

Fourth Quarter Report 2012

The Pundits, Congress and Your Money

Well, those pundits were wrong again. While falling over the fiscal cliff seemed like it would be scary, at the last minute Congress attached a bungee cord and we were all safe. The funny thing about bungee cords is that just as you very nearly reach the bottom, you spring back upward with great momentum, pause, and then fall again. This is both exhilarating and terrifying, especially on the third and fourth bounces, when you are wondering if the cords can possibly take another hard yank.

If you thought our national bungee jump was over, think again. Congress wants to make sure that we get the most out of our ride, and are preparing now to take us to yet another brink. Until partisan politics is replaced by statesmanship, we are going to continue to feel as if we are falling, and hope that the bungee cord will not fail when we need it most.

As Bette Davis said in the classic movie *All About Eve*, "Fasten your seatbelts. It's going to be a bumpy ride."

Before I delve into an analysis of the past year, I want to share some thoughts about a single visionary and an amazing company turnaround that proves that powerful leadership can solve what appear to be unsolvable issues.

As you may know, AIG, parent company of our broker-dealer, Royal Alliance, has been the poster child for the financial mess and government bailout based on the "too big to fail" theory. AIG received \$180 billion US dollars and was the subject of vilification in Congress and in the media. When the US government took over AIG, the general thinking was to liquidate the company entirely and limit the national loss to \$50 billion. Enter Bob Benmoshe in August 2009, who believed that the company could be saved by rebuilding its core assets and that not only would it emerge as a strong company, but that it would repay the loan. Members of Congress grilled Benmoshe, who stood his ground in May 2010 and insisted that with his guidance, the government and taxpayers would be made whole. Fast forward to December 2012: the entire \$180 billion has been paid back, with interest, and the US has sold its entire equity stake and made a \$20 billion profit.

From near disaster to new American success story, I am inspired by the strength of vision and the ability to stay the course demonstrated by Benmoshe. The lesson is clear: there are real problems, there are big problems. But if we remember our American spirit, we will find examples everywhere of the power of people with vision and conviction, regardless of the obstacles.

Looking forward, we should remember that the pundits are so often wrong. I took a look back at a CNN Money's "Where to Invest in 2012"¹ article where their top experts recommend, among others, MFST – down 4.14%, Dell – down 20.81% and McDonalds, down 9.18% from last year. This is not to disparage these companies, but simply to show that the so-called experts are not always right.

Your investments through Creative Wealth Management are not selected to beat the market. Rather, they are chosen carefully as part of a total investment portfolio that is itself designed to reach your long term goals, regardless of the political and economic roadblocks. Let's remember that last year those of you who participated in equity markets were rewarded for your confidence and long-range perspective. Those who kept your money in the bank or under the mattress or buried in a jar in the backyard fell behind.

We are here to help you recognize the importance of the long term perspective, not the short term response. We are here to make sure that your eyes are on the ultimate goal and that you do not lose focus because of a non-stop news cycle that has become a 24/7 continuum. We are here to look forward, not with fear, but with understanding, caution and knowledge.

May 2013 be a good year for you and your loved ones.

Michael D. Kresh, CFP®
Managing Member
Creative Wealth Management, LLC

¹Where to invest in 2012 – The experts weigh in
December 14, 2011, 5:00 AM EST.