



Randy L. Flink, Principal ❖ Christopher M. Gregory, Principal
Robert I. Kramer, M.D., Medical Advisor

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With each issue of *DocOnomics*, we attempt to reach out to physicians and other healthcare professionals with practical advice for building and managing long-term wealth. The constant message revolves around our AARP framework, which is a not-so-secret codename for Accumulate, Allocate, React and Protect.

The ensuing commentary pursues the theme that America has entered a very difficult period in its modern history and that those of us who do not *react* accordingly will pay a price. Some of us will pay a much steeper price than others. Investment sages such as Warren Buffett and George Soros have gone public with their warnings that both the professional and amateur investor will have great difficulty in generating decent investment returns in the years ahead. Traditional rules, guidelines and logic no longer hold up as the US financial system is being shaken to its core. The main culprits are greed, fraud and the gross mismanagement of the US Dollar by its political masters. Please trust us that this is not a time for complacency.

PASSING THE COLLECTIONS PLATE

Lately, one news report after another has informed us that the American consumer is hitting the wall. This is the combined effect of rising living expenses, stagnant income and curtailment of credit. Adding to the misery is that the number of homes for sale nationwide is approaching the 5,000,000 mark. This represents an astounding level of inventory (i.e., almost a 12-month supply) and is putting a real dent in home prices. Ominously, it is negatively impacting personal wealth as home equity shrinks by various percentages.

Our government leaders are afraid to describe this picture as a recession but we have no such trepidation in calling it a slow-motion train wreck. Furthermore, as consumer spending power recedes, there is going to be an impact on physician collections. If medical offices do not apply a full-court press on collecting fees from patients, there will be accelerating write-offs. To make matters worse, we expect many consumers to fall behind on their insurance premiums and this will have a negative impact on cash flow at the insurance companies. As a result, we anticipate a scenario in which reimbursements to physicians will be delayed.

Millions and millions of consumers are crying out for economic relief and are asking their politicians to get more involved in providing that relief. As physicians understand all too well, a greater government role in any process will lead to gross inefficiencies and a rash of unintended consequences. If we appear trapped between the devil and the deep blue sea, then it is more important than ever for both government and consumers to get outside the box and look not only for ways to survive but to prosper in the decades ahead. The ability to prosper will be closely linked to the ability to achieve national and personal self-sufficiencies in job income, food, water, fuel, efficient transportation, dependable communications, affordable healthcare, quality education and permanent savings. These are the essentials. Everything else pales in comparison.

It is a great misfortune that America has squandered its wealth and is now one of the greatest debtor nations in modern history. As a consequence, certain political and economic privileges are in the process of being revoked by those nations that have been accumulating vast wealth. For most of us, this translates into higher living expenses and fewer choices across the lifestyle spectrum. It

certainly changes the way we as individuals must accumulate wealth. If we fail to accept this mandate, we ignore the bold facts at our own peril.

For some time, **DocOnomics** has been pounding the table for readers to examine their spending and investing habits. We are in a changing world and those who insist on living in the past will be increasingly victimized by the new paradigms. First and foremost, we need to understand that living a long healthy life within our personal comfort zones will require much more financial capital than we ever imagined. Conservative approaches to spending and enlightened approaches to investing are very important. Let us learn to bypass some of life's luxuries. Let us focus on investments that preserve and grow our purchasing power. In the majority of cases, our living expenses are escalating at 8-12% per year. If our investments are not keeping pace, we are falling behind the curve and could face unpleasant choices in later years.

For investing under the new paradigm, **DocOnomics** recommends (1) fixed income investments denominated in select foreign currencies, (2) various commodity-related investments and (3) equity-indexed annuities that offer stock market upside potential with little or no downside risk and allow penalty-free withdrawals during the annuity's contractual holding period.

If you need help in selecting investments of this nature, please feel free to contact us.