TRUST
INVESTMENT PERSPECTIVES
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Q&A with Becky Frank

Becky Frank, Tulsa Metro Chamber Chairman & CEO of Schnake Turnbo Frank|PR recently visited with two of Trust Company of Oklahoma's portfolio managers, Michael Abboud and Cameron Turner, to get their perspective and opinions on investments in the world today.

Becky Frank (BF): The economy has grown very slowly since we have come out of the recession in 2009. Will we continue to see sluggish growth, in your opinion? Why or why not?

Cameron Turner (CT): I expect a significant period of time where we do see slower growth - some have termed this "the new normal." We came out of the last recession with slower growth than a typical recovery, and we will continue down this path. However, slower growth is not necessarily bad. It is an oxymoron in that yes, it is slower, but still it is growth. And, there is a lot to be said about the slow and steady race. Having an economy growing slower is not inherently bad because it is growing. Some of this slower pace has to do with what is going on internationally with developed and emerging markets. This is typical of a market cycle.

Michael Abboud (MA): Many people may not be aware that between 1999 and 2011, our gross domestic product (GDP) has averaged just 2 percent, whereas, historically, GDP has been around 3 percent and 7 percent coming out of a recession. But one of the big differences with a financially induced recession like we just experienced as opposed to another type of recession is that you have lower growth rates. In this environment of deleveraging, re-regulation, and de-globalization, we are going to be at that 2 percent trajectory in the U.S. But remember, 2 percent is growth—it's not a negative 2 percent. Investors can't think in terms of quarters, but rather think in terms of years as we get back to a normal trend line for the economy.

BF: In 2011, Standard and Poor's downgraded U.S. government debt. This was on the front page for several months, but no longer. Should we still be concerned?

MA: This was a warning shot across the bow. The downgrade formally put pressure on Congress to address these long-term fiscal challenges. It was focused on the level of debt and trajectory relative to other AAA sovereigns per S&P's comments when they downgraded the debt. However, the U.S. is still the bastion of safety for world markets.

CT: S&P downgraded our debt because we are not taking care of our fiscal house and not reducing our long-term debt. But six months down the road after the downgrade, we still have not made any progress on reducing the debt. Congress is still not making headway on correcting our fiscal house. The problems are still there and at some point, we as a nation will have to address them.

MA: If we stay on this same path and legislators keep kicking the can to the other side of the aisle, debt will hit 600 percent of GDP in 75 years. Studies show that once debt becomes greater than 90 percent of GDP, it will trim at least 1 percent of GDP with an average reduction of 3 percent. Right now our GDP is $15 trillion and we have $14.3 trillion in debt.

BF: What is the number one risk for U.S. investors over the next year? Over the next five years?

CT: Over the next year, the

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VIEWPOINT

A Message from the Desk of Tom Wilkins

When I think of asset protection, some of the things that first come to my mind are protecting assets and family affairs from estate taxes and creditors. Sometimes I fail to remember that protecting those assets from scam artists or other unsavory characters is equally as important. It is this kind of threat that leaves all of us vulnerable, especially the elderly.

Jennifer May's article on page four is one that hits very close to home for many of our families. Unfortunately, I hear of financial exploitation of the elderly far too often. My clients are my friends and very often are like family to me. I take their best interest very personal, as do all of the professionals here at Trust Company of Oklahoma (TCO). I encourage each and every one of you to share this article with your family and friends as we all work to keep our life savings from being taken away by those who mean to do us harm.

Also, I would like to point out the article written by Jamie O'Shields. You may not recognize her name, as she is brand new to our firm. She is an experienced trust and estate attorney and an excellent addition to our Oklahoma City office as well as our TCO family.

Lastly, I would like to personally thank Becky Frank, CEO of Schnake Turnbo Frank|PR for taking the time to sit down and talk with Cameron Turner and Michael Abboud regarding the state of our economy. Her participation in this publication is greatly appreciated. I'm sure you will enjoy reading her interview with Cameron and Michael.

Thomas W. Wilkins *Chairman, President & Chief Executive Officer*

greatest risk would be something geopolitical, either a shock to the economy or a shock to the world. On a one-year basis, something of a global magnitude is always the biggest risk. Those risks are difficult to plan for, but markets do correct themselves even after this type of event, often in three to six months following the event.

Over the next five years, inflation, which has been on the minds of individuals for three to four years, will continue to be a risk. In this low interest rate environment, if inflation takes hold, investors who have fixed income portfolios could have no return or even be eating into their principal.

MA: Over the next year, a serious risk for U.S. investors is the near-term sovereign debt crisis in Europe as well as the unrest in the Middle East, such as the rioting in Egypt. Another risk is what is going on with Iran, especially because of the Suez Canal. To give perspective on the importance of the Suez Canal: every day, 2.5 percent of the world's oil supply flows through it.

