

The COMPASS Chronicle

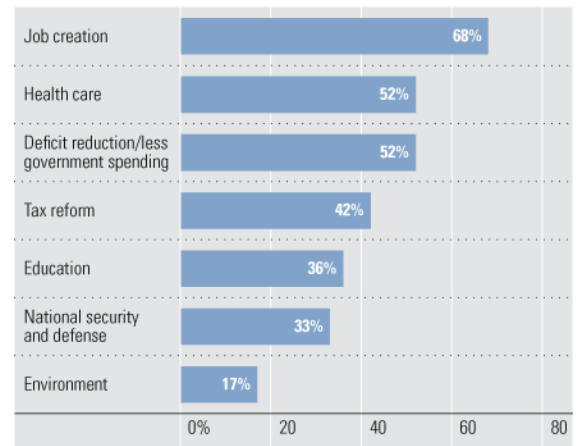
July 2012 | Vol. 2 No. 7 | Wealth Management Update

Health Care, a Central Election Issue in 2012

As soon as President Obama signed the Patient Protection and Affordable Care Act into law in 2010, critics and defenders of the legislation started a heated debate, which continues throughout the 2012 election season. Republicans like to point out the program's high cost and how it will likely increase the federal deficit; Democrats argue that short-term benefits of the law have already become apparent, and long-term benefits will include affordable health care to all Americans.

The image displays the percent of consumers who ranked each issue as first, second, or third most important factor in the 2012 presidential election. With the unemployment rate at 8.2% as of April 2012, it's no wonder voters are primarily concerned with job creation. Health care is the second most important factor on the list.

Percent of Consumers Who Ranked This as Most Important Factor



Source: "Top health industry issues of 2012: Connecting in uncertainty," PricewaterhouseCoopers Health Research Institute Report and Consumer Survey, November 2011. Unemployment rate from the Bureau of Labor Statistics.



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Advisor Corner

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Our wealth management services include investment management, retirement and gift planning, education funding, and other advisory services.

We take pride in offering you expert financial advice along with personalized service. Assisting you in reaching your financial goals is our business and we take that responsibility very seriously.

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Legal Documents for your Children

By Louis E. Conrad II, CFA

- ▶ Parents are often unaware how critical it can be that their majority age children have executed certain estate planning documents.
- ▶ Primary among these are a durable power of attorney and a health care proxy.

The summer months are often a time for vacations, which provide an opportunity for relaxation and reflection. And while legal documents for your college age children may not be something you had contemplated, there are several estate planning-related documents that can be crucial to ensuring your piece of mind.

Once a child reaches 18 years of age, they are considered an adult in most states. With adulthood your children gain their financial and medical independence, at least in the eyes of the law, as well as privacy from you. Though you are their parent, once your children turns 18, you no longer have the right to legally act on their behalf unless certain legal documents have been executed that appoint you with this authority. These documents are the durable power of attorney and health care proxy.

Durable Power of Attorney

With a durable power of attorney (DPOA), your young adult child can legally delegate authority to you to manage their financial affairs in the event they are unable to do so. A DPOA can be used if your child becomes disabled or incapacitated, on either a temporary or permanent basis. If you are appointed their attorney-in-fact, you can deal directly with their college's financial aid office and student loans, your child's lease agreement, credit card companies, and their bank accounts.

This type of authority may be especially convenient if your son or daughter attends a school in a different part of the country or is traveling abroad. The federal Family Educational Rights and Privacy Act protects the privacy of a student's college record. Some post-secondary educational institutions maintain their own release forms, which may need to be executed in addition to a DPOA.

Health Care Proxy

If your child has a health care proxy, and you have been appointed their agent, you will be able to make decisions about their medical care if they are unable to

do so. Such a medical directive can reduce the time necessary to make medical decisions. Although sometimes appearing as separate documents, a health care proxy will often include two other important directives, a HIPAA release and a living will.

HIPAA, the acronym for the federal Health Insurance Portability and Accountability Act, provides you with authorization to access your child's medical information at a medical facility. These facilities also offer their own HIPAA releases, but your child would need to be capable of signing the directive. Without a HIPAA release, you will not have access to your child's medical condition or records despite your status as the parent.

A living will outlines your child's wishes in the event they require extreme medical intervention or life support decisions. While not legally enforceable in some states, a living will can provide guidance to others.

Conservatorship and Guardianship

If your young adult children become incapacitated without a durable power of attorney and health care proxy, you will need to go to probate court to have a conservatorship and/or guardianship put in place. The process of obtaining either is lengthy, expensive, and a matter of public record. A conservatorship would allow you to handle your child's financial affairs, while a guardianship gives you authority over their physical being, including medical decisions.

So as you relax and reflect this summer, consider having your college age children obtain a durable power of attorney and a health care proxy. With these documents, you will have the necessary access to act on behalf of your children in regard to their financial and medical affairs. And you can spend the rest of the summer relaxing.

