construction employment gained 14,000, rising for a second month.

In summary, today's market conditions present historic opportunities to invest in commercial real estate, and to secure tremendous short- and long-term business benefits, as well as build retirement portfolios. And particularly for stable businesses with strong balance sheets, the time is right to purchase office space (see sidebar story on Office Leasing versus Buying for Businesses).

To learn more about the state of the region's commercial real estate market, please review the excerpted 360 Commercial Partners Market Intelligence sector snapshots below. For more information about commercial real estate investment opportunities, please contact 360 Commercial Partners at 949.296.3600, www.360CommercialRE.com.

360 Commercial Partners Top-Line Office Sector Report

According to a recent ***Orange County Register*** article*, employers are beginning to hire again, with 37 percent of companies surveyed by the National Association for Business Economics reporting that they are planning to add staff in the next six months, up from 29 percent in January and just 16 percent a year ago. Another encouraging sign: Just three percent of those same firms surveyed expect to lay-off employees, down from seven percent in January and 11 percent in April 2009.

According to a recent ***Wall Street Journal*** article*, landlords of office buildings continued to cut rental rates in the first quarter of 2010, although the size of the reductions slowed and seemed to indicate that commercial real estate was starting to steady.

*To review these articles, please visit www.360CommercialRE.com and click on News/Events.

360 Commercial Partners Top-line Industrial Sector Report

SBA loan originations for the FY ending 3/31/2010 are up 110% from the same period last year ($346.7MM and $164.7MM, respectively). SBA loans represent the primary financing method for occupiers in today's market. The primary incentives are 90% leverage and the temporary SBA fee elimination through the Recovery Act.

Banks in possession of non-performing loans reveal that they'd much rather pursue discounted payoffs via short-sales or sell the notes in lieu of foreclosure.

An examination of port activity reveals that Loaded Inbound TEU's are up 4% over the same period last year. This equates to consistent, measurable increases month-over-month and demonstrates the increasing health of the industrial sector.

In summary, we're seeing a very tangible increase in foot traffic and transaction volume in the market. Based on activity, we expect increased transaction volume for Q2, 2010. However, we don't anticipate appreciation on the lease or sale side until absorption returns to a positive.

The Business Case for Buying, Versus Leasing, Your Office

by Steve Economos, Director, Office Advisor, 360 Commercial Partners

Overview

Led by Steven G. Economos, the 360 Commercial Partners Office Advisory team is Orange County's #1 seller of office buildings. As such, they are the foremost experts in OC's office sector and are widely sought after by buyers, sellers, investors and the media for advice on a range of topics relating to the purchase, sale and leasing of office space and buildings in the region. Below is their recent analysis of the current OC office market and recommendations regarding the frequently posed question of whether the time is right to lease or purchase office space.

Steve Economos

Recommendation: For stable businesses with strong balance sheets, the time is right to purchase office space.

Value Pricing: Current office sale pricing is at levels last seen in the early 2000's. This reflects a move to realistic, fundamentally sound pricing, effectively erasing the inflated sales prices of 2005-2008.

Favorable Financing: Historically low interest rates and government-sponsored SBA programs allow the purchase of a building for as little as 10% down.

Inflation Protection: Purchasing an office enables you to protect your business from potential runway lease markets in the future.

Portfolio Enhancement: Add a building to your retirement nest egg. If your business is stable and needs office space, the rent from your business pays off the mortgage. Additional benefits include real estate appreciation and the tax advantages of depreciation.

For more information and/or illustrations of the benefits of purchasing your offices, including tax benefits, please contact Steve Economos at 360 Commercial Partners, 949.296.3600, seconomos@360CommercialRE.com.

Credibility and Trust: Do Your Due Dillgence to Find the Gold Standard

by Hilary Kaye, Founder and President, HKA, Inc. Public Relations

Credibility is one of the biggest factors cited when people are asked why they choose to work with one company over another. Trust is another key factor. In today's business world, where things are not always exactly what they seem to be and ethical behavior can be elusive, finding ways to establish credibility and trust is paramount to success.

There is hardly a business in existence where the dual factors of credibility and trust are not significant to generating both new and repeat clients – yet some business categories are necessarily more concerned with this than others. I would challenge you to find a business segment where building credibility and trust is more important than the business of wealth management. People charged with protecting and growing the financial resources of others cannot succeed without this.

Unfortunately, our world has been rocked by financial scandal after financial scandal. People who have earned our trust have turned out to be scoundrels. Companies that seemed to have rock-solid credibility have turned out to be built on pyramids that can—and do—come tumbling down. I ponder this dilemma from two perspectives: first, as a professional in the business of building credibility and trust for our clients, and second, as a consumer who must learn how to identify true credibility over false claims.

In our public relations company, we work with a broad universe of businesses. Some of our clients sell products you can see and touch. Building credibility for something you can pick up and examine is much easier than for something intangible, such as financial advice. I suspect this is why many PR companies shy away from working with professional service providers. But once we establish the validity of a company providing these services, we find it rewarding to find ways to help them achieve the trust they need.

Hilary Kaye

Here are a few suggestions on how to evaluate a company's claims:

Don't assume that bigger is better. Whether the service is wealth management, law, accounting or any other, the company itself is only part of the equation. A very large organization will have very good and very bad representatives, and everything in between. Don't rely on the claims of the overall organization when deciding whether to engage the services of this company – do your own due diligence with the individual you will be working with. It is their expertise you should care about most. You can find a credible, trustworthy professional service provider embedded in a large organization or working as a solo practitioner.

Don't be fooled by slick marketing materials – whether they are fancy full-color printing or clever, highly animated websites. In today's business world, where virtual companies operating from a spare bedroom can look online nearly as large as a company on Wall Street, appearances aren't always what they seem to be. Rely instead on measures of the company's expertise. Dig a little deeper to find out their particular areas of know-how. If you need a specialist, look for information that signals this specialization and the fact that others have viewed them as experts and sought out their expertise. See if they have been cited as experts by credible news outlets. Find out if they have written thoughtful commentaries or analyses that have been printed in news media you respect. Notice if professional organizations have asked them to speak to their members. These all provide clues that the person in question is who they claim to be.

