



# Quarterly Update

FALL 2010

NEWSLETTER OF BAKER BOYER WEALTH MANAGEMENT SERVICES

As a youth, I remember going to my Aunt Mary and Uncle George's house for the traditional Thanksgiving dinner. The adults were huddled around a big antique table, and of course, there was the traditional kids' table that was in a small anteroom. What I remember most about those times was how wonderful this holiday is. Thanksgiving is where we, as Americans, take one day off to give thanks for our family, friends and for everything that we have received. The only thing I can remember not being thankful for at Thanksgiving dinner was winning the prayer lottery: you know, being picked by my Aunt Mary to say the grace prior to the meal.

I am always very thankful for one thing in particular at Thanksgiving: My Family. My Mom and Dad, Aunts, Uncles and Grandparents have gained great perspective on life through adversity and as a result are wise beyond their years. Their constant tutelage and guidance has always been a great comfort to me, primarily because it is steeped in common sense and rationality. I have come to believe that common sense and rationality are hallmarks for Eastern Washington and our community's value system reflects that.

Thanksgiving is once again fast approaching; it is time to reflect and be thankful for everything we, as a nation, have received. I know that it can be hard to find the good in a continually slow



economic recovery but it is important to realize that we are still moving forward. Remember just two years ago many were expecting the entire financial system to collapse and assumed we would be losing \$700 billion in TARP funds (the funds sent to banks as emergency capital to keep them afloat). We have come a long way from then.

As we look back, we need to make sure and take out the fear and panic as well as the bravado of Wall Street from our analysis. We need to examine the economy using our common sense and rationality. This is what Baker Boyer, using its Eastern Washington common sense, excels at.

Common sense and our focus on working in teams is what has kept Baker Boyer strong during the recent financial crisis. With this sense of thoughtful teamwork we are able to utilize the wide

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array of knowledge and expertise of our employees to make better decisions and recommendations for our clients. Personally, this has made me a much better economic forecaster. I discuss my economic strategies with my team and that is where economic theory comes face to face with good old fashioned common sense. What comes out of that process is the Baker Boyer approach to investing and financial planning that has benefitted our clients for many years.

In addition, Baker Boyer often teams with business people from our community. We often host “Community Leadership Forums” where we bring together professionals from every facet of the Walla Walla economy to analyze what they are seeing in their businesses in conjunction with what the national data is telling us. This allows us to have a greater perspective not only on the national economy, but our local economy as well.

What was interesting about this last set of meetings was the consistency of the message from our business and community leaders. The message was that if your business had a national and international reach, you were typically seeing a more rapid turnaround from the recession. In other words, our national economy seems to be strengthening. The data bears that out as production orders are now coming in, unlike 2008 and 2009 when they had ceased. The group also believed that hiring of employees at local manufacturers with national exposure was either in the works or being contemplated.

Conversely, for small businesses with a focus here in Walla Walla, the group agreed that not all was rosy. Many were feeling the pains of a slowing economy that seemed to finally be hitting Eastern Washington. Despite a relatively profitable agricultural harvest, folks were not reopening their wallets. Instead they continued to save and did not purchase larger ticket items. Local retailers were especially aware of this phenomenon. The consensus among the group was that the Pacific Northwest’s economy lags about two years behind the national economy and that our local economy, while recovering, still has a ways to go to get back to pre-crisis prosperity levels.

Despite some local challenges, there are encouraging signs for the future. We are seeing many indicators that the adverse effects from the recession seem to be coming to an end. For example, employment numbers are finally seeing some positive movement. This is much different from the message the media is sending us. Despite what they report, about 2% of all jobs

in the US workforce are open or are in the process of being filled. This is a big step forward, but raises many questions such as; why do we have this divergence between jobs that are open and a high unemployment rate? What could be causing this? The answer is that there is no simple answer. Many jobs that need to be filled have a lack of qualified applicants. Thus, there is an influx of people going to community colleges and other institutes of higher learning so they can be retrained to fit available jobs. This fact has been confirmed through my discussions with educators at Whitman College, Walla Walla University and Walla Walla Community College. Enrollments this fall are among the highest they have ever had. This is a big difference from just a few years ago when unemployment was incredibly low and jobs were plentiful and so little retraining was needed. However, there are many people who haven’t taken this route, choosing to wait on the sidelines for the jobs they used to have to come back again. Unfortunately, this may delay the economic turnaround. The sooner that

**We’re pleased to announce the renovation of our Yakima office is nearly complete. We are expanding our team to take advantage of the strong economic climate in that area. The building, originally constructed in 2005, was designed with future growth in mind. Stop by for a tour of our renovated office.**



those who are unemployed realize the economy has changed, the faster they can be reemployed into a new workforce and start contributing to our economy again. But the trend is towards retraining, which is a positive thing for our economy.

