

A Call to Action: Making up Lost Ground

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The past few weeks have brought into question for many of us the likelihood of meeting our longer-term financial goals. As a financial planner and investment advisor it is my responsibility to review potential market reactions and how that can affect the long-term impact on a client's investment portfolio and the likelihood of having enough money to maintain their standard of living. I am very proud of our clients as not one has called to bail on their initial investment strategy and a few of our clients have even called to ask if we could add to their equity positions. (In down markets we should be rebalancing portfolios which means that one should be buying equities as their portfolios move further from their initial mix of equities and fixed income.)

This reaction from our clients is confirmation that investment education works. While we never know when markets will fall off a cliff (as they have done recently), or when they will sharply recover their losses (they always do), we can employ a disciplined strategy and stick to it. But, other than 'stay the course' is there more that we can do? I would argue that there is more that we can do. Here are some thoughts as to actions we can all consider in these difficult economic times:

- 1) **Produce more than you consume.** We are consistently reminded that the United States is the most productive country on Earth. Well, that's always nice for our collective ego, but if we consume more than we produce, does it really matter if we are the most productive country? As a society we have been living above our means: at the government level, at the corporate level, and at the individual level. The lesson of the past few weeks is that you cannot borrow ad infinitum to finance consumption above your production level. We are seeing this realignment (I hope) at the corporate level. There is even word that individuals are saving more. This is Financial Planning 101 and as a society we need to get back to basics.
- 2) **Work smarter, harder, and maybe a bit longer.** I met with one of my clients last week who says she and other co-workers now jest with their boss when they get to work about how happy they are to be there. Yes, if you have a good job with a good income it is time to protect your most important asset: your earning capacity. Think about ways to add even more value to your employer and how you can prepare yourself to be more valuable in general to society. If the recent market doldrums last longer than we might hope, it may be necessary to realign one's thinking to work a bit longer than you might have planned for.
- 3) **Consume less!** This was mentioned above but deserves some additional space. We all have non-discretionary expenses that have to be paid every

month: mortgage or rent, property taxes, insurance, food, utilities, etc.... But we also have discretionary expenses. It is time to think a bit more carefully about these expenses and whether or not they are truly necessary. Maybe, just maybe, we should start saving for certain luxuries instead of putting everything we want on the credit card. It is okay to put off that big-screen television for one year by saving up for it instead of just breaking out the credit card!

- 4) **Go back to work or volunteer.** What if you are retired and are concerned that the recent market activity could endanger your ability to meet your expenses in the years ahead? Many people do not realize how much more they can still give to society through either paid or volunteer work. If you need the extra income then you will obviously have to think in terms of paid work. But even if you do not need the extra income, why not take 10-15 hours a week that would otherwise be spent in 'consumption' mode and use that time to volunteer? In tough economic times non-profits are going to have a very difficult task of raising funds this upcoming holiday season. Why not donate your most precious resource: your time? It has been found that many people who volunteer get far more satisfaction than they ever could have imagined.

In conclusion, there are things we can do beyond 'staying the course'. I believe that as a society we are going to be asked to make some sacrifices in the years ahead. The most important sacrifice is to break this mindset of consuming more than we produce. We now see where this mindset has gotten us. To avoid it in the future we are all going to have to do things just a bit different.

I like to think of it as going back to basics: spend less than you earn; save a reasonable amount of your income; work harder, smarter, and maybe even a bit longer.

For additional information on putting together a financial plan for your future please contact Ken Weingarten at (609) 620-1770.

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