Use social media to guide your decisions. Social media channels today bring a level of transparency we have never seen before in the business world. Traditional media, such as newspapers, magazines and TV/radio outlets, are still critical to help you do your due diligence. But an individual's own blog and the various social media channels such as FaceBook, LinkedIn and Twitter, can open new windows into the company and/or individual in question. If the professional service provider writes a blog, read it. It will give you a very good idea of what he or she is all about. It is not credible in the same way that a newspaper column is credible, but it doesn't matter. Its purpose is to give you insights into why that person's services might be good – or bad – for you. Same thing if they have a FaceBook page or a Linked-In profile. Or even if they use Twitter to communicate their thoughts and views. These channels are interactive and by peering into the conversations that they are having with others, you can gain some great insights into why you would – or wouldn't – want to work with them.

There is no foolproof way for a consumer to judge whether a professional service provider is going to provide the gold-standard service they are seeking. Nor is there a foolproof way for a professional service provider to communicate that they are, indeed, the real McCoy. But these tips have helped me guide my own consuming decisions, and helped me assist our very real clients as they seek to communicate effectively with potential clients. I welcome *your* thoughts, whether as a consumer or professional.

Hilary Kaye is the founder and president of HKA, Inc. Public Relations, a firm that has been providing PR services for credible and trustworthy clients for the past 25 years. Visit www.hkamarcom.com for more information.

HKA PUBLIC RELATIONS

W. Henry Walker, CEO, Kenneth Walker, President of the Main Office, Daniel Walker, President & Chairman of the Board.

Who We Are

As a 103-year-old institution, Farmers & Merchants Bank has witnessed dramatic changes in the American economy over the past century. Through economic highs and lows, the bank has remained a constant in the business community – first in the Long Beach area and later stretching down into the various communities of Orange County. Today, there are a greater number of F&M branches in Orange County than in Los Angeles County. And while observing the changes around it, the bank itself has made numerous adjustments, adding services at both ends of the spectrum – high tech and high touch. Customers of Farmers & Merchants Bank appreciate having the latest technological advances in banking and also are drawn to the bank for its unwavering customer service philosophy.

F&M Bank was founded in 1907 by C.J. Walker, who set the tone for the next century. In 1937, his son, Gus Walker, assumed the presidency. And when it was time to pass the baton in 1979, Gus turned to his son, Kenneth Walker, who continued at the helm until 2008. Kenneth remains president of the Long Beach branch to this day, with fourth generation W. Henry Walker being named CEO in 2008 and Henry's brother Daniel serving as president and chairman of the board. Family traditions have held strong through the years, as the Walkers recognize the importance of maintaining their unique family environment with both employees and customers within the framework of an independent community business bank.

All three of the top F&M executives began work in lesser capacities – working from the ground up at the bank. Each has a fierce loyalty to the Walker name and the institution the family has built. Most importantly to customers, each has been in a leadership role during recessions as well as periods of robust economic times.

Why We Are Different

Through two World Wars, the Great Depression, and the current economic instability, F&M has remained one of the strongest banks in California. The stability of F&M also can be seen in its low employee turnover, a fact that runs counter to the situation in most banks, where customers continually deal with new tellers, loan officers and even branch managers. At F&M, 20 percent of the employees have been with the bank for at least 15 years and 10 percent have been with the bank for 30 years or more. Employees are dedicated to the bank because of its strong character and concern for its staff and clientele. Many customers have banked with F&M for generations and others say they switched to F&M because of the strong emphasis on relationship banking where personalized customer service is the highest priority.

When most lenders were caught up in the frenzy of the booming housing market and accepting questionable loans, the Walkers refused to invest in sub prime mortgages. These decisions were not popular at the time with potential customers, but ultimately proved to be beneficial to the bank and its customers. F&M's stability has withstood the test of time with its return-on-assets ratio being double the California average and significantly higher than the nation's largest banks. F&M Bank's conservative posture has allowed the bank to grow deposits by 10 percent this past year.

In The Community

Living up to its name as a community bank, F&M strongly supports local non-profit organizations. A core F&M Bank belief is that giving back to the community is one of the wisest investments an institution or individual can make. As a testament to this belief, F&M has contributed to a wide range of causes, large and small, spanning the arts, health-related causes, community support, religious groups and professional organizations. To name just a few organizations: the Orange County Affiliate of Susan G. Komen for the Cure, the Pacific Symphony, Big Brothers, Big Sisters of Orange County, Long Beach Memorial, YMCA, NAWBO-OC, and the Long Beach Symphony. Each year, the Bank donates approximately $1 million to charitable organizations. Even in difficult economic periods, when donations generally decline, F&M has continued to provide for local programs; the commitment to give back is woven into the very fabric of the family and corporate culture.

Community Recognition

Farmers & Merchants Bank has been recognized by significant organizations in Orange County for its philanthropic contributions and community service, including:

- The Walkers received the 2008 Longevity Award at the Family Owned Business Awards Luncheon hosted by OCBJ and Cal State University, Fullerton's Family Business Council.
- John Hinrichs, F&M Bank's CFO, received the prestigious 2009 Lifetime Achievement Award at the OCBJ's CFO of the Year Awards. Dedicating over 45 years to serving F&M Bank, he worked alongside three generations of F&M CEOs.
- Kenneth, Daniel and Henry Walker collectively were honored with the Ernst & Young Entrepreneur of the Year 2009 Lifetime Achievement Award.

High Tech, High Touch

While F&M is steadfast in its tradition of providing customers with a family-managed bank that is strong, conservative and friendly, it endeavors to provide sophisticated technology enabling customers to utilize high-quality banking products. F&M customers utilize modern conveniences while receiving personalized customer service, such as being able to speak to a real person, not a machine, when they call the bank.

In the 1970s, F&M was the first bank in California to implement a drive-in teller window. Today, F&M, a member FDIC insured financial institution and equal housing lender, provides services such as online banking and bill pay, offices and ATMs throughout Los Angeles and Orange Counties, investment, credit card and loan services. It also offers a holistic suite of banking products such as merchant services, remote deposit capture and analyzed account services.