One of the concerns I have over the next five years is deleveraging. Deleveraging is unwinding the monetary stimulus, not only in the U.S. but globally as well, and addressing debt issues both in the U.S. and Europe. The Federal Reserve (Fed) is financing 40 percent of the U.S. deficit and is the largest holder of U.S. Treasuries. Long term, the challenge will be how the Fed will unwind that amount of debt without upsetting our fragile U.S. recovery.

BF: Unemployment is still really high—even though we are in a recovery. What will it take to turn employment around?

MA: Things have been looking up on the unemployment front. Employers added 284,000 jobs in January, the most in nine months. Unemployment dropped to a three-year low with those job additions. Due to what is going on with the retirement rates of the baby boom generation, we need 75,000 to 100,000 new jobs to keep the labor market steady today. This number is much lower than it has been historically. I believe that unemployment may decrease much quicker than the consensus has projected. Right now, unemployment is 8.3 percent, but by year end, it may be 7.8 percent.

CT: Until small businesses get clarity on what their taxes will be and what their healthcare costs will be, smaller employers will be reluctant to hire more employees. With more clarity, you will see unemployment decrease much more.

BF: Last year, U.S. stocks did much better than most international stocks. Do you think that will continue this year?

CT: If you historically look at how U.S. stocks have done versus international, you go through a period where U.S. stocks outperform for a couple of years then international stocks outperform for a few years. An investor should be more global oriented, but if one really wants to put things into baskets of U.S. versus international, I think U.S. will do modestly better.

BF: Should investors consider getting out of international stocks and invest here, given all the problems in Europe?

MA: It seems like the obvious choice, but if you would have pulled out of international stocks this year, you would be disappointed today because international is up 10.5 percent whereas U.S. is only up about 8 percent (as of early March). With Europe in a recession right now, as with any recession, it is the time

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to swim against the stream and put money into equities. There are a lot of good values internationally, particularly in the European space, given the contagion concerns with the sovereign debt crisis.

CT: There are obviously companies within Europe whose growth will significantly slow because of the issues they are having, but there are also good companies that have been beaten up, their valuations are ripe and they are good buys. You do have to be very, very selective, especially if you are looking at any kind of European fixed income because a lot of it is sovereign debt, which means debt of the countries. I would be very cautious there.

BF: What is the future of Greece? Of Europe in general?

MA: The way the winds are blowing, Greece is trying to stay in the Eurozone. The numbers are very unfriendly for Greece to generate enough economic growth and pass enough legislation to raise the retirement age from 50 to something more realistic. Greece's debt to GDP will still be 120 percent by 2020. I do applaud Greece's efforts to stay in the Eurozone, but the country is at a competitive disadvantage because Greece's economy does not grow as fast as a country such as Germany, but Greece spends as much as the faster growing economies. It has been proposed that countries in the Eurozone with deficits to GDP greater than 3 percent will be sanctioned. But how do you impose that on a Greece or Portugal when there is no way they can meet those requirements? So, I don't see the math working out for that to succeed. This bad situation was bound to happen from the beginning because there was only a monetary union, and not a fiscal union, as well.

BF: Is China overtaking us economically? Should we be investing there now?

CT: Investors should always have some piece of their portfolio allocated to China, although I would say a relatively small piece. China is a very big country that is economically growing the lower income base more than its middle class. I would be more inclined to look at U.S. or international companies with exposure in China. I am very leery of Chinese companies given the fact that the Chinese government has the propensity to take companies over or severely restrict them. You can get China exposure through Wal-Mart, McDonald's and a lot of other companies who are expanding their presence in China.

MA: China is going through a lot of what the rest of the world is. The Chinese are trying to curb property speculation. In China, there are cities that have row after row of empty highrises as far as the eye can see, with many of these built in the last decade. Some investors try to latch on to who has the fastest GDP growth, but remember growth does not necessarily relate to stock performance.

BF: Gasoline prices have been rising sharply in recent months. Should investors be concerned?

CT: Consumers are always concerned about gas prices because they hit our pocket books immediately and have significant impact on almost all other cost of goods. As gas prices rise, every other cost of goods rise. And, the more you have to spend on gas, the less you have to spend on other goods. Gas prices impact spending significantly and impact our economy with a big multiplier effect so gas prices are always a concern for investors.

MA: We are pretty close to a tipping point in terms of the effect oil will have on global GDP. What matters more for the economy is how fast the price of oil changes rather than its actual price level. For example, while oil has surpassed levels seen last year, over the past 6 months oil has moved up by 15 percent versus the 40 percent move in the six months leading up to last April. Similarly, gasoline prices have moved up 10 percent from $3.40 to $3.80, versus the 40 percent move from just below $3 to $4 leading up to last April. In addition, the U.S. by the end of the decade will be almost self sufficient in energy. Presently, we import nine million barrels of oil per day, but that should drop to two million by the end of the decade. We can easily get the two million barrels from Canada and Mexico so the U.S. will keep $250 billion annually that we currently send abroad. That is a huge plus which will insulate us from the current ramifications of unrest in the Middle East.

