



Colleague Profile

Jane Waysville



Until the Waysville's bought a second satellite box, they would negotiate station selections in their secluded home in Springfield, Vermont. One wanted football and basketball and the other the Discovery and History channels.

In relationships, channel conflict is familiar territory for many of us. What is unusual in the Waysville house is that it is Jane who is the avid sports fan. We think it traces back to the routine of her childhood.

A good trust administrator has the ability to blend attention to detail and the capacity to handle complex rules of fiduciary tax and trust administration with "big picture" judgment. They are frequently asked to look up from their eyeshades and behave as the creator of a trust would, if living, with only a blue print ~ the trust ~ as their guide.

Jane grew up on a farm in Springfield, Vermont. Until



her father sold the herd, she spent her formative years going to the barn each morning and evening with her father. She would feed the calves and he would milk the cows. The routine did not vary. Each evening, in the solitude of the barn, they would turn on the radio for the benefit of the cows, who seemed to like the incessant noise. More often than not, they would listen to sports.



As we profile Jane, there is a side debate about nature versus nurture. Does her capacity for hard work, apparent stoicism, resourcefulness, pragmatism, and uncom-

plaining attitude come from the nurturing of farm life, or is it simply built into her genes from several generations of successful farmers? Oh yes, there was also a school teacher in the gene pool, her grandmother, who instilled a desire for education, giving back to the community and a love of horse shows.

Jane was paid forty cents a day, seven days a week, for her labors, which she saved. This allowed her eventually to buy a backpack and a tent and then she proceeded to hike much of the Long Trail with her father.

Jane loves horses. During high school, she trained horses and participated in



3 day events: dressage, cross country, and stadium jumping. Her grandmother, who would decline invitations to attend most outdoor events because of her aversion to the heat, would eagerly attend and endure many hot summer afternoons at the shows with no apparent distress.

One summer the family participated in a farm exchange program that encouraged city kids to work on a farm in the summer. One guest encouraged Jane to consider Wheaton College in Massachusetts. A top student, Jane had planned on attending University of Vermont until Wheaton offered a generous scholarship.



At the end of her sophomore year, her boyfriend, John Waysville, was drafted. He proposed, she accepted, and they shipped off together to Long Beach, California. John became a Navy mine builder and Jane started thinking about a career.

Her first job in California was an accounting position, and she was bored. So she learned every job in the department, and started working for H&R Block as a tax preparer on the side. She and John both missed Vermont, and 4 years later they returned.

She took another accounting job and was bored. When her boss made her do over a ledger because she had used blue ink instead of black, she started looking for a longer-

term position elsewhere. So in 1977 she applied at Vermont National Bank and interviewed



for a trust position in Brattleboro. She was offered a position as a trust administrator and turned it down. Fortunately for us, the head of the trust department drove to Bellows Falls for a second meeting and badgered her into taking the position. And she has never been bored since.

She finished college, raised a son, Jason, joined a number of community boards in Springfield, and became head of trust administration for a department that managed a billion and a half in assets. After Vermont National Bank was acquired, she was one of the founders instrumental in creating the Trust Company of Vermont.

She loves the work. In some ways, it is not unlike farming. There is a certain amount of routine, but an unpredictable variety of unscripted challenges and responsibilities crop up. Problem solving is her forte and she likes to take care of people. She also gets to sit quietly in her office, leave the door ajar, and, in her solitude, listen to the incessant noise of Bobi's radio.



George von Trapp



opens new Stowe Office

As of January 3, we'll be opening our fifth office at 1878 Mountain Road in Stowe, Vermont. George von Trapp, one of the principals of our Company, will provide estate planning, investment management and trust services. George, who has been one of our directors since our inception in 1999, will manage the new office. He brings a wealth of experience and expertise to our company.

Mr. von Trapp is a former Trustee of Copley Hospital, past Co-Chairperson of the Vermont Governor's Committee on the Employment of People with Disabilities, past Trustee and Treasurer of the Stowe Area Association and past Director of the New England Innkeepers Association. He is a Certified Public Accountant licensed in Vermont, Arizona and Colorado.

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Financial Markets Commentary 2005 Outlook

David DeBellis, CFA, Portfolio Manager

A recent article in Barron's proclaimed that 2004 would go down as one of the duller years ever in U.S. stocks. One look at a chart of the stock market in 2004 and most people would say that it was anything but dull! The steep drops



and subsequent climbs are reminiscent of a roller coast-

er I once rode at Coney Island. And if the shadow of the war in Iraq wasn't enough to keep our attention, we had many other newsworthy events occur in 2004; we had Martha Stewart going to jail for obstruction of justice, four Fed rate increases, Eliot Spitzer's war on the insurance industry, crude oil hitting an all-time high of \$56 per barrel, a polarized Presidential election, and Merck pulling its "blockbuster" Vioxx off the market. Does this sound like a dull year to you?

