

## Thank God It's Friday!

**September 11, 2009**



Today marks the 8th anniversary of the September 11 attacks. That was a day that changed everything. For those of you who lost friends or family that day, it continues to remind us how fragile life is and really puts things in perspective. I'm in that camp.

Next week marks the one-year anniversary of the Lehman Bros. failure. That was the day the unthinkable happened: When a major financial institution imploded exacerbating the credit crisis which threatened our financial system as we knew it. This was another day that changed everything. It's ironic that both of these events occurred in September, especially considering that it's the month that historically gives the Market so much trouble.

Resulting from both events was heightened awareness. Survival skills were deployed. Trust was shaken to the core, and we as a society put up a guard that hadn't been seen since the Second World War. Prosperity can mask underlying problems and give a false sense of security. This was the case with risk of physical safety from terror on American soil. This was the case with risk of financial security from manipulation, greed and fraud. We found out the hard way that we aren't immune to anything anymore.

Globalization represents great opportunity. It is an exciting time to be alive. Advancements in technology allow us to communicate at the speed of sound around the globe, opening new markets for commerce and introducing new cultures. Everything today is within our reach but carries new risks as well. Not everyone agrees with our American way of life. New waves of crime have emerged in the form of cyber theft which threatens our very identity. Long-term strategies have taken a backseat in this 24-7 world.

However, Americans are once again showing collective resolve. In response to the financial crisis, people are saving more than they have for over a decade. In fact, after actually showing a negative number in 2006, the US savings rate is approaching 7%, the highest it's been since 1993. With rising unemployment, Americans have responded by cutting back excess spending substantially. This has a negative impact on the economy, as consumption represents nearly 70% of GDP, but this is structurally very positive for a healthy and sustainable long-term recovery. Americans have stopped using their homes as piggy banks. Well, most of them.

Americans are cleaning up their personal balance sheets, just like the smart companies that are positioning themselves to take advantage of the recovery. This week the Fed reported that consumer credit declined a record \$21.6 Billion in July. This blew away estimates of a \$4 Billion reduction, and demonstrates that people are substantially paying down debt.

The Market continues to rise in the face of great skepticism. In fact, we hit new highs for 2009 again this week. Surveys suggest that most Americans believe that the recovery isn't real, and that the crisis will be a multi-year event. Our perspective is that things have indeed changed, and that we as a society have to re-think how we spend money, what we invest in and who we trust. We have to look out for ourselves, and continue to ask tough questions and demand credible answers. That continues to be our approach to managing your life savings. Cautious optimism remains our theme for this recovery, but our focus is safety first. We know investors can do quite well in the coming years, without taking unnecessary risk.

Have a nice weekend. Please don't hesitate to contact us with any questions or concerns.

Never forget.

By: Mike Frazier

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