Another bright spot in the current economic climate is corporate America. I am thankful that US corporations, both large and small, continue to be highly profitable. They have repaired their balance sheets and are recovering faster than anyone expected. This strength in the corporate sector is vital as they employ the lion's share of the US workforce. However, one of the ways that corporations improved their balance sheets and profit margins was by either laying off employees or by not rehiring for positions that became open due to normal attrition. This has put tremendous pressure on the current workforce because the work left was just absorbed by the remaining employees. Although this was extremely efficient at the time, as the economy expands the pressure on the remaining workforce will become untenable. We are starting to see this emerge now, most notably shown through recent declines in productivity statistics. This leads me to believe that there will be a significant shift toward rehiring by corporations in the next six to nine months, which will help our economy and our communities significantly, provided that the financial system continues to stabilize.

Speaking of stability, we should all be thankful for the relative stability

of the United States when compared to the rest of the world, one only has to look at the turmoil in France and Italy to see how bad it could be. In fact, it is important to know that the US actually had a less severe recession when compared to other nations, especially those in Europe. That said, it always amazes me how resilient Americans are when faced with adversity. We must not take our toughness for granted.

One of the harbingers of instability and negativity, as evidenced in the global recession, is when a nation or group endures a crisis of confidence. I was talking with Russ Colombo in our Business Banking group and he mentioned that he had read an article on how even the use of the word "discouragement" could be debilitating to a group. The reasoning behind that is that if you get enough people in a room to talk about discouragement it is simply depressing. Even if you entered the room feeling pretty good about yourself, you would leave the room disheartened. This reminded me of something that I learned in a college psychology class. It was a concept called, "learned helplessness." The theory is: if you confront a normal person and insist to him/her that he/she needs help, sooner or later he/she starts to really feel inadequate, self-conscious and finally helpless. While we aren't as bad off as France and Italy, in many ways, I feel that as a country, we have been to that point of feeling helpless and discouraged. The media keeps telling us how terrible it is out there, and until recently I think we believed it. However, the cycle of

believing negative news more readily than positive news is slowing as we can and are taking solace that signs of a recovering economy are starting to show. For instance, the Leading Economic Indicators continue to show expansion of the economy six months into the future and more importantly the Institution of Supply Management (ISM) continues to show an expanding US economy in both the manufacturing and services sectors. This is good news, as these indicators account for nearly all the economic activity of the \$14.5 trillion US economy. On a local level, a *Seattle Times* poll showed that nearly 70% of Washingtonians felt that the next 12 months will be better for them and their families. What was interesting was that same poll showed that Washingtonians didn't feel as negatively about their families as they did about their neighbors. Essentially, they feel like "I'm OK, but my neighbors are really bad off." Maybe this Thanksgiving we all need to reach out and let our neighbors and the world know that America is coming through this latest challenge unbroken and ready to move forward.

I know we will all be with family, friends and loved ones during this upcoming holiday season. When you sit around your Thanksgiving table this year, remember that, as a nation, we should be very thankful for all that has been given to us this year. I personally am thankful that the economy is recovering. I am thankful that indicators are showing continued strengthening of the economy and that eventually unemployment will

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# CONGRATULATIONS, BRIAN



Baker Boyer Bank Investment Management and Trust Services is pleased to welcome Brian Bruggeman as our newest Trust and Business Development Officer. Brian joins Baker Boyer after a career in financial services in Southern California. Brian was the Branch Manager of the Girard Branch of Wells Fargo in La Jolla,

California prior to moving to Walla Walla. Brian is a graduate of the San Diego State College of Business Administration with a Bachelors of Science degree in Financial Services.

For Brian, the choice to move to and work in Walla Walla was an easy one. Brian's wife, Alison Billingsley, grew up in the Walla Walla Valley and after visiting numerous times, Brian instantly took to the area. Having grown up in one of the few rural areas still left in San Diego County, Walla Walla was not as much of a stretch as one might think. The sense of community and the great family atmosphere were two of the biggest draws for Brian and Alison.

When not assisting clients at Baker Boyer, Brian enjoys spending time

with friends and family, traveling, golf, and reading. Whether as a competitor or a spectator, Brian has remained involved in outdoor activities as well.

Brian looks forward to providing the same exceptional service Baker Boyer clients have come to expect throughout the years. Please feel free to stop by any time to meet Brian and get acquainted.

Brian Bruggeman  
Trust & Business  
Development Officer  
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decrease. I am thankful that we live in such a wonderful place. I am thankful that I work with such a dedicated team of professionals consisting of incredibly strong commercial lending officers, personal bankers, wealth management professionals and administrative support experts.

This Thanksgiving, be thankful that you and your family have endured the worst of this past recession. Be thankful for the perspective and knowledge we have gained by going through this adversity. And be thankful that brighter days are ahead for us. I know for sure that Baker Boyer is very thankful for our loyal clients

and we look forward to new opportunities to "Guide you to a Brighter Financial Future."

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