CT: The higher oil and gasoline prices, the more push we will have to turn more toward natural gas vehicles. From an energy policy standpoint, oil has to get to a certain level before we start wanting to buy more natural gas. When it does reach that level, you will see more semi-trucks and cars being converted to natural gas, and, of course, that will have a positive impact on Oklahoma.

BF: Cameron & Michael, thank you so much for your time and an enlightening conversation on the state of the markets and economy worldwide.

Michael Abboud *Vice President* | Becky Frank *CEO, STF |PR* | Cameron Turner *Vice President*

Preventing Exploitation of Elders

Everyone I know is getting older. I'm not sure exactly when it started, but birthdays are coming faster and faster. And, although I can't prove it, I am pretty sure I had two birthdays last year. But getting older isn't all bad. As they say, 70 is the new 50.

People are living longer than ever due to continuing medical advances and the adoption of healthier lifestyles. Older Americans now comprise the fastest growing segment of the United States population. According to the U.S. Census Bureau, people 65 and older accounted for 12.5 percent of the U.S. population in 2000. It is anticipated this percentage will increase to a whopping 25 percent by 2050.

Unfortunately, as a result of the increasing number of older Americans, the number of those who will become victims of elder abuse will likely increase as well.

As we age, our physical capabilities change: we may not see or hear as well, and we may not think as quickly or clearly as we did when we were younger. As a result, we may become dependent upon family members, friends, or caregivers for assistance in handling many things including our financial affairs. This can leave us vulnerable to financial exploitation.

Elder abuse does not discriminate. It can happen to anyone. By educating ourselves and being aware of such activities, the risk of becoming a victim may be reduced.

There are many methods in which strangers, relatives, friends or caregivers may use to exploit an elderly individual. Listed below are just a few examples:

- Taking the victim's money, property or valuables
- Borrowing money and never paying it back
- Giving away the victim's possessions without permission
- Misusing victim's ATM or credit cards
- Forcing the victim to give them resources or property
- Fraudulently billing for home repairs

The victim may also be isolated from family members and friends as the abuser attempts to keep the abuse a secret. Offenders may intimidate victims into having the offender's name added to the victim's bank accounts. Additionally, the offender could very likely induce the victim to change his/her will and trust documents to name the abuser as a beneficiary.

Financial exploitation of an elderly person may be difficult to recognize but there are red flags. Sudden changes in finances and accounts, altered wills and trust, unusual bank withdrawals, checks written as "gifts" or "loans," and the loss of property are all activities that should raise suspicions. Sadly, the victim may not even be aware of the abuse and may deny the abuse. Many times, the victims will not report the abuse for a variety of reasons. For example, a victim may fear retaliation from the abuser if they tell or they may be embarrassed or ashamed of their abuser's behavior, especially if it is a family member. It's very possible a victim may fear no one else will take care of them if the abuse is discovered.

Financial exploitation is not uncommon. The majority of these cases are made worse by the victim's lack of planning. The following are some recommendations to help you avoid becoming a victim:

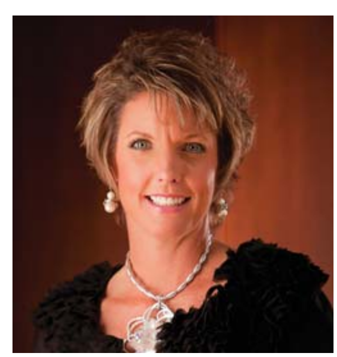
- An important part of your estate plan should be a plan to take care of you and your dependents in the event of your incapacity. Naming a professional trustee, such as Trust Company of Oklahoma, will greatly assist in protecting you from financial exploitation.
- Interview and select a geriatric care manager to manage your personal care if that need should arise.
- Work with your attorney to carefully put your plans in writing and deliver those documents to your chosen trustee and care manager.
- Meet with your selected professionals periodically to discuss any needed updates.

If you suspect elder abuse, don't hesitate in taking action. Call the police or Adult Protective Services. Don't worry that you don't have proof as it is not a necessity to file a report. Although you will be asked for your name and telephone number, you can make an anonymous report.

Most states have a toll-free hotline you can call if you have concerns that an elder is being abused, neglected or financially exploited. To report suspected elder abuse, neglect, or exploitation in Oklahoma, the number to call is 1-800-522-3511. To find out another state's number, visit the National Center on Elder Abuse website at www.ncea.aoa.gov and select "State Resources: Helplines, Hotlines & Information".

Retirement should be fun. You've worked hard and saved for this time so it is important that you protect yourself from someone taking your retirement away from you.

