

Starbucks in China?!



I was fascinated by a recent interview with Starbucks chairman Howard Schultz.

Did you know that Starbucks opened its first stores in Beijing five years ago, and that the Chinese government asked Starbucks to build a flagship store at the Great Wall of China? The Chinese customer wants the authentic Starbucks experience, not some diluted, adapted, or "spun" version based upon a marketer's perception of Chinese taste; the stores are a mirror image of what is found in Seattle's Pike Place market or Madison Park. Apparently, the local customer is well aware of the Starbucks image and identity, whether from movies, the internet, or visiting



Starbucks stores in other parts of Asia.

According to Schultz, China will probably become the second largest Starbucks market in the world, second only to North America. However, neither Starbucks corporate nor their Chinese partners anticipated this phenomenal popularity until Starbucks had opened more than 100 stores. Now, literally thousands of stores are in the planning stages. The stores are so popular that more than 80% of the business in China is sit-down, compared to 80% of U.S. outlets being take-out. And, it seems that Starbucks has become a favorite venue for young Chinese to date.

The greatest impact of trade is the cross pollination of cultures. While the American version of Café Latte may be the most popular Starbucks drink in China, Green Tea Frappuccino was invented in a Taiwan Starbucks and has been a huge success in America. We must never underestimate the power and speed of globalization! What's next?

(Foreign investments involve special risks including greater economic, political, and currency fluctuation risks, which may be even greater in emerging markets. I am not advocating the purchase of this or any other security. The article is for informational purposes)

All That Glitters



Clients often ask me whether gold is a good investment. After all, that glittery yellow metal has nearly doubled in price during the last five years, reaching \$500 per Troy ounce in December. Is it ready to start on a new climb, and possibly reach its 1980 peak of \$850? Do you realize how long ago 1980 was?! Gold enthusiasts must understand that the world's financial system places little (if any) significance on gold as a medium of exchange. Today, gold is just another commodity/precious metal that is taken from the ground, and its recent increase in value hasn't kept pace with many other precious metals. For any investor who feels "in his bones" that gold is a good buy, I recommend proceeding with extreme caution! The days of the alchemists have vanished, and gold might prove to be a very disappointing investment.

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This is a hypothetical example and is not representative of any specific situation. Your results will vary.

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Brazil and Argentina: Paying off the Debt

South America has often been an economically volatile part of the world, and the recurring financial problems of Argentina and Brazil have certainly contributed to the region's instability. In December, however, Brazil and Argentina both declared that they would pay off their entire debts to the International Monetary Fund (IMF) before the end of 2005. Argentina and Brazil have both experienced very strong trade balances during the past few years, with Brazil emerging as an agricultural superpower. According to a recent article in The Economist, Brazil has become the world's largest exporter of beef, coffee, orange

juice, and sugar, and may soon be the largest exporter of soya, poultry and pork. If it weren't for the huge obstacle of farm subsidies in the U.S. and most other wealthy countries, Brazil's exports would be significantly higher.

Does this mean that I recommend investing in Latin America? Not necessarily, but depending upon your personal level of risk tolerance, a small position in Latin America may be advisable. Let's discuss these and other international trends in our next quarterly review.

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StoneRidge Wealth

1st Quarter 2006



The Quarterly Profit

Rave Reviews! Our Evening of Art and Elegance



What a party! One of our many Thank You cards said it best, *"I've been to a few, and I've given a few, but I've never attended a more elegant party than you hosted at the Art Museum"*



The Hesse Exhibit's carriage was spectacular,



kind words! It was fun, wasn't it?

the twinkling ballroom lights were captivating, and the dinner was delicious. Papa Hayden cakes at each table were difficult to ignore. The wonderful feelings of friendship, camaraderie, and celebration created a very special aura, and as soon as the Swing Line Cubs began to play, you filled the dance floor. Our clients can really dance! Some of your swing steps and fancy moves were competition quality!

Your cards, letters and emails are still com-



Special points of interest:

- Rave Reviews!
- Outlook 2006
- Starbucks in China
- Brazil and Argentina Paying Off Debt
- All That Glitters



Rave Reviews... (Continue)

ing in! Our evening of Art and Elegance was such a resounding success that we have decided to repeat the event in December. In fact, Amy has already booked the Main Ballroom of the Art Museum for December 5! You won't want to miss it, so be sure to mark your calendars now.

A special thank you once again to our clients "who didn't keep us a secret" in 2005. Amy's custom baskets were stunning.

Randy and Carla, your beautiful note offered the essence of what we try to accomplish every single day. It means so



much to me that I'm having it framed.



"This first class event was indicative of all our experiences that we've had with you and your staff. It was also very reassuring to hear from many others how you have greatly contributed to their financial security!"

Van Mason

Come dance with us at
The Portland Art
Museum

December 5, 2006



Thank you for helping us make memories!



Outlook 2006: Keep Your Powder Dry

Clients ask for my market predictions at the beginning of each year. So to continue my perfect record, I can assure you that we will see a few exciting ups, at least as many downs, and significant quantities of in-betweens along the way. My father used to say, "Keep your powder dry." This confused me as a kid because my grandmother was the only family member who used powder. Years later, I realized that his counsel embodied some important concepts of retirement planning. Keeping our powder dry means protecting a certain percentage of our portfolio from market loss. It means structuring our investments to include a component of fixed income, whether reinvested or taken as cash.

We must never forget that life does not run in straight lines, and that our success and rewards of 2005 do not necessarily guarantee success in 2006. Keeping our powder dry means carefully selecting our investments according to our personal feelings of risk and return, and being mindful of globalization's irreversible momentum and impact.

The power and velocity of globalization is truly amazing. Whether manifested by service outsourcing to India, Starbucks in China, or US Steel owning plants in eastern Europe, globalization continues at a dizzying pace. Without question, it affects every one of us. Did you know that our local "real estate bubble" is just the tip of a global phenomenon, Motel 6 is owned by a French

hotel conglomerate, Brazil is emerging as an agricultural superpower, and that within 10 years Chinese luxury shoppers may account for nearly 25% of the world's luxury revenues?

Hang on to your hats, because this year's ride around the sun is going to be one for the record books! Let's carefully review our retirement goals and remember to keep our powder dry. Then, let's all gather again on December 5, 2006 at the Portland Art Museum and celebrate another successful journey!

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