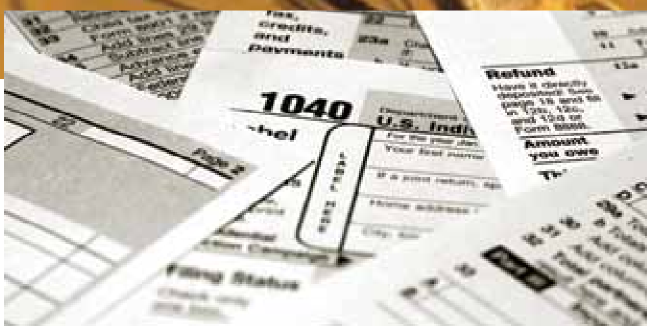
A Quarterly Newsletter Bringing you Financial Insights from the Leaders

March 2011
Volume 4, Issue 1

THE SEIA REPORT



Successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

Tax Laws in 2011

Written by Chad E. Bates, CFP®
Associate Advisor

After months of political power plays, in the waning hours of 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act.

The Act has established a two-year reprieve on the current income tax rate structure for all income earners and has established a two-year "fix" to the otherwise annually changing Estate Tax Law.

2011 Capital Gain Tax Law Changes

While many Americans were confident that the expiration of the Bush Era tax cuts would finally come to an end in 2010, months of political jockeying and a Republican victory in the House of Representatives brought about a surprising announcement on December 17, 2010 that brought finality and resolution to years of Tax Law uncertainty.

In addition to the extension of the current 10%, 25%, 28%, 33%, and 35% federal income tax brackets, the Act also provides an extension of the 15% tax on capital gains and dividend income for those taxpayers in the 25% and above brackets.

Beginning in 2008, many small business owners and self-employed individuals took advantage of the "Bush Era" additional depreciation deductions for qualified business assets placed in service during those years. The 2010 Act has extended and increased the "Bonus Depreciation" clause to also apply through 2012. Qualified property placed in service by December 31, 2011 is eligible for the 100% depreciation while property placed in service by year-end 2012 is eligible for a 50% bonus depreciation.

Other more notable inclusions in the Act, include a temporary 1-year "Payroll Tax Holiday" and a 2-year extension and increase in the AMT patch.

Payroll and Alternative Minimum Taxes

The "Payroll Tax Holiday" lowers the Social Security payroll tax for employees from the current 6.2% down to 4.2% for 2011. The employer still bears the burden of the full 6.2% employer payroll tax but the clause effectively puts a little more money in the pockets of American workers for 2011 which the Houses hope will infuse its way back into the economy.

The 2-year AMT patch raises the exemption amount for joint filers to $74,450 ($48,450 for single filers) for the 2011 tax filing year.

2011 Estate Tax Law Changes

The 2010 Act, more surprisingly, brought some resolution to a decade long debate about the outcome of the "Sunsetting" Estate Tax Law provision drawn into the original 2001 EGTRRA tax bill put into effect by George W. Bush.

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SEIA

About the Firm: Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to meet the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to meet the client's goals. Wealth management is the product of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

Tax Laws in 2011

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The 2001 Act introduced a vanishing Estate Tax in 2010; which many Americans and most planners believed would never come to fruition. In light of economic and political turmoil surrounding the end of the decade, the 2010 "Sunset" was never addressed by the Houses of Congress resulting in the ability for many wealthy Americans to pass particularly valuable estates without the obligation of an estate tax. One of the most notable stories was that of New York Yankee's owner George Steinbrenner whose untimely passing in July of 2010 created one of the single most notable billion dollar exploitations of the one year estate tax loophole.

In 2011, the Estate Tax exemption was scheduled to fall back to $1 million per individual with a 55% estate tax on the excess value over $1 million. With 2 weeks left in the year before the 2011 law would become the default, the Houses and President Obama came to a historic agreement setting the new exemption level at $5 million per individual ($10 million for married couples utilizing proper planning). The new law would also carry a 35% tax for estates valued greater than $5 million.

The new Estate Tax Law became effective December 17, 2010 and is scheduled to last through the end of 2012; where it appears likely that there will be more political bargaining by both parties to bring about additional changes to the constantly evolving and controversial tax law.

Unlike previous changes to the Estate Tax Law, the 2010 Act brought about a re-unification of the Estate and Gift Tax. Like the Estate Tax exemption, the Gift Tax exemption will now be set at $5 million per individual with a top rate of 35% for excess gifts.