F&M has integrated state-of-the-art security measures to safeguard its customers' proprietary information. Employing security solutions such as upgrading the online banking experience and implementing policy changes are ways it preserves the transaction process. Integrating new security solutions enables F&M to proactively monitor online activity through a safe and secure online infrastructure that gives customers peace of mind and assurance.

Embracing green initiatives and sustainability, F&M opened a new customer care center in Seal Beach in 2008 that integrates technological innovations with an eco-friendly environment. The new facility creates an environmentally friendly workplace with increased sustainability and including features such as modular walls, reduced landfill waste, TecCrete raised floors that allow for "under floor" airflow management, comprehensive recycling and materials made from managed forests. The Center meets all of the qualifications to be LEED certified.

What's Next

As Farmers & Merchants Bank moves further into its second century of serving the Southern California community, it continues as a pillar of stability and reliability while adapting to the needs of customers and the evolutions in technology and innovation. The bank is currently seeking approval from the Federal Reserve to open a new office in the heart of Corona Del Mar's prestigious residential and retail area, where MacArthur Boulevard meets Pacific Coast Highway, scheduled to open later this year. The bank also plans to remodel and relocate its office in San Clemente to be closer to downtown. F&M continues to advance its infrastructure and look to the future to increase its presence in Southern California, specifically in Orange County.

Farmers & Merchants Bank
302 Pine Ave., Long Beach, CA 90802
(949) 241-8280 (562) 437-0011
Robert.fish@fmb.com
www.fmb.com

California's Strongest Bank®

Don Natenstedt of RSM McGladrey, Liz Ann Sonders of Charles Schwab & Co., Inc. and Rick Keller of First Foundation Advisors enjoyed the VIP reception

Liz Ann Sonders of Charles Schwab & Co., Inc. joins Donna Mumford of UC Irvine's Merage School and Shelley Hoss of the Orange County Community Foundation

UC Irvine Merage School's Center for Investment and Wealth Management

Investment Management Education Series Sells Out; Schwab Strategist and California Controller Discuss Economy

The Center for Investment and Wealth Management (CIWM) at UC Irvine's Paul Merage School of Business bolsters its community education mission through its highly topical luncheon speaker series. With ever growing popularity, the last four events have been sold out, including:

July 2009 – ***Economic Outlook Revisited: Changing Strategies for Changing Times***, featuring John Chiang, California State Controller, and economist and dean, Andrew J. Policano from The Paul Merage School of Business.

November 2009 – ***New Investment Realities in the Current Challenging Environment***, featuring Rob Arnott, CEO/Founder of Research Affiliates, Chuck Martin, Chairman/CEO of Mont Pelerin Capital, LLC, and panelists Jim Berens, Managing Director, PAAMCO; Kristin Ceva, Managing Principal, Payden & Rygel; and Robert Panetti, Vice President, BlackRock.

January 2010 – ***Business Outlook*** Breakfast in cooperation with the Irvine Chamber of Commerce featuring Merage School's Dean Policano and David Crane, Special Advisor for Jobs and Economic Growth with the Office of Governor Schwarzenegger.

On May 12, 2010, ***Investment Strategies for Turbulent Times*** was the topic for Liz Ann Sonders, chief investment strategist for Charles Schwab & Co., Inc. Sonders spoke to a sold out crowd of more than 350 and opened the event by stating, "I think the recession is ending." She smiled as she followed with, "Being a contrarian, I am very comfortable in my view if very few people share it."

Liz Ann Sonders, chief investment strategist for Charles Schwab & Co., Inc., spoke to a sold out crowd of more than 350 hosted by UC Irvine's Center for Investment and Wealth Management

Sonders supported her view on the current state of the global economy with an extensive and detailed discussion that included "The Bear Case and The Bull Case," along with a comprehensive set of charts and information. Sonders, a frequent guest on nationally-popular broadcasts such as CNBC, CNN, Fox Business News and others, presented a thorough review of recent market trends and contrasted them both with historic data and up-to-date indicators of economic recovery.

According to Sonders' data, the recession ended in June 2009, following the bottom of the stock market, which occurred in March 2009. The greatest weakness in the recession occurred during the first quarter of 2009, while the single best quarter so far was Q4 of 2009.

"There are several indicators that we are in a recovery mode," said Sonders. "Inventories are building again and consumer spending is on the rise. Consumer spending pops before jobs and feeds into recovery, not the other way around as many people believe." She added, "Corporate profits are outstanding. We are seeing a profitability boom."

Addressing the nationwide real estate market, Sonders cautioned, "Interest rates are not the only factor in regaining traction in the real estate market. It's more important to fix asset demand." On the bright side, Sonders indicated, "Commercial real estate might not be the next shoe to drop."

Sonders' presentation also included a forecast on what investors and consumers can expect. "We can certainly expect tax increases, but we also have to expect true spending cuts if the conditions are to be established for the economy to grow," adding, "Inflation is not a disaster waiting to happen." Sonders did identify a stand-off between the supply and demand sides of the equation with borrowers unwilling to borrow and banks less willing to lend.

Returning to her original point, Sonders predicted a "V-shaped recovery" and stated she believes the economy is on the upswing. "A double dip recession, or 'W-shaped recovery' would only occur if we have a major policy mistake, like if the Fed raises rates too soon or too late," she said. Sonders believes the economy will move from recovery into expansion, which would obviously be good news for investors.

As chief investment strategist for Schwab, Sonders has a range of investment strategy responsibilities reaching from market and economic analysis to investor education, all focused on the individual investor. She chairs Schwab's Investment Strategy Council, which provides strategic asset allocation guidance and tactical sector recommendations for the firm's investor base. The output of Sonders' work is via written reports, audio and video recordings, conference calls, and webcasts. She is a regular contributor to all of Schwab's client newsletters and the keynote speaker at many of the company's corporate and client events in the United States and overseas.

