

Sather Financial Group, Inc.
Comprehensive Wealth Managers

One Year Later--Third Quarter 2009 Commentary

One year ago we were faced with Lehman Brothers collapsing and our elected leaders fighting amongst themselves over which self serving direction to take.

A good dose of commonsense and a large dose of patience have paid off. Although it hasn't been fun, one year later the Dow and S&P 500 are both down—but only by a small amount. **Year to date the broad stock market is up double digits and the third quarter was up 15%.** This certainly gives one hope that it is okay to open brokerage statements again.

This also reminds us that **stock market investing is ALWAYS a long term proposition**—meaning you must be in it for 10 or more years. We know that bad things will happen—we just don't know when. And just as bad things have happened in the past year, we also did not anticipate how quickly the markets would rebound.

Are we out of the woods yet? The simple answer is “NO”.

Unemployment is still high—and getting worse. IF (and it is a big “if”) there is a true recovery, it will be a jobless recovery. Corporations are running lean (not hiring) and trying to find ways to get even leaner. Housing still has huge holes to fill—and the amount of unsold/foreclosed upon homes is substantial. Consumer confidence is low and the consumer is still strapped with low purchasing power.

Although the government has proudly proclaimed the recession is over, we think this proclamation is very premature, if not fully in error. **If we have growth, it will be anemic.**

The fact that the government has taken tremendous amounts of debt away from individuals does not do anything to alleviate the need to pay back that debt. **Instead of that debt being owed by a bunch of spend-thrift idiots, it is now owed by all of the American citizens who pay taxes (notice we did not say ALL Americans).** As a result, it should be obvious that the debt obligations have not gone away, they have simply shifted from the right hand to the left hand. In the process, we are stacking immense liabilities upon our children, grandchildren, great-grandchildren etc.

Although this started as a banking/credit crisis, we find it interesting that the Obama Administration has decided to make public health care their main emphasis when there are so many other things needing attention. Sadly, it was one of Obama's right hand men that said “a crisis is a terrible thing to waste.” So they aren't. It appears that they are going to push every socialist idea they can while they can bully Congress.

Although it is easy to pick on the Obama Administration, it is the government in general that has woefully mismanaged Medicare/Medicaid. Who in their right mind thinks that if the government takes over all of health care that it will be any different? This has disaster written all over it.

Whatever comes of the healthcare argument, it will not be “free.” Economics 101 tells us that whenever you have a SUPPLY of something of value (quality healthcare) and all of the sudden you introduce a tremendous increase to DEMAND (all people having equal access to healthcare) the price CANNOT stay the same—it will go up—with large taxation paying for it.

If the administration is successful in forcing through public healthcare a couple of things will occur. First, **the quality of health care will most likely go down.** There simply will not be enough supply (doctors, nurses, MRI machines etc.) to handle demand with the same quality that currently exists. Secondly, **a black market for healthcare will arise.** Just as the government officials will not be a part of any public health care plan, the wealthy in our country will not stand for sub-par healthcare either. The wealthy will simply circumnavigate the “public” health plan and bring their own doctor on their payroll.

Unfortunately, all of this reminds us of two themes that are almost certain to play out in the coming years: 1) inflation and 2) devaluation of our currency. This presents some interesting hurdles when investing and a well crafted plan needs to be utilized to deal with, and overcome, these challenges.

Sincerely,

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