In prior years the Gift Tax exemption was set at $1 million per individual and was not linked to the annually increasing Estate Tax exemption. In 2011, individuals can now take advantage of the increase in the Gift Exemption and can "gift away" up to $5 million of assets during their lifetime.

2011 and 2012 Planning Opportunities

Estate & Trust Planning Review

Clients should review their existing Estate and Trust Planning documents with their Financial Advisor. The recent tax law changes may uncover deficiencies in the original drafting language or it may uncover new opportunities for clients to update their estate plans to take advantage of previously unavailable estate and tax planning opportunities.

$5 Million Gift Tax Exemption

Clients may consider using a portion or all of their $5 million gift exemption to "remove or shift" assets from their taxable estate. Many clients have previously established Irrevocable Trusts for the benefit of heirs; the gift tax law change has opened a window of opportunity to take advantage of increased funding capabilities for these entities. Clients who have yet to begin planning for Irrevocable Trusts should consider discussing this opportunity beginning in 2011.

ROTH IRA Conversion Planning

Many clients took advantage of the one year opportunity in 2010 to convert unlimited assets from Pre-Tax Retirement accounts (like IRA's) to tax-free ROTH IRA accounts. The benefit of initiating conversions in 2010 was the ability to defer the income tax on the conversion over 2 income tax years (2011 and 2012). Many clients may have initially been cautioned about spreading the tax over 2 years because of the likelihood of increased tax rates after the expiration of the 2001 EGTRRA tax cuts. However, with the extension of the 2010 tax rates through 2012, clients should consider spreading the tax liability over 2011 and 2012.

The 2010 Act brings about several unique planning opportunities that may only be available through the end of 2012. Consider discussing some of these topics with your SEIA Financial Advisor to better determine if these strategies may benefit your financial and estate planning goals.

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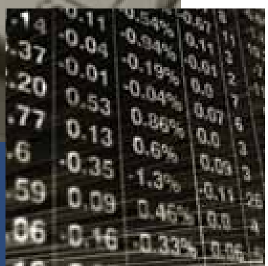
Signature Estate & Investment Advisors, LLC®
www.SEIA.com

SEIA Welcomes Tom West of our Virginia Office

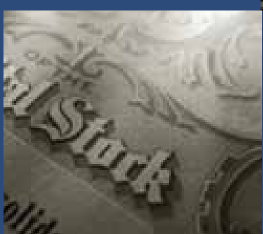
Signature Estate & Investment Advisors, LLC (SEIA) is proud to announce the addition of Thomas C. West, ChFC, CLU to our Virginia office and the firm. With 3 offices in California and 1 in Vienna, Virginia, SEIA is excited to continue growing and expanding with dedicated Advisors to our practice.

As a Chartered Financial Consultant (ChFC) and a Chartered Life Underwriter (CLU), Tom focuses his energy on families planning for their retirement. Tom has over 14 years of experience in retirement planning and asset management.

Tom has been working for years in the D.C. Metro community by improving the financial literacy of families facing a wide range of challenges. Along with one of his business partners, Tom has developed and taught the Retirement Planning and Long Term Care Planning curriculum offered through Fairfax County Adult Education for over eight years. He is also the founder of the Fairfax Caregiving Seminar Consortium (FCSC), a public / private / non-profit partnership that includes the Fairfax County Area Agency on Aging, Fairfax County Libraries, and the Alzheimer's Association. Furthermore, having served on the Board of Directors for the National Capital Chapter of the Alzheimer's Association (NCCAA) for six years, Tom has driven much of the financial related workshops and seminars that the NCCAA has conducted.



Tom's efforts have not gone unrecognized in the press. He has been was quoted in *Businessweek*, AARP's *Segunda Juventud*, and the DC-based *Senior Beacon*. He has been interviewed on Washington's WTOP News Radio and spotlighted on Comcast's *Headline News*.



Our Virginia office serves clients in the D.C. metro area, Northern Virginia and Maryland. Tom, along with John Keenan, CFP® manage the office with the help of Associate Advisor Craig Williams, CFP®. Together they specialize in investment planning and wealth management services for high net worth executives, corporations and retirees.

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SEIA believes that investment management and prudent portfolio allocation can be accomplished with an overall wealth management strategy.