Sonders is also a keynote speaker at many outside conferences, including for NYSSA, CFA Institutes and IMCA. In 2006, she was named one of SmartMoney's "Power 30," their list of the most influential people on Wall Street. In 2009, she was selected by American Banker as one of the year's "25 Most Powerful Nonbank Women in Finance." Sonders was also named best strategist of 2009 by Kiplinger's.

The Center for Investment and Wealth Management and The Paul Merage School of Business give special thanks to Charles Schwab Advisor Services and to the Merage School's education partner, WISE (Women Investing in Security and Education), for their support of the event.

UPCOMING EVENT: Economic Outlook Revisited: August 18, 2010

Once again Merage School Dean Andrew J. Policano presents his semi-annual update on the economy and business outlook before what is expected to be another sold out audience. More information will be available at **merage.uci.edu/go/ciwm**.

About the Center for Investment and Wealth Management

The Center for Investment and Wealth Management's mission is to create and disseminate vital, applicable research and knowledge concerning the creation, management and inter-generational transfer of wealth. The Center is gaining national recognition as a source of cutting-edge research and innovative programs that advance our understanding of a successful practice in the field of wealth management, including all of its relevant disciplines and audiences. The Center is one of six Centers for Excellence at The Paul Merage School of Business.

About The Paul Merage School of Business at UC Irvine

The Paul Merage School of Business at UC Irvine offers four dynamic MBA programs – plus PhD and undergraduate business degrees – that deliver its thematic approach to business education: sustainable growth through strategic innovation. It graduates leaders with the exceptional ability to help grow their organizations through analytical decision-making, innovation and collaborative execution. In-class and on-site experiences with real-world business problems give students the edge needed to help companies compete in today's global economy.

Six Centers of Excellence and an Executive Education program provide numerous and varied opportunities for students and the business community at large to enhance their education experience and update their professional expertise. While the Merage School is relatively young, it has quickly grown to consistently rank among the top 10% of all AACSB-accredited programs through exceptional student recruitment, world-class faculty, a strong alumni network and close individual and corporate relationships.

*For more information visit the website at **merage.uci.edu**.*

Investment Performance— Be Honest With Yourself About How You Have Done

PALO Capital
Performance-Driven Investment Management

Most people with money to invest have been successful in life. They are used to being above average, and rarely settle for average in deciding where to live, what car to drive, etc. So when it comes to investing, few such individuals are thinking "I just want to be average."

However, the reality is that investment returns for most investors trail returns for the popular market indices. Over the last decade, the CGM Focus Fund was the best performing U.S. stock fund, gaining 18% a year. But according to Morningstar, the average investor in this fund lost 11% per year! This happened because investors tended to take money out after market declines and add money after gains. In short, they sold low and bought high. Buying low and selling high is so easy to say but psychologically very difficult to do.

Fees are another reason investors underperform market averages. Investors in load funds or annuities are unlikely to make up the ground they lose to these products' high fees. Even no-load funds have embedded expenses that average nearly two percent per year including trading costs. Many investors work with advisors who invest through mutual funds. The combination of the advisor's fees and the funds' total embedded fees can exceed three percent.

To reduce the drag from fees, investors are best off investing primarily in individual stocks or using a manager who invests in this manner.

Lastly, many investors end up with subpar investment returns simply through inertia – a reluctance to assess current investments or advisors because it takes effort or because the results may be unpleasant.

Palo Capital was founded based on a belief that investment performance should be the single most important criterion in selecting an investment advisor. Not the only criterion, and not simply short-term performance. Our mission is to regularly generate investment returns that exceed the market averages.

To review our performance record, please see our ad in this supplement.

While a detailed presentation of our investment approach is beyond the scope of this article, ingredients of our success relevant to all investors include:

Stay disciplined. Investing success requires talent.

While specialized knowledge is one component of this talent, intellectual and emotional discipline is even more important. It takes discipline to hold on through market downturns and to invest in stocks that are out of favor.

Keep costs low, including advisor fees, fund fees, trading commissions and bid-ask spreads.

Don't ignore smaller cap stocks. These stocks are more volatile, but investment literature shows they have historically outperformed larger cap stocks by 2-3% per year.

Invest globally.

With growth rates for some countries expected to exceed ours, investors should not restrict their scope to U.S. stocks.

Palo Capital is an SEC-registered investment advisor who manages separate accounts custodied at Charles Schwab. To learn more about our investment approach or for a complimentary review of your portfolio, visit www.palocapital.com or call us at (949) 715–2126.

Comerica Bank

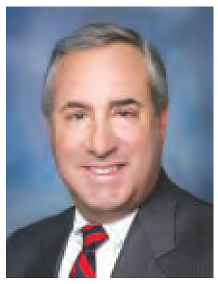
Tips for Business Owners to Mitigate Their Financial Risk

Successful business owners must identify and address the factors that could adversely affect their businesses. Oftentimes, a business owner is simply too mired in the day-to-day operations of their business or too focused on building wealth to strategize against potential financial disaster. This is where proper risk mitigation planning comes into play. With the establishment of a Business Succession Plan and the purchasing of insurance policies such as life, disability, key-person and accounts receivable, business owners can minimize financial problems and ensure their company grows and prospers.

YOUR BUSINESS SUCCESSION PLAN

Buy-Sell Agreements

"We have a lot of wealthy business clients that are so absorbed in the operation of their business and intent on creating wealth that they completely avoid or ignore the potential negative impact of a partner dying," said Chris Lapple, Comerica Bank Vice President, and Regional Insurance Consultant.



Chris Lapple

Developing a business succession plan, oftentimes referred to as a buy-sell agreement, is the best way to secure the future of your company should the unexpected happen. With approximately 20-30% of businesses not having a business succession plan in place, the risk potential for these entrepreneurs can be extremely high. Life changes are not something you can necessarily predict. It's a huge savings opportunity to your company's bottom line to have a plan in place to protect against the unexpected.

When structuring your business succession plan it's important to consult with all your business partners including your banker, your attorney and your accountant to help take into account all aspects for buying out a deceased or disabled partner.

Before a succession plan can be established, the company must be appraised. Once a market value is established for the company, each shareholder or partner will be able to define their ownership in an exact dollar amount. Life or disability insurance can then be purchased for each partner in the amount of his or her individual share.

