

How will history remember these times?

by John Masus

Down through the time lines of history I believe this market/economic episode will be remembered. In fact you and I are now part of that history. The severity was enough that I also believe history will give it a name.

Perhaps it will be called the "Great Financial crisis of 2008/2009". But that's too high sounding. Future generations would think we got caught up in something that just happened. It doesn't really tell the story. Besides, this started long before 2008/2009. Maybe something more descriptive like "I don't understand the risks of these Credit Default Swaps, the sub-prime mortgages or the no document loans

and many of the other things we're doing but, let's package it together even if we really don't know its value and hold, buy and sell them as investments." Of course, that name won't fly because it actually says this could have been avoided.

Well the crisis arrived and caught the world in its grip. Through massive government interventions all over the world the grip seems to be easing but not without serious damage to the system. I believe we will recover but with a rough ride both in the markets and economies.

The final outcome will bring more regulations and hopefully common sense in our spending, borrowing,

investing and lending habits.

So where do we go from here? Some thoughts

Needs and wants are different... We need sufficient liquidity or cash on hand for our immediate needs. In these uncertain times, that could mean 6 to 12 months available at all times.

Spending... Taking on more debt makes you vulnerable. Live within your means.

Credit Cards... Try to consolidate or re-negotiate to the lowest interest rates possible.

Investors... Some believe the market hit bottom in early March 2009, others believe we could re-visit that bottom. Nobody really knows. Many people are holding cash.

Here's an old guide-line. Let's say you are age 60. Subtracting your age from $100=40$. So you might consider 40% of your portfolio in stocks. A Dollar Cost Averaging strategy could be employed. If you think the economy will improve over the next 10 months (you pick it). Divide the stock portion goal of the portfolio by 10 and buy back into the market in equal contributions over 10 months regardless of fluctuation or lower price levels. The other 60% could be bonds, cash and alternate investments that do not correlate to stocks (do not move in tandem). There are no guarantees of profit with this method.

All of this depends on the fact that you want to be in the market. If you have enough income without it, then why assume that risk?

The way you handle your own investments should always be based on your financial objectives, risk tolerance and needs. A good financial advisor can help. ●



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