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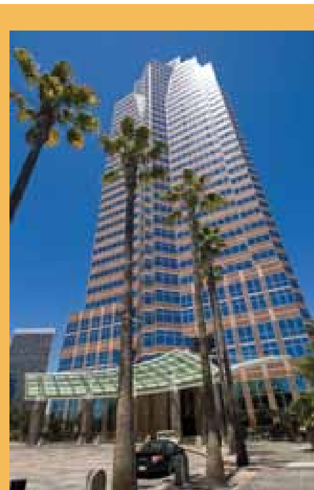
Did You Know?
Did You Know?

SEIA is expanding to the South Bay!

SEIA is excited to announce that we are opening a 5th office in Redondo Beach. Construction has started and the office is expected to open this summer.

Headquarters - Los Angeles, California *(pictured right)*
Irvine, California
Pasadena, California
Vienna, Virgina
Redondo Beach, California - Coming Soon!



Would you prefer to receive our quarterly newsletter electronically? Do you have friends or family that you would like to add to our quarterly distribution list? E-mail us at: contactus@seia.com.

Market Perspective

Written on February 25th with the S&P at 1300

By Deron T. McCoy, CFA, CFP®, CAIA
Director of Investment Strategy

BULL MARKET:
Shorter-term Perspective

Late summer, Bernanke hinted at additional quantitative easing by the Fed. The increased liquidity in conjunction with improving economic numbers has resulted in a 5 month mini-bull market that has pushed the S&P 500 index up approximately 28%. Bespoke Investment Group compared the market's recent pattern to all other periods of the same length in the history of the S&P 500 and found five periods with remarkable similarities.

The most recent was early 1995 in the early stages of the internet era (and with recent talk of Facebook, Groupon, etc. the last five months look awfully similar to 1995 on many levels). Encouraging for the bulls is the fact that even after that run-up in early 1995; the S&P 500 rallied another 17.3% over the next year. The four other periods (1935, 1949, 1953, and 1958) also traded higher over the next year with gains ranging from 7.3% to 36.7%. With an accommodative Fed and still improving economic numbers, history suggests that further gains can still be achieved.

BULL MARKET:
Longer-term Perspective

Two days after Valentines Day, the S&P 500 had a "double date". When the S&P surpassed 1332 the index had officially doubled off of its bear market intra-day low set on March 9th, 2009. If the index reaches 1353, it will be the 10th bull market since 1928, according to Bespoke Investment Group, to have doubled off of a bear market closing low. And if we are to reach that level soon, it would be the fourth fastest bull market to double off the low and the fastest outside of the Great Depression.

Please refer to "100% Bull Markets" Chart top right

On average, the S&P has struggled in the one and three months following the "double-date" however the index has posted moderate gains over six months and has gone on to post significant gains from the "double-date" through the end of the bull market with an average additional gain of 50% (median of 16%) with an additional tenure of 536 days (median of 226 days).

What conclusions can we draw? If history were to repeat we could see some near-term moderate weakness (or sideways action) but further gains in the not-too-distant future. With our current bull market posting a nearly 100% gain in 715 days, history suggests that this bull may still have room to run.

BULL MARKET: Continuing Investment Themes and Solutions

If you are regular readers of our Newsletter, you are probably now familiar with our investment themes that permeate our model portfolios. Recently, we received a research piece from Goldman Sachs that mirrors a lot of our own thinking—and we thought it best to share the 5 key themes that Goldman Sachs believes will "drivv" investment returns in the foreseeable future.

Please refer to "Investment Themes and Solutions" Chart bottom right

The themes are similar as those that we have been outlining in past issues of the Newsletter. Some common equity themes include Emerging Markets, EM sales and active investment strategies that favor pro-cyclical exposures as opposed to defensive industries. In Fixed Income, we have been in favor of 1) bonds that are tied to the credit markets versus those tied to duration (Government bonds) 2) flexible (unconstrained) bond portfolios that are not directly linked to the index 3) the use of Alternatives including commodities. In short, the majority of our emphasis in past quarters has been on "DRVV"—we believe it is now time to begin overweighting the risks in the "I".