Once appraised and insurance is purchased, the basics of the agreement between partners should be defined. Typically, upon the death of a partner, the policy will state that it is the obligation of the spouse of the deceased partner to sell their inherited interest back to the surviving partner(s).

There are several advantages to a buy-sell plan; namely, by predetermining the value of the business there is no room for dispute about the division of interest among partners in the event of a death. If a predetermined value is not reached, then the attorney putting together the plan should draft in a formula to assess the value of the company upon implementation of the succession plan.

The other great benefit to having a plan in place is that the funding for the succession comes from an insurance policy creating a secure and seamless transition between/among partners. While there are other ways to fund a partner's share, life insurance is the most cost-effective and least problematic solution.

Disability Insurance

Death is not the only circumstance that changes the dynamics of a business. An accident or illness can render a partner or owner unable to work, leading to serious financial ramifications for the company. Written into your companies business succession plan should be a clause for disability.

"Let's say you have a plan that allows for a person to be out of work due to disability for 12 months," Lapple said. "What happens at the end of those 12 months and that partner is not able to come back to work? At the end of that period, the shareholder is termed permanently disabled and a buyout begins."

In the same way life insurance is purchased for owners and partners, disability buyout insurance is purchased at the market value of a particular owner or partner's share in the company. While expensive, disability buyout insurance is a crucial part of a solid business succession plan. A disability buyout contract, like a life insurance policy, will pay a lump sum or may pay out in installments.

Retirement Planning

Another aspect to consider in business succession is a partner's desire to retire. Cash value life insurance and the cash accumulation can be used to fund all or a portion of a retiring partner's share. Often time, this constitutes a great portion of the retiring partner's retirement funds.

"Retirement planning should automatically be in your buy-sell plan," said Lapple. "Let's say you have a 65-year-old partner in a group with significantly younger partners, maybe only in their 40s or even their 30s. The likelihood of the older partner wanting to leave years before the others is high and needs to be accounted for to avoid the other partners having to fund a buyout from their own personal cash flow."

Succession Plans for Sole Proprietors

Often times, the most challenging scenario to plan for when it comes to business succession is in the case of a sole proprietor.

"That's the hardest part, dealing with a sole-proprietor," said Lapple. "In most situations you have a family member or a partner who is the heir apparent, but in the case of a one-man business, you have to look at other options."

Lapple suggests sole proprietors look to their competitors for answers.

"Sole proprietors have to get more creative," said Lapple. "You start asking questions like, 'is there a competitor out there who would be interested in buying my business if I die tomorrow?' If the answer is yes, you start the process of a succession agreement with that competitor."

Additionally, looking outside your family unit for an heir apparent is often advised. A successful manager who works for you or an executive within your ranks might be interested in purchasing the company. Sometimes, the resolution for a sole owner is to simply liquidate assets of the business upon death, disability or retirement.

Key-Person Insurance

Of additional importance to a business succession plan is the purchase of a Key-Person, or Key-Man insurance policy. This type of insurance serves to help in case a partner, a key person, dies resulting in financial hardship to the company.

"Let's say you have a high-tech company and you have a key person who is very creative; and they've developed a unique patented process or product, and that person dies," said Lapple. "All of a sudden, you have to go out and search for a replacement in order to sustain your company's viability."

In the case of the search for a very specialized person, it may take a year or longer to find his/her replacement. Key-person insurance proceeds are designed to provide money for an executive search to replace the deceased and also provide additional dollars for lost profitability.

"Key person is especially important from a banking standpoint," said Lapple. "If you're a banker and you've lent money to a group, you need to know that if something happens to a key person, the ability to repay the loan is still intact. It just makes everyone more comfortable."

Consider Accounts Receivable Insurance

Another important insurance vehicle to help protect your company's future is accounts receivable insurance. This type of insurance is an additional guarantee to the solvency of your company's finances.

When you extend credit to a company you inherit a certain amount of risk. What if the company doesn't pay you on time? What if they never pay at all? As a small business, or even a large one for that matter, a delinquent payment from a prominent client who makes up the lion's share of your business could be devastating.

"Accounts receivable is actually an insurance product that insures someone who's extended credit so if the person or entity to which they extended credit defaults, they're guaranteed payment via the insurance company," said Lapple. "Uninsured motorists insurance is a good parallel comparison - you are protected when others don't have insurance to cover their liability."

Risk is part of life. As a business owner, the best way to mitigate your risks and protect your greatest asset, your company, is to establish a comprehensive, airtight, succession plan, invest in Key-Person insurance and consider purchasing accounts receivable insurance. Your trusted advisor at Comerica or another bank can advise you on the best wealth preservation solutions vehicles for you and your group.

For more information, please contact Chris Lapple, Vice President at 310-712-6789 or CALapple@comerica.com.

UnionBank
The Private Bank

Do You Have the Right Private Banker?

Four Ways to Find Out

by Joe Sweet, Senior Vice President, Wealth Market Executive, Union Bank

Not all banks—or Private Bankers—are alike. Helping people manage their wealth wisely requires a special balance of skills, attitudes, and resources. It's part science, and part art. In today's dynamic and competitive financial services environment, it's not easy for an individual to determine who can provide the right guidance. Who can best help you meet your short- and long-range goals? Here are some of the questions you should ask yourself about your current or potential banking relationship:

1. Does your Private Banker listen to you?

Listening may not be the first thing you expect from a Private Banker, but it's the most important first step in helping you reach your financial objectives. It takes time and dedication—and asking the right questions. It's not enough for a private banker to ask "What's your risk tolerance?" A better question might be, "What keeps you up at night?" Or "What are your goals and dreams?" In other words, what financial concerns need to be addressed in any strategic plan that's developed?

The first thing your banker should want to know is who you are: what are your values and objectives? That means your goals for today, your long-range plans for retirement, and your wishes for protecting your family or making charitable contributions through financial and estate planning.

To be of real service in helping you meet future goals, your banker must first have a clear picture of where you are now. That's a very different approach than simply saying "Here's what we offer." To be effective, your banker must keep the focus on *your* needs and goals—not whatever products the bank may currently be emphasizing. Once your starting point and destination are in clear focus, it's then possible to create a road map to help you get there.