As we look to put a tumultuous 2004 behind us, our thoughts focus on what to expect from the economy and the markets in 2005. We are cautiously optimistic that the economy will grow somewhere in the low 3% range for 2005. The key to the economy's recovery thus far has been the consumer. We see several factors that could force consumers to moderate their rate of spending. First, as more Americans have become home owners, household debt levels have risen sharply and are now approximately 115% of personal disposable

income. With home values increasing approximately 40% over the last five years, consumers have used their houses as piggy banks, tapping their equity to finance credit card and automobile debt. As interest rates rise, the servicing of existing debt is going to claim a bigger portion of household income. Second, energy prices remain high, and they will weigh on consumption growth. Although having eased recently, average prices are still well above levels of recent years, with some considerable risk that they could spike again if this winter is particularly cold.

Two other factors to consider are tax cuts and mortgage refinancing. The positive impact that the Bush tax cuts had on consumer spending is behind us and the growing budget deficit precludes any additional fiscal stimulus. Reduced mortgage payments and/or equity take-outs have been generating additional cash flow to finance spending but this source of funds is drying up. Lastly, investment returns from either the capital markets or from real estate are likely to be moderate in the year ahead. The personal savings rate in the U.S. is at a record low, and to the extent that this statistic increases, consumption will decline.

While the decline of the dollar is concerning, it is unlikely that we would see a destabilizing collapse in the currency. Hypothetically, another currency or gold would have to take its place as a global store of value and means of exchange. Gold wouldn't work

due to its lack of liquidity and no other currency in the world can rival the U.S. dollar as a foundation of financial activity and investment. The U.S. is the strongest economy in the G7 and represents 22% of global economic activity. The U.S. also benefits from low inflation, a strong central bank, and deep, liquid financial markets. And because the U.S. has higher interest rates today than Europe and Japan, and as the Fed continues to raise rates, the decline in the dollar is likely to decelerate and perhaps even reverse towards the end of the year.

We expect that the stock markets should be moderately profitable for equity investors in 2005. Corporate profits should hit a new record again next year, with the S&P 500 earnings expected to grow at 10.5%. While this is less than half the 22.5% growth rate that should be realized in 2004, it still remains a substantial earnings increase. The 10.5% earnings growth does not necessarily translate into expected returns for stocks. In fact, we expect that the growth in stock prices will be less than the growth in earnings. A major reason for this is the Price-to-Earnings ratio. This is the multiple that we apply to a stock's expected earnings to come up with a price. With rising interest rates, we expect that the P/E multiple for stocks will be less at the end of 2005 than it is today.

But, investment returns in stocks do not come simply from the growth in a company's earnings.

The good profits posted in the current economic expansion have left corporate America flush with cash. With less than a month left in 2004, the balance sheets of the S&P 500 companies contained close to \$600 billion in cash and equivalents, \$100 billion more than they had at the end of 2003. We see three uses for this cash that could have a bearing on the overall market. One potential use for the cash is for mergers and acquisitions. This is already apparent in the health care, financial, and telecom services sectors. Dividend increases are another use for the cash. With taxes on payments to shareholders at a 15% maximum, we see more companies either beginning to pay dividends or raising payouts. Share repurchase is the final use; buyback programs often improve per share earnings by reducing shares outstanding.

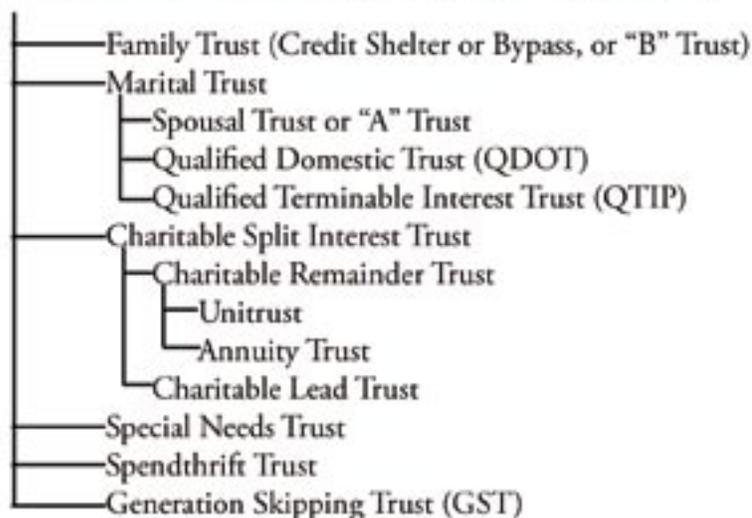
We expect that of the three major asset classes used in investment portfolios, bonds will provide the least attractive returns. We would also keep most new bond purchases near the shorter end of the maturity spectrum. Money markets have shown steady improvement since the Fed began its tightening policy and we would expect that as long as the Fed stays with this strategy, steady increase in money market rates will continue.

All of us at TCV wish you and your family a happy and healthy 2005.

Trust Terms

There are two basic types of trusts. The many varieties you may have read about are simply sub-classes of Living trusts and Testamentary trusts. A living trust has the potential of becoming effective before the creator dies. A testamentary trust, which is embedded in the Will of the creator, cannot. This means that, for better or for worse, the living trust is not subject to the supervision of the Probate court, whereas the testamentary trust is. The living trust can be an effective way to provide for management of assets if the creator becomes incompetent, whereas the testamentary trust becomes active only after the death of the testator. The variations of these trusts are given names to describe their primary functions. Some of these sub-classes are common to both major trust types.

Common to both Living & Testamentary Trusts



Living Trust Only



We have not included all varieties.