FROM ONE WHO HAS BEEN THERE

Daniel O. Kaibel, CFP

The current markets are difficult. When we go through something difficult, it can be helpful to speak with someone who has been through something similar. Michael Rohrwasser, CFP, our President and founder, has worked in the financial markets industry since 1986 and has seen several challenging markets. He received a "baptism under fire" on October 19, 1987 - "Black Monday" – when the Dow dropped over 20 percent. He was also managing money during the Savings and Loan crisis and the ensuing recession in the early 90's. Even during the increasing markets of the late 90's, Michael remembers weathering the Pacific Rim Crisis in 1998 and the Long Term Capital crisis in 1999. Of course the early part of our current decade wasn't easy either as it included the technology bubble with an ensuing recession and the 9/11 crisis as well.

DAN: Michael, you've certainly been through quite a bit during your time in the financial markets industry. How would you compare our current crisis with the past ones?

MICHAEL: There are certainly some similarities to the past. As in the past, we are going through a de-leveraging process that slows the economy. The "panic" is somewhat reminiscent of the past, but I do think that the degree of fear this time is more dramatic.

DAN: Why do you think the degree of fear is more dramatic this time?

MICHAEL: For one thing, many people are going through this for the first time. Twenty years ago most "boomers" were busy building careers and families. Their investments were smaller and retirement was further away. They didn't have access to what was happening in the financial markets like they do today. With more people in or near retirement than ever before, I think more attention is placed on the volatility and performance of the markets. There was also less media coverage compared to today. While I think it's great that we have an opportunity to get more and faster information, it can be overwhelming for those who aren't sure what to do with all that information. Not knowing what to do can lead to fear or panic. Both of those can certainly add to the market volatility.

DAN: Do you agree that another thing that is different this time is the degree and type of de-leveraging that we will have to go through this time?

MICHAEL: I would agree with that. We have had a very accommodating Fiscal policy, especially during the early part of this decade. This accommodation provided too much cheap money for too long. When you add this to the lowering of credit standards, it was only a matter of time before something bad happened. The Investment and Commercial Banks used cheap money to create leveraged products that allowed people to get into financial situations that they could not handle. These institutions' inability to manage their own risk then strained the rest of the financial markets.

DAN: Do you think that these circumstances could result in a different looking recovery?

MICHAEL: I do. The fundamentals of the market may take a little longer to work themselves out due to a slower global economy as well as a lack of trust in our financial institutions. In the past, any lack of trust in the financial system was more isolated. This time the problems are definitely more wide spread. I am hopeful that wise governmental

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action and time will bring about healing sooner rather than later.

DAN: This market has really affected those who are near or in retirement. Would you like to say something to them?

MICHAEL: Yes, it is tough knowing that some people are in positions where they may have to change some of their plans due to this market correction. This is why we normally advise our clients who are counting on their portfolio for income to have cash reserves that can cover two years of living expenses. This allows them the option of not selling investment assets at inopportune times like these. I would also advise them, as well as all our clients, to make sure their account objective fits their risk tolerance.

DAN: Is there anything else you'd like tell our clients?

MICHAEL: First I'd like to remind them why many should continue to invest in the stock market. Historically the stock market is one of the few long-term investments people can make that provides returns that beat inflation over the long run. I realize pointing to historical returns may sound strange in view of how poorly the markets have performed so far this decade. In spite of that however, the fifteen year performance of the S&P 500 has been pretty good. (Through September of 2008, the *Standard and Poors 500 index* had a fifteen year average annual return of 8.4% according to Morningstar). Mostly though, I would like to let all of our clients know that we are here for them. Each person's circumstances are unique. We welcome the opportunity to share our experience and knowledge to help them through these difficult times.

VANTAGE NEWS

For some, the financial markets have been scary enough, but Vantage experienced an additional scare on October 31. We were visited by small scary creatures, some sporting what looked like fresh blood. You probably saw some of these scary creatures at your house as well. Hopefully, you learned, as we did, that they would go away happy if you just gave them candy.

Downtown Arlington Heights comes "alive" with children of all ages each Halloween. The merchants prepare themselves by setting up tables of goodies for everyone. We had beautiful weather and lots of fun interaction with those who came out to participate. Quite frankly, this kind of "scare" was a lot more fun than what the markets have provided us recently.

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