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

BLUE CHIPS OR COW CHIPS?
DOES YOUR INVESTMENT PORTFOLIO PASS THE SMELL TEST?

Recently, we were questioned by a gentleman who is about to turn the corner on retirement. The nature of the query had to do with the propriety of this individual's self-directed investment strategy, which was highly concentrated in a well-known mutual fund that was positioned exclusively in blue chip stocks and bonds.

Since ***DocOnomics*** is inclined to challenge most mainstream thinking and closely examine all moving parts, we began to ponder the definition of "blue chip." The concepts of stability, security, share price growth and dividends crept into our thinking, yet we were disturbed by the fact that most large banks, brokerage firms, insurance companies, airlines and automotive companies have for decades been perceived by the mainstream as "blue chip." In reality, many of these financial and transportation powerhouse companies have proven themselves to be woefully unstable and anything but secure. Share price growth has plunged and dividends have been slashed as these "blue chips" aggressively seek bail-outs and rescue packages from the US Government and fresh capital from all corners of the globe. Bonds of many of these firms have migrated to junk or near-junk status.

Suffice it to say that while blue chips have been turning into cow chips, individual investors have unknowingly lost their sense of smell and have missed this important development. This has occurred because our entire populace is largely unaware that the US Dollar has been dangerously weakened by the massive debts and deficits that permeate our economy and political decision-making arena. For too long, the profits of many blue chip firms have been heavily dependent on the perpetuation of an engrained borrowing mentality. Sadly, America's heavy borrowing has convinced the world that we are a nation of financial alcoholics and the US Dollar is no longer a trusted store of value.

A flagging greenback means that greater quantities of Dollars are required to purchase goods and services and that more borrowing must occur in order for these goods and services to remain within the reach of both government and consumers. One of life's great lessons is that there is a finite limit to borrowing and the US seems to have hit its ceiling in 2007. If you require a basic primer on this general topic, we can enthusiastically recommend Ross Perot's brand new website www.perotcharts.com. Check it out and you will see what kind of chip Mr. Perot has on his shoulder.

In view of the above, today's investing game is all about preserving and augmenting one's purchasing power. Ironically, an investment in potato chips is more likely to accomplish this than an investment in semiconductor chips. Prices of agricultural commodities are soaring in lockstep with accelerated growth in human consumption, uneven supply growth and the artificial expansion of money supplies by governments desperate to live beyond their means. At last look, Uncle Sam is by far the world's biggest perpetrator of monetary

inflation which is at the root of our individual struggles to maintain the purchasing power of our investments.

For investing under this 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.

While the chips are falling hard on the US Dollar and US economy, the recipe for a broad recovery is there for the taking. We have put on our thinking caps and constructed a slew of positive scenarios that could emerge prior to the time when we all need to be cashing in our chips. However, it will take some resolve in Washington DC to step outside the box and look for strategies that are more practical than political in nature. Self-reliance across all fronts and the eradication of a debt and deficit mentality must be at the core of these strategies.