

This Is No Time To Hide!

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Investors are scared! We have seen our investments, our home and possibly our income, decline in value. I have heard more than one person say they will never be able to retire. This month I heard a presentation by Maren Beckman, a Life Transitions and Relationship Coach, who specializes in coaching people through difficult transitions. Her speech related to the market conditions we are currently going through. The one thing that really came though was people who "freeze", have a difficult time dealing with transitions. Does this sound like the, "Don't look at investment statements syndrome"? Her advice was to confront the issues, reevaluate, and then take action.

How do you confront your finances. Well first take an inventory of the situation, put together a "Net Worth Statement"; this will show you how much you own and how much you owe, and the balance is what you have to achieve your goals. Now you know what you have to work with. What goals do you wish to achieve, whether it be long term financial security, or a short term goal; if you don't know where you stand you can't make an informed decision as to how to achieve your goals.

After determining what goals you wish to achieve, you should rank them as to their importance to you. After you have prioritized your goals and have determined what resources you have to work with, then you must evaluate whether you have the resources to achieve them or will need to make some adjustment. We use a new financial software package that allows us to vary the goals within an ideal and acceptable range determined by the client. We have seen that the adjustments necessary are not as great as most people think.

I was reminded of the guidance from Dr. Stephen Covey; he says make two circles, one inside the other. Then list your concerns. Put the concerns you can control in the inner circle and the ones you can not control in the outer. Then don't worry about the ones you can not control and take action on the ones you can control. After the turmoil of the last 18 months, we should sit down and reevaluate our goals and values in the light of what has happened, then develop the action steps to achieve our goals. We may find that our values have changed and most likely our goals have shifted also. Not only will planning help us to realize that we will be able to achieve our goals, albeit with some adjustment, but we will most probably realize that the adjustments are not that major.

We can not control the markets, and we may not be able to control whether we have a job. But we can control how we spend our money, making sure that we live within our means and spend in accordance with our goals values. Now is not the time to hide, but to make rational plans and then take action.

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Charles Buck CFP®

"Any society that would give up a little liberty to gain a little security will deserve neither and lose both."

Benjamin Franklin

Did You Know?

This isn't the first recession that the US economy has sustained. There have been 16 over the last 83 years. That is on average about 5.18 years between them. Although the news media would have you think we are in another Great Depression, we are not close to the devastating impact of the Great Depression.

Unemployment now is 8.3% compared to 25% in the 1930's. In this recession we haven't seen a 25% drop in the Dow like we did in 1987. And as bad as the devaluation of the markets has been, they are down an amount comparable to the 1973-74 recessions. Have we forgotten that the NASDAQ stock index went from 4900 in March 2000, to a low of 1100 in October 2002?

Although 2008-09 is trying at best, things could have been worse. But, don't forget our economy has recovered from each of the 16 recessions, and I expect that this one will end the same.