

## **A Year after Lehman – Rebuilding as the Dust Settles**

Possibly, only people heavily involved in the financial industry will recall September 15, 2008, as the day investment banker Lehman Brothers filed for bankruptcy. It was a powerful shock to the American financial system, coming only hours after Bank of America agreed to absorb the once-powerful Merrill Lynch – to say nothing of the disappearance of Bear Stearns into JPMorgan Chase six months before, or the Sunday morning announcement a week earlier that mortgage giants Fannie Mae and Freddie Mac were suddenly in government conservatorship. On the day Lehman Bros. fell, the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) dropped 504 points to 10,917.51 and \$700 billion in stock market value disappeared.

Incredible as all that was, there was much more to come as other dominoes fell quickly. American International Group (AIG), with tentacles reaching into most global economies, was deemed too big to fail – it got an \$85 billion government loan. Next, Washington Mutual became the largest-ever American bank failure. JPMorgan Chase took what remained and Wells Fargo slurped up all of Wachovia. After the House of Representatives failed to pass the first bailout proposal, on September 29 the Dow fell nearly 778 points to 10,365.45, its worst-ever point drop. Another \$1 trillion in market value had vanished. Although a bailout package was passed a few days later, confidence had evaporated. The downhill slide continued until March of this year.

A year after Lehman's collapse, the effects of these events are still evident. In the meantime, financial plans have had to be reevaluated; changes have had to be made. Some investment and personal goals have been delayed or set aside. Nevertheless, these events reemphasized the value of a disciplined planning process, one that encourages you to understand your financial situation, outline your goals, and develop and implement a well-thought-out investment plan. Most of all, they point to the value of constantly monitoring a portfolio and effecting changes as warranted.

Historically, bear markets invite investment opportunities. This one has not been an exception. As of the close on September 11 this year, the Dow was up nearly 47% from its March low. From their respective lows, the NASDAQ (an unmanaged index of common stocks listed on the NASDAQ National Stock Market) had gained a remarkable 64% and the S&P 500 (an unmanaged index of 500 widely held stocks) had risen 54%. Of course, past performance may not be indicative of future results.

As uncomfortable as these events have been, they offer lessons for the future. And while the markets' rebound has been remarkable, they remain far off their October 2007 highs and economic conditions are still far from ideal. I continue to remain cautiously optimistic as we see better housing numbers reflected in the increase in new home sales and continued increase in company profits that we are seeing ahead of earnings estimates and the federal reserve announcement that GDP has finally turned positive.

Many of the programs that the government has enacted take time to come to fruition to show up in the economy. I am hopeful that many of these decisions that were made by the prior and current administration have and should continue to start showing up in better unemployment numbers and eventually new employment growth. This all takes time and patience. The stock market is a barometer of future events both good and bad usually 6-9 months ahead of anticipated events. Let's use the current tea leaves as a cautious indication that our country and global economy is heading in the right direction for all Americans. Continue to make your financial decisions based upon our future outlook and not past events. I dare say that has served individuals like Warren Buffet very well over the years. Let it do the same for you.

**Financial Planning Recommendations** – This month I wanted to focus on a topic many of us don't like to talk about which is a necessary part of our overall financial planning and that is life insurance. I have heard it called by many a name other than life insurance but two things I have been told are certain in this world and that is death and taxes. There are 2 basic fundamental reasons for life insurance. One is to insure our lives to provide an asset to our family when we don't have sufficient assets built up to provide an income or pay off debts. The second reason is to purchase life insurance to pay the taxes on the assets the government is going to assess because we were prosperous in our lives. This seems ironic but nevertheless is very black and white. When we choose to address either one of the above two scenarios is a matter of timing. My recommendation is to do it when there is not a need and not on one's death bed. I have seen many times how people have procrastinated in addressing this issue over the years that ended up putting their families in terrible situations. There are many good choices that exist for solving one's life insurance needs. We can go over the pros and cons of each one and what is the right choice for you individually. Know your options which for many people means looking at one's budget and seeing what one can reasonably afford as a starting point. The main reason why people think life insurance is so expensive is that they wait till they are older or have health issues and the cost of that waiting is reflected in those facts. If you purchase life insurance at a younger age or when one is healthier, the cost tends to be more reasonable. We all have our financial planning checklists. This is an item that can be checked off sooner rather than later. Give me a call and let's look over your existing policies and see what we can do. If you have bought an older whole life policy many years ago, mortality tables and the cost of insurance has decreased so we might find that we could potentially save you money by lowering your premiums.

**How Can I help you?** Many people use our investment and financial planning services because we provide prudent and conservative advice to people who value having a trusted client-advisor relationship. Honesty, professionalism, compassion and respect have been the tenets of working with my friends, clients and professional partners for 15 years now. If you think that others might value this kind of advisor - client relationship, then please let me know how I may be able to help them.

Please feel free to e-mail me at [rich.hendry@raymondjames.com](mailto:rich.hendry@raymondjames.com) or call me at 678-578-2430 or toll free at 877-811-9090 to discuss any market concerns or financial planning that needs to be done for this coming month or year. Visit us at [www.richardhendry.net](http://www.richardhendry.net). **We are proud to be part of your wealth management team.**

Sincerely,



Richard P Hendry, CDFP  
Registered Principal

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