If you would like to discuss how Trust Company of Oklahoma can assist you in protecting yourself, please give us a call.



Jennifer May
Assistant Vice President

The Sword of Damocles: Funding the living trust

Living trusts are one of the most popular estate planning vehicles in recent memory. Living trusts not only avoid probate, but they offer the ease of personal administration during life, the flexibility of revocability (in case you change your mind), and the freedom from court supervision.

Hanging by a Thread. In Cicero's classic tale, Damocles the courtier, played king for a day. After feasting and reveling in his power, he noticed a sword hanging precariously by one horsehair over his royal seat. Similarly, walking out of the attorney's office having signed a living trust places unsuspecting grantors in a position of both power and peril. Under [a figurative] Damocles' sword, a vital provision is left in the hands of the grantor: funding the trust. If the trust is never funded, it never becomes operative so it does not govern the disposition of assets at death. As a result, none of the grantor's assets avoid probate. A once valuable piece of the grantor's estate plan is now worthless.

Averting the Sword. Procedures for funding the trust are different depending on the types of assets you want to put into trust. For cash, funding can be as easy as opening a bank account in the name of the trust with the grantor/trustees as signatories on the account. The same procedure would apply to an investment account holding stocks and bonds. For real property, funding the trust requires a few simple steps: (1) executing a quit claim deed retitling assets in the name of the trust, (2) signing the deed and having it notarized, and (3) filing it with the county clerk of the county in which the property is located. A quit claim deed can be prepared by your estate planning attorney while he or she is preparing your living trust.

For larger estates, naming a corporate trustee as co-trustee is also a great option. Since corporate trustees manage money, they will ensure that the trust is not only properly funded, but properly administered as well. Corporate trustees can also work with your personal estate planning professionals to determine which assets should be placed into trust and how those assets should be managed.

At TCO we can help remove the Sword of Damocles from over your head so you can get on with the business of living, and we can get on with the privilege of administering your trust.

Jamie O'Shields
Assistant Vice President

LET US KNOW

Each quarter Trust Company of Oklahoma publishes our newsletter "Investment Perspectives." Our Professionals write informative articles on topics we think would be of interest to you. But we want to know what you think. What are some topics that you would like to read about? Send your thoughts to Marketing@TrustOk.com and we will do our best to include your interests throughout the upcoming year.

"Fighting Hunger...Feeding Hope"

More than 600,000 Oklahomans will wake up today wondering when or if they will have their next meal. Oklahoma is the fifth hungriest state in the nation, where one in four children struggles with hunger.

Established in 1980, the Regional Food Bank of Oklahoma (located in Oklahoma City) is the largest private hunger-relief organization in the state, delivering enough food to feed 90,000 people each week through a network of more than 850 partner agencies and schools throughout 53 central and western Oklahoma counties. The majority of those served by the Regional Food Bank include the working poor, seniors living on limited incomes and chronically hungry children.

The Food for Kids Backpack Program, a program of the Regional Food Bank, provides nutritious, kid-friendly food for chronically hungry elementary school children to sustain them over weekends and holidays. Currently, more than 11,000 children in 454 elementary schools in 52 counties benefit from this program. This story from a Backpack Program coordinator says it all:

A teacher noticed a student in her class asking for extra food on a daily basis and referred him to our Backpack program. During that same week, the teacher asked her students to think of 100 things they would wish for. Some students wished for 100 video games, 100 pieces of candy; but this child wished for 100 days where 'food fell from the sky.'

The Regional Food Bank will not rest until we have achieved a hunger-free Oklahoma, where everyone has adequate access to food. People living in poverty have to do without a lot of things – food should not be one of them.

For more information about the Regional Food Bank visit www.regionalfoodbank.org, call 405-972-1111, connect at facebook.com/regionalfoodbank or follow us on twitter at twitter.com/rfbo. To learn about our planned giving program, please contact Marc Thompson at 405-600-3171.

REGIONAL FOOD BANK™ of Oklahoma

TRUST
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P.O. BOX 3627
TULSA, OK 74101-3627

FORWARDING SERVICE REQUESTED

Q&A

Q. ***If there was one thing every person should do to help their family deal with an unexpected tragedy, what would it be?***

A. **Assemble a binder that includes all your important documents - anything the key person in your life is going to need to pick up the pieces and carry on for or without you. Include a list of your passwords and outline the locations of all of your assets and the safe deposit box key. Keep the binder in a fire-safe location and tell your family where it's kept.**

Locations

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Two Warren Place
6120 S. Yale Avenue
Suite 1900
Tulsa, OK 74136
918-744-0553

1924 S. Utica Avenue
Suite 500
Tulsa, OK 74104
918-745-2400

OKLAHOMA CITY
6307 Waterford Boulevard
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