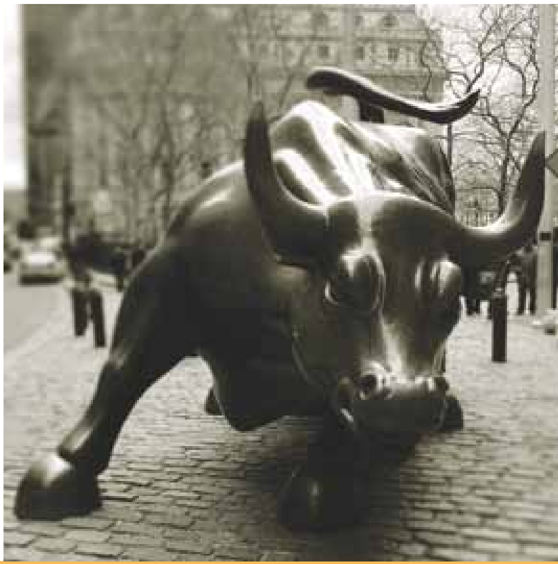
BEAR MARKET:
Risks on the Horizon

It would be foolish to think that there were not risks on the horizon however and two newer risks have started to emerge this quarter—geopolitical risks as well as global inflation. February has seen unprecedented political protests in the Middle East and North Africa. Fears of a disruption to oil supply (Libya, Saudi Arabia, and the Suez Canal) have sent oil prices skyward to roughly $100 per barrel. Higher energy costs essentially acts as a tax on the US consumer thereby curtailing other expenditures and pinching corporate profits. Mohammed El-Erian of PIMCO went as far as mentioning the dreaded "S" word—Stagnation—as higher energy costs (inflation) could potentially choke off dollars from the rest of the economy and the global business cycle stagnates as a result. If the rise in energy costs is more than a temporary price-spike, then a pause in the bull market may be at hand. Uncertainty over future earnings can cause a decrease in the price investors are willing to pay for those earnings—thus a lower Price-to-Earnings (P/E) ratio. Lower P/E ratios (even if earnings ultimately are not affected) will push equity prices lower—or at least sideways for a period of time.

But it is a different kind of inflation (food inflation) that is already affecting global central banks. Emerging Market governments, in a direct contrast to our own, are already tightening monetary policy as they attempt to cool off their economies. This has crimped overseas returns as markets adjust—and we are just starting to see similar inflationary trends on our shores as well.

SUMMARY:

What can investors do in such a challenging economic environment? First, don't remain on the sidelines, as leaving assets in cash could eat away at their value in an inflationary environment. Second, invest intelligently, in asset classes that could prepare a portfolio for the threat of rising inflation—whenever it occurs.



100% Bull Markets

Start of Bull	Double-Date	Days to Double	% Chg Next 1 Month	% Chg Next 3 Months	% Chg Next 6 Months	End of Bull	Days of Entire Bull	Days from Double-Date to End of Bull	% Chg from Double-Date to End of Bull	% Chg of Entire Bull
6/1/1932	9/2/1932	93	-8.82	-23.87	-34.73	9/7/1932	98	5	5.32	111.59
2/27/1933	7/3/1933	126	-9.72	-17.21	-12.99	7/18/1933	141	15	4.99	120.61
3/14/1935	7/27/1936	501	-3.72	3.10	10.03	3/10/1937	727	226	15.60	131.64
4/28/1942	5/8/1945	1,106	0.07	-1.60	13.24	5/29/1946	1,492	386	28.68	157.70
6/13/1949	4/1/1954	1,753	3.83	7.51	20.32	8/2/1956	2,607	854	83.07	267.08
10/3/1974	8/11/1980	2,139	0.02	3.77	3.60	11/28/1980	2,248	109	12.61	125.63
8/12/1982	12/11/1985	1,217	-0.17	12.30	16.31	8/25/1987	1,839	622	63.23	228.81
12/4/1987	2/4/1993	1,889	1.15	-1.12	-0.06	3/24/2000	4,494	2,605	239.77	582.15
10/9/2002	10/5/2007	1,822	-3.56	-7.09	-12.20	10/9/2007	1,826	4	0.49	101.50
3/9/2009	?	> 715	?	?	?	?	?	?	?	?
		1217	-0.17	-1.12	3.60	Median	1826	226	15.60	131.64
		1183	-2.33	-2.69	0.39	Average	1719	536	50.42	202.97

