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Did You Know...?

News you can use for your financial well-being

July 2008

- ✓ **Trying Times**
- ✓ **Stay Informed!**
- ✓ **Timely Tidbits**

Trying Times

It's clear we're in difficult economic times: the housing bubble has popped, gas prices are sky-high, and the economy is in a general funk. Over the past year, it's been a difficult investment environment, and the media is always too willing to trumpet "the next crisis". Relative to the last bear market, when stocks dropped approximately 45%, **this has been a milder decline**, with the market only recently breaching the -20% level. But in many ways, **this economic cycle feels a lot worse**, and for good reason.

The reason this situation feels worse is that it's hitting closer to home, in our wallets instead of just in our brokerage accounts. For that reason, I believe **this is psychologically the toughest economy we've faced in my two decades of advising clients**.

In the past two decades, we've had financial events that haven't directly affected large numbers of people: the dot-com bubble bursting, the demise of Long Term Capital in 1998, these events caused the stock market to decline, but the economy as a whole fared pretty well, so the damage was mostly limited to paper losses on investments.

Today, the problems are right here in our cities and towns: foreclosures, job losses, the high cost of food and fuel. Interestingly, the same prognosticators who never saw this crisis coming are now suggesting it may not end for many years.

Many of the current problems stem from the fact that the **average American has for years lived well beyond their means**, racking up debt and depleting savings. Now, lifestyles are forced to downsize as financial reality settles in. Unlike in love, I think many families will conclude that it isn't "better to have consumed and lost, than to never have consumed at all".

We have all experienced investment cycles, so **we understand that our brokerage statements will eventually recover. The real long-term vulnerability in our finances is in an unrealistic lifestyle**.

Now more than ever you need to have a budget and make sure you are on a sustainable financial path. Stress comes from not knowing, so **if you're not sure that your finances are in good shape, that you're living within your means, that you're saving enough every month, call me. If you have friends or family who need to develop a financial plan, have them call me**. I've helped many clients develop budgets, track spending, set savings goals, and gain confidence in their financial lives.

As they old saying goes, "When the tide goes out, you find out who isn't wearing a bathing suit". Right now, the "financial tide" is definitely going out. Weak financial plans will be exposed, but those who are prepared (wearing a bathing suit) will be ok.

Stay Informed!

Hype and hysteria is a great source of stress, and don't we all have enough stress in our lives already? When it comes to your finances, **the best defense against stress is to get the facts and ignore the hype.** In addition to calling or e-mailing me, you can visit our website, www.KevinKennedyLLC.com, for numerous resources:

Access: To see exactly **how your money is invested, and how it's doing**, access your SEI account 24/7 via our [website](#). Click on "Client Center", and then click "Account Access".

Educate: Visit the "What's New" section of our [website](#) for educational materials that can help you **make smarter financial decisions**. In light of many recent inquiries, we posted information about the safety of your assets at SEI, and information about FDIC insurance on bank deposits.

Monitor: Stay up to date on **current thinking** within your investment strategies and **recent investment performance** by reading and watching the quarterly review materials posted to the "What's New" section of our [website](#). Information for the recently ended quarter (6/30/08) has been posted this week.

Timely Tidbits:

- The latest **proposals on estate taxes** from the two Presidential candidates:
 - Obama: 0% tax rate on < \$3.5mil estate 45% tax rate on > \$3.5mil estate
 - McCain: 0% tax rate on < \$5mil estate 15% tax rate on > \$5mil estate

- I've recently been asked as the elected City Treasurer to head the City of Alameda's newly-formed Fiscal Sustainability Committee. We'll essentially be developing a huge financial plan for the City. Check out our progress via the City's website, <http://www.ci.alameda.ca.us/>. Our first meeting is July 29th.

- Strange but true: "When Nordstrom has a sale, people line up. When the stock market has a sale, people run away." Consider this:
 - Yield on a 1-year CD = 3.50% (Bankrate.com national average as of 7/23/08).
 - Yield on Citigroup common stock = 6.10%. Home Depot = 3.80%. General Electric = 4.40%. Merck = 4.90%. Chevron = 3%. Coca Cola = 3%. And their share prices are down 20-60% over the past year. Only in uncertain times are opportunities like this created.

Quote of the month: "It is our job to help our clients be fearful when others are greedy, and look at opportunities when others are fearful." -*Legendary investor Warren Buffett.*

Did You Know...? is produced by Kevin Kennedy, LLC, a Registered Investment Advisory firm in Alameda, California. Kevin Kennedy, LLC specializes in providing independent life and wealth management for individuals and families. More information, including a Form ADV-II, is available upon request or by visiting our website, www.KevinKennedyLLC.com.

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