



# FINANCIAL SERVICES

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## THE FIRE SALE OF A LIFETIME

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Dear clients: I'm sure you've had your fill of hearing about the economic downturn that has turned to near disaster levels. This is due to people panicking, selling everything, being overextended on credit and having no choice but to sell everything. If you want my take on the causes, I can send you our last quarterly newsletter or you can read it at [www.ccbfinancialservices.com](http://www.ccbfinancialservices.com). Click on the quarterly newsletter link on the right side and click the link "Second Quarter 2008".

Many of you didn't want to take risks and you haven't: your money is safe, just as we discussed. For those of you that **have** money, there are some great bargains to be had out there. Houses, Land, SUVs, Diesel Trucks, Stocks, Bonds, Mutual Funds, Lumber and Mortgage Backed Securities. For those of you that **need** money, it is the worst of times. If you want to sell something you have to sell at fire-sale prices because everyone else that needs money is selling at fire-sale prices. If you've owned assets that normally appreciate like stocks, stock mutual funds and real estate over five years then you will probably break even or make a little money even at low prices. Assuming of course that you didn't do a cash out refinance.

This is why I always stress that investments in the stock market need to be at least a five year commitment. (If you think you are going to need your money in five years or less, call me so we can make a plan). If you have less than a five year time horizon and you invest in the stock market then you are not an investor you are a speculator. The shorter period of time you have the more speculative your investments are. The S&P 500 over the last 80 years from 1926 to 2006, has calendar periods that show: a one year investment would have made money 72% of the time, a five year investment would have made money 87% of the time, a 10 year investment would have made money 97% of the time and there has never been a loss over a 20 year

period of time.

Now the future will probably be different than the past, maybe better, maybe worse. I think that we are close to a bottom in the stock market and real estate. Real estate speculation started this economic down turn and when it bottoms the rest of the economy should recover. I may be wrong and we may be heading for a lengthy recession rather than just a temporary one but I have confidence in America. We have been through worse times and have learned from our mistakes. The American economy is the biggest and most vibrant economy in the world and we will continue to be. We need to keep our chins up and take our medicine.

I am continuously dismayed that people will watch the stock market on a day to day basis and worry about their retirement account balances. If you don't need the money today why check the balance? If the stock market drops it's time to buy more while it's on sale. It is not time to sell after it has dropped. Real estate prices have dropped so should you hurry up and get it appraised so you can sell it for \$50,000 less than its worth? No, real estate is a long term investment that should make you money eventually if you can wait for the right price.

Again we come back to the difference between investing and saving. Investing is long term, saving is short term. Savings should be kept safe, investing should involve short term risks but long term rewards. Consistently my clients who call me that have been invested in the stock market for more than five years have seen their account balances drop but they are still ahead of what they paid and the older their investments are the more money they have made. It's the same with real estate. If you bought property five years ago, you can probably still sell it for a profit and if it was 10 years ago you undoubtedly still have a profit. There is an old saying that real estate will always go up because they aren't making anymore of it. I believe this

is true as long as you don't have to make a fire-sale.

The people I worry about are those that recently invested in the stock market and they can't wait for a recovery. Either they need their money now and have to sell at fire-sale prices or the media has them convinced that we are headed for a depression and they want out before it gets worse. There are always cases to be made that the end of the world is coming and this sells more copies of newspapers than "Everything is ok, we're going through an adjustment that is good and cleansing for our economy". Call me boring but I think that is what is going to happen. For those of you that are thinking "I should get out of the stock market and wait for it to go up to get back in" think about what you are saying. You are really saying "the stock market has dropped so I should sell low and wait till it goes up and buy high".

No one can time the stock market and you can quote me on that. Consider this: over the last 10 years (01/01/97 to 12/31/2006) if you were invested in the stock market as represented by S&P 500 you would have averaged 8.33% annually. If you pulled out of the market and missed the 10 best days you would have made 3.32%, missed the 20 best days -0.46%, missed the 30 best days -3.71%, missed the 40 best days -6.42% and missed the 60 best days -10.98%. The best days are ahead so stay on course.

Your Friend, Bob

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## **Lynn's Lookout:**

A big welcome to all our new clients in 2008 and a very big "thank you" to those of you who have been with us for awhile and who have referred clients to us. It is our biggest compliment to have you refer friends and family. We sincerely appreciate the confidence you have shown in us through these turbulent times and are enclosing a magnetic calendar for 2009 so you have our number handy to call with any concerns. We are only a phone call away.

## **Heidi's Happenings:**

Wow, this year is going by fast. As my first year here at CCB comes to a close I would like to take the time to thank all of you that came in to see what I have to offer for Health, Life, Medicare, and Long Term Care (LTC) insurance. I'm sure that you were satisfied with the service that I provided as I have retained 100% of my client base.

It is coming to that time of year again for people to think about their health insurance as they budget for next year. Before you spend any more of your precious time on your health insurance, I ask that you let me take over your accounts and do the "dirty" work for you. My job is to make your

health insurance so easy that all you have to do is sign on the dotted line. I will do the planning, the paperwork, and the research for you. You have enough things to think about in your daily lives to add health insurance to your "to do" list.

November 15<sup>th</sup> through December 31<sup>st</sup> also marks the Annual Enrollment Period for Medicare participants. During this period you can change the way you receive Part D services. I am qualified to offer Medicare Advantage Plans, Medicare Supplements, and stand alone Prescription Drug Plans. Please call me to set up an appointment to go over your choices and find what is best for you. 503-668-2575

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