

## **A Trillion Here...A Trillion There...**

**9-20-08**

To capture the events of this past week in a brief commentary is a fool's errand. Our purpose in writing this is to attempt to provide some clarity in historically uncertain times.

Surely the week that just passed is one for the history books. While the crash of 1987 personally and professionally remains our most vivid memory in our 24+ years in this business, even that event didn't carry the potential for disaster as did this week.

Today, we all are witnesses to the largest government intervention in the history of our financial markets. As of this writing, the proposed cost to taxpayers for the rescue of Wall Street stands around one trillion dollars. For those historians reading this, initial government estimates of expenses vs. actual costs tend to differ significantly. The skeptic in us presumes the one trillion dollar figure will end up being significantly more.

Who gets to write the one trillion dollar check for this bailout? Our favorite uncle, Uncle Sam. Of course, Uncle Sam is actually us. The taxpayers, whether our generation or a future one, will ultimately pay the bill for the mortgage/real estate/Wall Street party.

The ramifications of the past year in the financial marketplace will be felt perhaps for generations to come, certainly for years to come. The powers being wielded by our Treasury Department and Federal Reserve are unprecedented. Congress and the president will be enacting legislation that will confound market participants. The market hates uncertainty and there is tons of uncertainty as we write this.

The certainty we came to learn this week is the fact that Uncle Sam is not willing to allow the financial sector to crumble. Shoot first, aim later has been the only course available to our powers-that-be. Consider that on Monday, U.S. Treasury Secretary Henry Paulson stated that the government was not in the business of rescuing private companies (in regards to Lehman Brothers). However, on Wednesday, Paulson reversed course and orchestrated the takeover of AIG by none other than us, the taxpayers.

As Barney Frank, the chairman of the House Financial Services Committee so aptly stated, “The national commitment to the free market lasted one day.” Capitalism has met socialism and only time will tell the outcome.

So, where to from here? By the time you read this commentary, we will have experienced multiple variations of what the government bailout will mean and what it will cost. When there is some certainty as to what will truly take place, we will offer comments. In the meantime, there are some actions you can take:

- If you find yourself deeply worried about your investments, please let us know. While we may believe no changes need to be made, perhaps your stomach tells you otherwise.
- Try to view the media’s coverage of the “End of the World 2008” with a skeptical eye. The screaming headlines do nothing to help your intellectual side focus on what is real and what is not.
- Don’t make any sudden financial decisions, especially based on emotion. Use FFA as a sounding board if you desire.
- If you hold a TD Ameritrade money market, know that your accounts are in good standing. If you hold a money market elsewhere, contact the advisor (or we can assist) to discuss the safety of the money fund.
- If you have money in a company retirement plan and can contribute more than you are currently, consider doing so and weighting your contributions more towards stocks than bonds and money markets.
- For the appropriate scenario, it is times like these that provide the greatest potential for creating future wealth by purchasing stocks at a discount.

If you know someone who is losing sleep at night over their investments and they need a helping hand, feel free to share our contact information with them. People are scared and this is the time for true advisors to step up and guide their clients through these anxious times.

Most of all, recognize the remarkable times we are currently experiencing. We are all living in a historical moment; soon, it will have its own name. Amidst all of the doom and gloom, there will inevitably come some good. Until then, take a very deep breath and please lean on us at any time.

Best Regards,

Berthann & Craig