

## Throw Out The Bums! Third Quarter 2008 Commentary

As we stated in our September 17<sup>th</sup> Commentary, the current financial crisis represents a strain on our system not seen since the Great Depression. And how have our elected officials reacted? With nothing but childish behavior as they fight over their toys in the sand box.

The behavior of Congress this week has been nothing but political jockeying with little, if any concern over our financial markets or the well being of *any* American. All they care about is running for re-election and getting a sound bite.

Worse yet, let's not forget that it was Congress who facilitated the lax regulatory oversight and then looked the other way as our financial markets became nothing but a financial whore house for sale to the highest bidder.

Sadly, the people we elected to represent our interests are spoiled children in need of a spanking. In the process, these brats are throwing a huge temper tantrum merely to get their way -- no matter who they hurt in the process.

Furthermore, it is difficult, if not impossible, to trust those that allowed this mess to be created to then make sane and logical decisions that will allow us to fix the mess. It's no wonder that Congress only has a 10% approval rating.

Despite my utter and complete contempt for Congress, let's take a step back and separate ourselves from the fear and emotion to determine what the underlying activity has actually been.

Although we had a historic one day drop, Johnson & Johnson still sold Tylenol, Band-Aids and Baby Shampoo. Philip Morris still sold cigarettes, Budweiser still sold beer, Kraft still sold a variety of foods and Wells Fargo and US Bancorp still provided banking and financial services.

This brings up a great point--no matter how stupid Congress is the reason ***we own a business is because it EARNS MONEY***. As a shareholder, we share in those earnings. Long term, regardless of Congress, the value of any business is the compilation of its earnings. Capitalism is a wonderful thing!

Despite the big one day drop, companies are still open for business, selling goods and services that we all buy each and every day.

Going forward, Congress will somehow learn to "play nice" and come to an agreement on a financial ***liquidity*** package. Both political parties will claim victory. I am specifically calling it a "liquidity" package because it is *not* a "bailout" package. Again, political posturing has entered the picture.

Additionally, it is ***not a bailout of Wall Street*** as has often been stated. If the Paulson package passes, the Wall Street firms that made bad loans will realize large losses. That is not a bailout. The ones being bailed out will be the numerous Americans who got themselves into trouble with too large of a mortgage and too little income to service their debts.

The package that Treasury Secretary Paulson put forth would actually position the Federal Government to buy assets for 20 or 25 cents on the dollar. Even if they have a 25% default rate the government would still triple their money. ***It would potentially be the greatest windfall to the government ever***—and yet our elected officials can't see this.

Even Warren Buffett stated that if he had \$700 billion he would do this deal. In our experience, Buffett doesn't do bad deals.

In this program, the government will buy illiquid assets (mortgages that should never have been issued) and then work with those assets to see them through to maturity. In the process, the government will re-introduce liquidity to the financial system.

Although we think this liquidity package will get passed there will still be bumps in the road.

However, once there is liquidity banks can lend. When banks lend, businesses grow. When businesses grow our economy expands and employment grows. While that is a simple version, it is pretty accurate.

We will close with a couple of thoughts:

1. We are ready for the election to be behind us so we can again focus on business issues.
2. Focus on your long term goals and objectives. No one should have money in the stock market if they cannot leave that money alone for long periods of time.
3. Time and patience allows an investor to make long term decisions and not be swayed by the irrational minute to minute news of the day.
4. The average American today enjoys a life that is better than John D. Rockefeller enjoyed at the height of his wealth. Things aren't that bad.
5. Write to your Congress person telling them that you plan on throwing them, and the other bums, OUT!

We look forward to hearing from you.

Sincerely yours,

*Dave*

Dave Sather, President  
CERTIFIED FINANCIAL PLANNER™