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At *DocOnomics*, we strive to continually raise your awareness and understanding of the 4 corners of personal wealth management. Collectively, we refer to these as AARP, our simple buzzword for Accumulate, Allocate, React and Protect. Everything we do within the realm of personal wealth management invokes one or more of these key principles.

During the past 9 months, we have witnessed a series of convulsions and seizures in the global financial system which has given us great cause for concern. Although the backdrop to this situation is highly complex and covers nearly three generations worth of expense-ridden political and economic agendas, the media is widely attributing the current events to defaulting loans that were extended to a record number of individuals with poor or non-existent credit histories.

Just as the best college basketball teams reach deep down to get past their post-season opponents and earn highly-prized berths in the Final Four, we too are executing game plans that will enable us to survive and prosper in these highly challenging and unstable times. Within the playbook of AARP, we think that Allocate and React will be our best sources of success for years to come.

The next several *DocOnomics* commentaries will offer you glimpses into the world as we see it and suggest actions that you can take now in order to improve the chances of an extended stay within your personal comfort zone.

MARCH MADNESS

In case you haven't noticed, the US Government has been taking a lot of shots from well beyond the 3-point arc. As we view the replay monitor, we see that on March 11 the Federal Reserve pledged a **\$200 billion** rescue package to the nation's banks and investment firms that are underwater with securities losses linked to defaulting mortgages and consumer loans. On March 17, the Federal Reserve ponied up an additional **\$30 billion** to pay for the shotgun wedding of JPMorgan Chase and Bear Stearns in which the latter surrendered its maiden name.

The simple fact is that government bailouts of private sector players are nothing new and in fact have come to define our Cinderella society. For far too long, the majority of Americans have come to expect immediate gratification by way of seemingly infinite credit and an

otherwise subsidized standard of living made possible by seemingly infinite government borrowing. Sadly, the proverbial glass slipper no longer can be contoured to fit the swollen foot of a heavily indebted and increasingly cash-strapped society. A \$200 billion bailout is of a magnitude that is without precedent and points to mounting desperation. The last-ditch rescue of Bear Stearns was one of many technical fouls that we can come to expect.

We said it before and we'll say it again. The US economy is in crisis mode. More and more comparisons are being drawn to conditions that existed at the onset of the 1930s, especially with respect to the residential real estate market. Several years ago, we were on red alert for this tipping point knowing full well that official rhetoric and statistical charades would prevent us from recognizing it until after the fact. A \$200 billion shower of rescue money should leave no doubt that Washington's mighty Potomac finally has spilled over its banks (pun intended.)

Desperation shots tend to come about as reactions. To give you some perspective on the situation at

hand, we need to briefly review some history. If you were paying attention in history class, you are allowed to gloss over the next two paragraphs.

In the 1930s, a Roosevelt administration seeking to invent millions of “lost” jobs and a mandatory (and later predatory) retirement system launched two half-court shots known as the New Deal and the Social Security Act. Soon afterwards, global war entered the picture. It may surprise you to learn that when the US entered this war, it initially was promoted to the American public as a 6-month military campaign. We know the rest of the story. Things got considerably out of hand and the Roosevelt administration was forced to launch more “bombs” from downtown. First was the D-Day invasion of Europe in 1944. Next was the deployment of atomic weapons against Japan in 1945. All of these desperation shots were in reaction to unprecedented conditions brought on by a combination of policy miscues and a gross miscalculation of problems at hand.

Oddly, the 1960s ushered in a policy era during which desperation has been met more by capitulation than by tossing up difficult-to-make shots. Witness the US Government pull-outs from Vietnam in 1972 and from Iraq in 1991, only to re-enter the Iraqi contest in 2003 with an outcome that still awaits us. As Americans live through another period of futility in exiting from an escalating military conflict, each day brings more suspense as we await an inevitable game-ending buzzer beater in which the US escapes with a sense of victory.

Our mission at ***DocOnomics*** is to offer guidance to physicians on wealth accumulation and preservation. To accomplish this, it helps to have an awareness of what is taking place behind Doors #1, #2 and #3. To this end, we bring our chalkboard into full view.

Behind Door #1 is the US economy officially in an inflationary recession, which points to significant job losses and shrinking disposable incomes due to pay cuts and rising living expenses. Behind Door #2 is a powerful virus infecting much of the world’s financial system, causing many traditional providers and sources of credit to die. Behind Door #3 is collapsing confidence in the US Dollar as a reliable store of value, which has given rise to an unstoppable glacial shift to other stores of values and a global warming effect on prices of essential goods and services paid for with US Dollars.

In the spirit of Dick Vitale, the legendary voice of March Madness, we offer these colorful words: “Its time to allocate and react, baby!!!” With each passing day, the US Government continues to go deeper and deeper into debt while there is rapidly shrinking demand for this debt among global investors. That means one thing. The US Government is now buying its own debt by creating Dollars out of thin air and passing them onto its bag holders on Wall Street. If this form of counterfeiting isn’t a desperation shot, we don’t know what is.

As things currently stand, the final score is certain to pin a loss on the US Dollar and American taxpayer. The only way to turn this game around is for the Dollar’s “head coach” to greatly pare back its spending on military campaigns, entitlements and energy imports. We’ll be watching closely for evidence of this “triple-double” and will report back to you if we sense a miracle finish. In the meantime, you will need to allocate your portfolio in ways that will protect your purchasing power from a US Dollar that is losing much of its bounce. In addition, you will need to react to the greatly weakened state of US Government finances by creating reliable personal income streams far into the future.

More specific steps will be outlined in future commentaries. Because of the fairly serious nature of the present situation, we invite you to e-mail ***DocOnomics*** with your questions. Please see the [contact information](#)