Investment Themes and Solutions

DRIVV	INVESTMENT THEME	SOLUTION	POTENTIAL BENEFIT
DOLLAR	Notwithstanding periodic safe-haven flows, long-term structural imbalance among developed fiat currencies calls for a broader strategic response	EM Equity Commodities EM Debt	Commodities trade in Dollars, leading to potentially higher prices should the USD weaken
	Currencies from higher real GDP growth markets appear undervalued and may be beneficially exposed to the earliest stages of global rate tightening		EM currencies may provide a more attractive risk/reward profile than the Yen and Euro
RECOVERY	Long-term global GDP recovery driven by resilient EM economies, rising domestic demand, and trends in westernization	EM Equity Commodities Equity: Active Bond: Credit	Access to the next economic juggernauts may provide opportunities for growth and diversification
	EPS and P/E expansion to drive next stage of equity recovery. Prefer BRICs, EM sales, pro-cyclical exposure, dividend growth, and credit over duration		Follow the growth (GDP and Earnings)
INFLATION	Vast capacity in labor, manufacturing, and housing should limit broader inflation, though supply-constrained sectors may experience price pressures	Commodities Equity: Active TIPS	With a beta to the CPI Index of 7:1, a little commodity exposure may go a long way
	Potentially higher input costs can be offset by exposure to dominant franchises with pricing power		Equity exposure to companies that can defend margins against higher input costs
VOLATILITY	The greater frequency of left tail events requires a more robust response to risk mitigation, including strategies to reduce or adapt to changing volatility	Alternatives Unconstrained- Bonds	Potentially reduced portfolio volatility through access to alternatives
	Macro headwinds, liquidity dislocations, and high idiosyncratic risk provide an ideal template for active risk and benchmark independent strategies		Flexible strategies to optimize risk in a variety of macro, technical, and fundamental environments
VALUATION	Even the most conservative valuation frameworks suggest P/E's multiples remain attractive, particularly during periods of low inflation	Equity: Active Bond: Credit	May provide attractive entry points for wealth creation and income generation opportunities
	Credit spreads across broad fixed income sectors still trade at elevated levels, particularly when considering historically high asset/cash ratios and credit quality		Reduce high opportunity-cost cash balances and low-yielding governments

Leaving a Legacy Plan

We will all leave this world sometime. Why leave unanswered questions with those we love?

Article provided by Peter Montoya, Inc.

We all want to live a significant, successful life. Yet how many of us realize that our important, positive contributions can last long after we are gone?

Two things are certain: death and taxes. Some of us grasp that reality early, so we create wills, living trusts and estate plans. Others deny this reality and leave their heirs with perplexing questions, added stress and even anger when they pass away.

The truly farsighted among us opt for a full-fledged legacy plan.

How does a legacy plan differ from an estate plan? An estate plan determines a destiny for your assets. A legacy plan does that and more: it communicates your values, wishes and memories as well as financial directions.

If you ask someone about the "why" of estate planning – that is, why should you have an estate plan in the first place – the instant response is "to avoid estate tax". That is certainly a good reason to create an estate plan – but it may not be the best one.

A legacy plan can convey your values and wishes when it comes to the following matters:

- The distribution of the estate – selecting a steward, showing that person how these assets are to be managed according to your values and outlook.

- The future of a family business – you can share the knowledge only the owner and founder has, you can establish who will own it after you, who will manage it and who will benefit financially from it.

- Protecting your business (and your estate) from "predators and creditors" – taking steps to insulate the business (and your heirs) against lawsuits, debts outstanding, and intrusions of relatives or past associates.

What do conventional estate plans risk ignoring? While basic estate plans establish where assets go, they don't often communicate the personal and practical details that can aid heirs in the case of an unexpected loss.

A legacy plan communicates more than financial details – it expresses your values, your final wishes and the life lessons you want to pass along. It conveys knowledge that may make things smoother for your heirs and your company at a time of grief and crisis. It imparts wisdom that your successor may use to guide inherited assets in the future, so that these assets might endure for more than a generation.

In other words, it gives your heirs your business some answers to the questions "what do we do now" and "what would he/she have wanted us to do".

Legacy plans are built taking many factors into account. The first factor is you. What are your goals, financial and otherwise? A legacy plan should first respect your wishes and intentions.

The second factor is family. Different people define "family" in all kinds of different ways. A good legacy plan respects your definition, and is created with an understanding of it and your particular "family" dynamics.

Only after this should the tax and financial strategies of the plan be determined.

Many estate plans are too boilerplate, and/or they aren't designed to hand down the experiential wealth and wisdom that should accompany the assets. A good legacy plan transmits values, instructions and guidance to ease a family's burden when it comes to settling financial and business issues at a time of grief.

Did You Know?

April is the best Dow month since 1950

> April 1999 first month ever to gain 1000 Dow points