Monthly Market Commentary

- ▶ Among the most critical issues impacting global growth is the European debt crisis.
- ▶ A clear difficulty facing Europe is the lack of fiscal coordination among the disparate European Union members.
- ▶ Though relinquishing at least some fiscal control at the national level may be necessary to maintain the Euro's existence, the process will take time and result in capital market volatility during periods of heightened uncertainty.

Investors continued to monitor the situation in Europe, as news on Spanish financials moved markets both down (poor Spanish bank audits) and up (support loans for Spanish banks). Up to this point, there is still no long-term remedy for European countries, with the expectation that they will continue to struggle over the next several years under austerity programs, diminished growth prospects, and waning confidence.

While economic data in the U.S. were generally weak, they were not weak enough to drive the Federal Reserve to introduce a new program. Instead, the Fed merely extended Operation Twist until at least late 2014. Morningstar economists doubt that the program will have much more than a symbolic effect on rates, given the already-low rates on long-term securities.

Employment: June saw a disappointing 84,000 jobs being added, mostly from sluggish private sector job gains. While the economy actually added 815,000 jobs, 731,000 were subtracted because of the seasonal adjustment factor. The good news is that in July, the seasonal adjustment factor will add, instead of subtract, more than 100,000 jobs to the total number, so that's something to look forward to. The unemployment rate remained at 8.2%.

Manufacturing: Manufacturing data in June fell sharply, mainly from a massive drop in new orders. This was the largest month-to-month decline since October 2001, and reversed 37 straight months of positive growth readings. Morningstar economists believe that many firms, faced with economic uncertainty in both developed and emerging economies, may have held back on new orders. However, at this stage of the recovery, the U.S. economy can tolerate some weakness in the manufacturing sector since it only represents 11% of overall employment. Month-to-month durable goods orders jumped 1.1%, but this was not enough to offset several previous months of decline. On a year-over-year basis, growth has slowed materially, falling to 4.6% from 6.9% in the prior month.

Auto: Auto sales have been a key driver in the economic recovery, and while they exploded upward in

the beginning of the year because of favorable weather conditions, growth has tapered off from March through May. Fortunately, auto sales in June jumped back up to 14 million units from 13.7 million in May, which was 21% above last year's tsunami-blighted numbers, putting a stop to the downward trend.

Housing: Housing data in June have been highly optimistic, with uniformly positive pricing data, new home constructions trending upwards, existing home sales data driven up at least partially by a lack of quality inventory, and homebuilder-related financial data continuing to rise. Morningstar economists believe that the more predictive, earlier-in-the-cycle data is stronger than the more concurrent data, indicating more gains ahead. Furthermore, low rates, falling inventories, and higher sales levels should lead to better pricing results as well.

Quarter-end insights: It has become more clear that the U.S. is less dependent on exports than many other countries (U.S. exports represented only 13% of GDP according to 2010 data), and so a general slowing of the world economy would not drastically affect the U.S. economy. However, the U.S. economy is not the same as U.S. stocks, so S&P 500 companies that have substantial overseas exposure are still at risk. Stocks with lower overseas exposure, such as utilities, communications, and health-care stocks, were among the best performers in the second quarter. The relative U.S. strength showed up in country-level data as well, with U.S. indexes down only 5% near the end of the second quarter, while both European and emerging-market indexes were down 10-15% for the quarter. Overall, consumers continued to spend, fueled partially by falling gasoline prices. Unfortunately, low commodity prices were bad news for many basic material companies, as prices for their goods dropped while costs of production remained relatively high.

Wealth by Numbers

America has long been known as the land of opportunity and the promise of a better life to people from all over the world. Recently, however, many Americans feel robbed of opportunities and better lives by the top 1% of their own. This growing income inequality has led to problems and civil unrest, as demonstrated by the “Occupy Wall Street” movement.

The table presents household income distribution data from the U.S. Census Bureau. Given that the poverty threshold for a two-member household is around \$14,000, it appears that approximately 13.7% of Americans are poor. At the other end of the income spectrum, 3.9% are rich, with household incomes higher than \$200,000.

Household Income Distribution in 2010

Under \$5,000	3.5%
\$5,000 to \$9,999	4.3%
\$10,000 to \$14,999	5.9%
\$15,000 to \$19,999	6.1%
\$20,000 to \$29,999	11.5%
\$30,000 to \$39,999	10.2%
\$40,000 to \$49,999	8.9%
\$50,000 to \$74,999	17.7%
\$75,000 to \$99,999	11.4%
\$100,000 to \$149,999	12.1%
\$150,000 to \$199,999	4.5%
\$200,000 and over	3.9%

Source: U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic Supplement. Poverty threshold also from the U.S. Census Bureau.

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