2. Does your Private Banker understand your goals—and focus on them first?

Building a long-term relationship with a client means building trust. Ask yourself: Is my Private Banker more interested in helping me reach my goals than in promoting certain products? At Union Bank, we keep the client at the center of the relationship. It's not about what product is the most popular this week, or what investment is currently showing the highest yield (and maybe the highest risk). It's about understanding the client and what is most important to them.

Once you and your Private Banker clarify your current circumstances and your objectives, the process of making strategic decisions can begin. It's also essential to keep in mind that goals are not set in stone; they're fluid. Your banker needs to be on top of your financial situation at all times, so that fluctuations in market conditions and changes in your lifestyle or plans can be met with optimal speed and effectiveness. Just as importantly, he or she needs to keep the focus on *you.*

3. Are you getting the benefit of a synergistic team?

It's true that two heads are better than one—but sometimes several more can achieve even better results. That's especially true when navigating the complexities of today's economy, and the multiple objectives you may have. Our Strategic Wealth Team is a good example of how specialized talent and teamwork can achieve results for clients. The team is headed by a relationship manager—the "quarterback"—with years of experience in spearheading actionable plans. The trust that this leader has already built with the client is the catalyst that makes the team concept so effective. The client quickly realizes that the other members of the team are also focused only on what is in the client's best interests.

Other team members are chosen to align the talents of the team with the client's specific objectives. If the client does not have an up-to-date financial plan, the team may include a financial planning specialist to help clarify the client's current situation and determine realistic goals for the future. Do you plan to retire early? If so, will you have enough income to do what you want? Do you have a business you plan to sell, or will you need succession planning to ensure a smooth transition to the next generation? Does it make sense for one or multiple investment managers to handle your portfolio? These are only a few of the questions you'll need to answer upfront.

If you choose to have the bank manage part or all of your investments, a skilled portfolio manager will join your team and customize an investment strategy to meet your situation. You will get the most current research and reporting to provide objective market and risk management information.

But our team doesn't stop there. We bring in members from other areas of the bank, such as an on-staff residential mortgage consultant or trust officer. Additional team members would also include any existing advisers you may have, such as your accountant or attorney. We can also provide referrals to specialists to address specific situations. Perhaps you need an estate planning attorney or a CPA who specializes in income or estate tax options. Maybe you would like a review of risk factors to determine the optimal insurance package for auto, home, business, life, or umbrella policies. The key is a *holistic* approach to all of your finances—something that only occurs when the right mix of players is on your team.

4. What process makes sense for your situation?

Many banks offer similar products—but tailoring them to match the client's objectives—and continually monitoring progress—is the key. Ask your Private Banker exactly how your money will be managed. Union Bank's proven five-step process, for example, begins with Discovery: identifying the life goals, needs, and priorities discussed above. Step two is Assessment: analyzing your situation to identify strengths and opportunities. Next is the Evaluation and Advice stage. At this point, we look at all the options and scenarios, and present you with an actionable plan that includes strategies and recommendations. Once you approve the plan, Implementation follows. This step requires coordination among The Private Bank team, any additional team members brought in to assist, and your existing advisers.

The final stage, Monitoring and Adjustments, is ongoing, because goals—and economic conditions—change, sometimes quickly. You need continual monitoring of your specific positions and individual transactions, plus regular communication to keep you on top of your assets. You should expect your banker to continually answer the questions: how is my plan performing? Am I on target to meet my objectives?

This type of integrated process requires flexibility, responsiveness, and informed, detailed advice derived from years of collective experience. It requires a thorough understanding of each client's unique situation and goals. Most of all, it requires continual focus on those goals, so that every action taken contributes to meeting them.

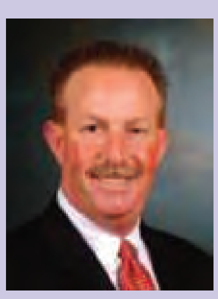
Achieving your dreams and aspirations is a complex challenge. Building the banking relationship that's right *for you* can make all the difference.

For more information, please contact Joe Sweet, Senior Vice President, Wealth Market Executive, Union Bank at 949-553-2521.

The foregoing article is intended to provide general guidance about wealth management and is not considered financial or tax advice from Union Bank. Please consult your financial or tax advisor.

Joe Sweet, Senior Vice President, Wealth Market Executive

As Senior Vice President and Wealth Market Executive, Joe oversees Private Banking, Personal Trust, Asset Management Sales and Private Wealth Planning for the Bank in Orange County. Joe has over 35 years of banking experience and can be reached at 949-553-2521.



PRICEWATERHOUSECOOPERS

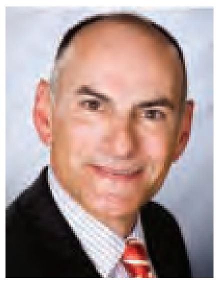
Roth IRA Conversions: 2010's Unique Opportunity

In 2010, a new tax law will permit high-income tax payers to convert IRAs into Roth IRAs, providing a potentially powerful new tax-planning option that should be considered in your overall financial strategy.

A sound financial strategy encompasses the key elements that contribute to your overall financial health, including tax planning, insurance, portfolio management and investment planning. This strategy should be reviewed on a periodic basis to take into account any changes in market conditions or your own situation. One such change occurs this year: As a result of the Tax Increase Prevention and Reconciliation Act of 2005, high- income taxpayers now have, for the first time, the option to rollover traditional IRA accounts into Roth IRAs.

What is the difference between a traditional IRA and a Roth IRA?

An IRA (Individual Retirement Account) provides an investor with a tax-deferred or tax-free method for retirement savings. While there are many types of IRAs available, the most common are the traditional and Roth IRAs; the main difference between the two is whether your contributions are pre-tax or post tax and whether you have a minimum distribution requirement. Both tools are used to house stocks, bonds, mutual funds and other assets owned by the account holder and allow these investments to accumulate in a tax-advantaged manner.



