



Eastwood
WEALTH

2012 Annual Letter

I hope this finds you and your family doing well! To continue tradition, I thought I would share a few thoughts and ideas as we move ever so close to the end of the year.

2012 has been one of continued transition to slower growth as the world evolves from the financial events of 2008. A couple of variables have captivated the 24 hour a day, 7 days a week news cycle: the 4 year Presidential election and the so-called fiscal cliff. Thankfully, the election is over and the fiscal cliff is now on the front burner. I think this will be solved by both parties, relieved of their political posturing, arriving at a compromise. Eventually, significant tax and entitlement reform will be necessary, but it will probably happen later rather than sooner. The current tax code contains 859 times more words than the Constitution of the United States of America, and our most beloved entitlement programs will soon have a date with destiny if not addressed. The uncertain outcomes of such fixtures in American society could breed short-term movements in asset prices.

What is certain is the unwavering American spirit that is alive and well in our country. This spirit is what our country was founded on and endures past tomorrow morning's headlines. Over the last few years, we have been tested and our resolve is better than ever. Some solutions will be swift while others will take time, our most precious resource.

We can help this process along by reigning in our expectations as investors. Investing is a practice of patience and without it, disappointment will surely set in. For more than 20 years, much of the growth in our economy was fueled by excess consumption and debt. The Dow Jones Industrial Average increased 250% from 1928 to 1982 and 1800% from 1982 to 2007, a pace that is surely tough to replicate.

Households in the United States are bouncing back and many are stronger than they were several years ago. Since 2009, household debt has risen at the slowest pace since records started being kept in the 1950s. I think the biggest lessons to be learned revolve around being overleveraged with debt and the need for a proper cash reserve. Famed economist John Maynard Keynes once said, "The world can stay irrational longer than we can stay solvent."

Today, the Baby Boom generation is transitioning to retirement with 10,000 people a day turning age 65. This track will continue for the next 20 years. The next wave of spenders will be the Baby Boomer's children starting in the early 2020's when they will be between ages of 46 and 50. Traditionally, household spending peaks during these 5 years. This too will continue for 20 years. We will grow in the future just probably not as fast as the more recent past.

A beautiful area of Wilmington now known as Airlie Gardens and Landfall were once home to the Pembroke Jones family. Mr. Jones was known throughout the country, before his passing in 1919, as a financier with railway and shipping interests along with being a New York socialite. According to publications over the years, the Jones' family and its descendants had ties to President's Taft and Roosevelt, the Vanderbilt's, the designing of the Jefferson Memorial and National Gallery of Art in Washington D.C., and the eventual Jacqueline Bouvier Kennedy.

The Jones family was known for their extravagant lifestyle and parties for both adults and children. This is where, legend has it, the adage Keeping up with the Joneses' first appears. From reports, what you saw was not always what you received. For example, at one child's birthday party, each partygoer received a yellow canary in a bird cage. The following day, as each bird bathed in their cage, the yellow dye was removed unveiling your basic backyard brown sparrow. During this special time of the year, I reflect on the idea that it's not as important to Keep up with the Joneses' as it is to know that less is becoming more.

I believe our best days are ahead of us, not in spite of our past, but because of it. I wish you and your family safe holidays. I appreciate the confidence that you have instilled in me, and I remain steadfast in my perseverance of creating a better quality of life for your family. Thank you, and I look forward to a prosperous 2013!

Best,

A handwritten signature in cursive script that reads "Tim".

Tim Evans, CFP® CLTC
Founder

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