Knute Kurtz

Under a traditional IRA, the account is created and the account holder may receive an upfront tax deduction upon contribution. The account holder only pays taxes when funds are withdrawn. The account holder of the traditional IRA is subject to minimum distribution requirements: You can begin withdrawing funds at age 591/2 without penalty for early withdrawal but are required to take distributions at age 701/2.

With a Roth IRA, you contribute after-tax dollars, but the income and growth are not subject to tax when removed, provided the distribution satisfies a five-year holding period and takes place after age 591/2 (with the exception of death, disability or the need to meet first-time homebuyer expenses). The required minimum distribution rules that apply to traditional IRAs do not apply to Roth IRAs, which means the account can continue to grow tax-free after age 701/2.

Both traditional and Roth IRAs have annual contribution limits; you could contribute up to $5,000 to both vehicles in 2009 (with a $1,000 catch-up contribution allowed for individuals over 50). The Roth IRA has income limits to determine whether you are eligible to contribute, and those limits may not allow any of the $5,000 to be contributed. Although there are no income limits for traditional IRA contributions, if you are participating in another retirement plan, income does determine how much of your contribution is deductible. A Roth contribution is never deductible; it is made with after-tax dollars.

What is changing in 2010? Traditional vs. Roth IRA Comparison

High-income taxpayers (defined as single people with an adjusted gross income over $120,000 and married people with an adjusted gross income over $176,000) are not currently permitted to establish and contribute to Roth IRAs. Prior to 2010, taxpayers with an adjusted gross income greater than $100,000 were not allowed to convert existing traditional IRAs into Roth IRAs at all. While high-income taxpayers will still not be permitted to make annual contributions to a Roth IRA, starting this year, they will have the option to convert traditional IRAs to Roth IRAs. "Many high-income taxpayers have large IRA balances, particularly if they have established an IRA rollover account to defer taxation of qualified retirement plan distributions. It's just one reason why this is an exciting tax planning opportunity and one that can have a profound impact on financial planning," said Scott Torgan, principal, PricewaterhouseCoopers Personal Financial Services.

Benefits of converting to a Roth IRA

"The Roth IRA is a great asset to leave to children or grandchildren since it has no built-in tax liability associated with it," said Torgan. "The longer you can keep from using the funds in the account, the more powerful this investment tool becomes."

The tax-free accumulation of income in a Roth IRA is particularly attractive for younger taxpayers, as sheltering years of earnings in this manner can lead to enormous compounding. The Roth IRA account holder does have to meet the five-year waiting period in order to make penalty-free withdrawals. Beyond that point, however, the Roth IRA, given its lack of distribution requirements, has additional flexibility for withdrawing funds when compared to a traditional IRA. Since one does not have to begin taking distributions at age 701/2 with the Roth IRA, the asset can continue to grow tax-free. For those individuals who have other assets to draw on during retirement, this tax-free compounding is even more attractive.

Another benefit of the Roth IRA conversion is a special incentive in 2010, where you can elect to pay the income tax associated with the conversion over two years, in 2011 and 2012. (Normally, the tax related to a Roth conversion must be paid on the tax return for the year of the conversion.) But the taxpayer needs to be cautious when taking advantage of this short-term tax deferral: If you are subject to higher tax rates in 2011 and 2012, which would be the case as tax rates increase, there will be a direct cost to delaying the tax payment.

What should I consider when converting to a Roth IRA?

The process of converting from a traditional IRA to a Roth IRA is fairly straightforward—much like the process for an IRA rollover—but the manner in which the account(s) is set up can impact the overall effectiveness of the Roth IRA.

Because you must pay income tax on the taxable portion of an IRA upon conversion, the first step is to determine how you will pay these taxes. You can pay them upfront or take advantage of the opportunity to pay in installments. Although this can be a significant tax cost, remember: Once the IRA becomes a Roth IRA, all income and future appreciation have the potential to grow tax-free. Given recent market declines in retirement accounts, a conversion to a Roth IRA early in 2010 may be much less costly than it would have been in the past when IRA values were higher.

"Another consideration is the rising tax rate," said Torgan. "In 2010, the top federal tax rate will be 35 percent. However, the rate is going up in 2011 to 39.6 percent and may even go higher. Therefore, it may be prudent to pay the taxes now, rather than later."

Another tax consideration is the state income tax rate where the account holder lives. If you live in a high-tax rate state and are planning to move to one with a low tax rate, you need to consider the state tax laws and income tax rate to determine if moving would be beneficial.

"Ideally you want the funds you'll use to pay the taxes on your Roth IRA conversion to come from another source, rather than creating a distribution from your IRA," said Torgan. "As it is in your best interest to keep as much value in your Roth IRA as possible, effective planning for the tax-conversion cost is a planning step that should not be overlooked."

As part of this process, consider the beneficiary designation, and update it, if necessary. To extend the tax-deferred compounding, it may be wise to make your spouse the beneficiary and have your spouse designate your children as the ultimate beneficiaries. In this case, the Roth IRA remains part of your taxable estate, but any income tax is avoided.

You also have the option to revert to the traditional IRA (or "re-characterize" your conversion) up until the due date, plus extensions, of the return for the tax year when the conversion was done (i.e., through April 15 or October 15 of the year following the conversion). "For example, let's say you convert to a Roth IRA on January, 1, 2010 by transferring $1 million in assets from your traditional IRA to the new Roth IRA. In early April of the following year before you file your return—the value of the asset goes down to $900,000. You can elect to undo the Roth before paying your conversion taxes, thereby avoiding the tax on the $100,000," said Torgan.

When converting your traditional IRA to a Roth IRA, you may also want to consider setting up multiple Roth IRA accounts and separating them into different asset classes. For example, you might create one Roth IRA for bonds, one for emerging market equities and one for US equities.

The benefit of this strategy is that if one asset class performs poorly, you can "recharacterize" so you are not paying tax on an asset that has decreased in value subsequent to the conversion. If all of the asset classes were commingled, you would not be able to isolate and remove the depressed asset class, and the entire account would be treated as one asset. This approach enables you to take advantage of the different rates of growth within the various asset classes.

"As always, it is important to step back and make sure this is the right option for your specific needs, consistent with your own financial plan," said Torgan. "Paying the taxes upfront is counter to how we typically approach savings, and if you convert to a Roth IRA with the intention of withdrawing the funds in the short- term, this is probably not the best investment tool for you." Because the circumstances surrounding each individual's decision to convert to a Roth IRA will vary, working with a financial advisor can be helpful in navigating the variables of the conversion.

Want to know more about Roth IRA conversions? Please contact: Scott Torgan, Principal, Personal Financial Services by e-mailing scott.a.torgan@us.pwc.com. Or, visit our website at www.pwc.com/pcs to locate the PricewaterhouseCoopers contact nearest you.

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Traditional IRA

- Method for housing stocks, bonds, mutual funds and other assets owned by the account holder for retirement savings
- Funds within the account grow tax free
- Minimum distribution requirements start at 591/2 and are mandatory at 701/2
- No income restrictions for contribution amounts
- Contribute pre-tax money, taxes are paid when funds are withdrawn

Roth IRA

- Method for housing stocks, bonds, mutual funds and other assets owned by the account holder for retirement savings
- Funds within the account grow tax free
- No minimum distribution requirements
- Income limits affect contribution amounts
- Contribute after-tax money, no taxes on funds when withdrawn

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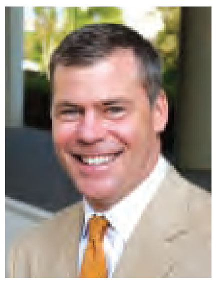
Re-examining The Role of Life Insurance As Part of A Sound Finacial Strategy

It's not like buying a book online, or using the latest technology tool

by Robert J. Waltos Jr., Managing Partner, CLU®, ChFC®, MSM, CASL®, Northwestern Mutual Financial Network

While the '90s were a time of economic prosperity and wealth accumulation for many, the 2000's have reminded people of the importance of diversification and protection. Certainly, economic and world events have caused many of us to refocus on a larger and more challenging financial picture.

For these reasons, it is more important to work with a qualified financial professional. And, wisely, many financial professionals are preaching the need for diversification as a means of better managing risk. But how many of them are suggesting that their clients take a second look at an old reliable tool – life insurance – as an essential element for a sound financial strategy?



Bob Waltos

Arguably, the biggest issue with life insurance is the tendency to oversimplify the whole process of buying it. It's either term or permanent, some "experts" will say. Furthermore, these same experts will often advise that term is the only way to go for everyone.

Truth is, buying life insurance cannot be reduced to a simple either/or decision. It is much more than a simple commodity; it's not like buying a book online or using the latest technology tool. And it will depend upon each person's circumstances.

There are issues of:

- How much insurance you need and how long you'll need it.
- How the actual contract is designed: what types or combination of types are best for your needs; how your insurance needs might change over time; the extent to which you are prepared to pay premiums over an extended period.

It follows that the life insurance policy a person owns should reflect that individual's unique needs – there are no one-size-fits-all solutions when preparing for financial security. For some this could mean term life insurance; for others, it could mean permanent life insurance. For others, still, it could mean a blended policy of both term and permanent insurance, or a combination of several types.

Whenever you get into the issue of term or permanent, it's important to understand the fundamentals.

With permanent insurance, the insurance proceeds are paid to your beneficiaries whenever you die, as long as the premiums continue to be paid. Permanent insurance has level premiums and a cash value that grows on a tax-deferred basis. Term insurance, on the other hand, provides a payout only if you die within a certain period of time. The premiums typically increase each time you renew your policy and it has no cash value. Initially, the premium for term insurance is considerably lower than that of a permanent policy. But, in the long-run, the net cost may eventually be lower with the permanent plan.

Life insurance should be considered the foundation and most conservative element of any personal plan – the money that absolutely has to be there, no matter what the economic cycle or climate. Furthermore, choosing the right amount of insurance is more important than finding the right kind. After that, the type you buy depends on your timetable and budget.

A good financial representative will make sure you consider life insurance as part of your overall financial strategy. This is someone who can help you understand your insurance needs and help identify which products offer innovative solutions in a particular situation. Rather than push a product, a good financial representative will do these things:

- Ask questions about your goals and objectives and your long- and short-term needs.
- Analyze the information to determine the feasibility of these goals, objectives and needs.
- Make a recommendation to help meet your financial goals.

Provide good service year after year, by letting you know how your plan is performing relative to your objectives – it's a long-term relationship.

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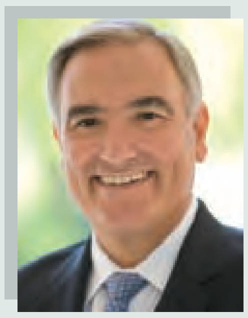

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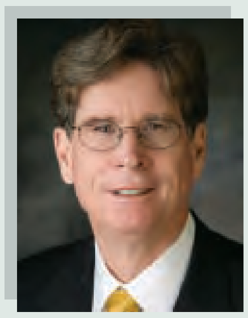

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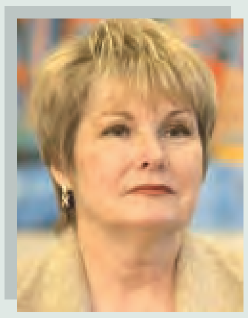

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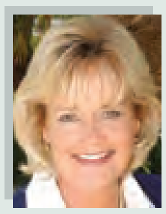

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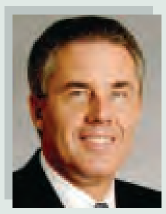

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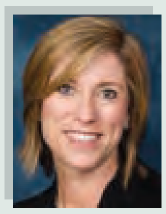

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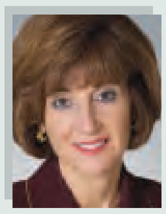

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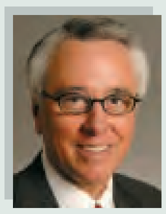

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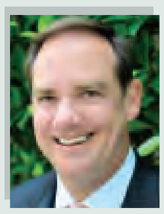

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