

We should also examine our priorities for the society in which we live. I find it somewhat disconcerting that the debate over taxes is seen as an attack on successful people as opposed to an effort to restore some balance in society. We all benefit from better education, even if we have sent our children to private schools, or have no children. All taxation results in a “distribution” of wealth, as the government takes taxes from all sources and distributes it according to the priorities chosen by those we elect to represent our interests. A research tax credit for high tech companies is distributing more to them by taxing them less, but the reduction of their taxes must mean a decrease in services to someone else, or an increase in someone else’s taxes. It is a matter of priorities, and while we will never all agree, we should ask ourselves and our representatives to look at what provides the greatest benefits to the greatest number of people per dollar spent.

The current debate over taxes, stimulus (infrastructure spending, etc.), and spending on social programs provides an interesting look at what has become important to many people. While there is no question that there are people who abuse government assistance (the old cliché of the welfare queen), is it not abuse for the wealthy to buy abusive tax shelters or hide money in offshore accounts? Many unemployed or working poor feel entitled to help, and many wealthy feel entitled to

use every device possible to eliminate taxes because they feel entitled to keep what they earn so it doesn’t go to someone who they feel is undeserving.

Now, with the world turned upside down and many personal nest eggs badly broken, as well as many families losing their jobs, homes, and retirement savings, perhaps we can broaden our focus beyond self. Regardless of which priorities we ultimately determine are most important, taking this time of crisis to look inside ourselves for answers should pay significant dividends.

I recently attended a conference at which I was delighted to visit with a long-time business friend. Last year when I saw her she shared with those of us in attendance that she doubted she’d see us again. A couple of months earlier she had been diagnosed with a rare and incurable cancer. The doctors gave her less than six months to live. Now, a year later, her cancer has stopped growing and she is able to remain quite active. But over the year she has re-defined what is really important to her, and is happier with her life than ever before -- even with her reduced income. I think there is a real lesson there, and I hope in sharing it with you, it might inspire you to re-discover and potentially re-evaluate what is most important to you about money, family, friends, and community.

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Wealth Architecture™ Digest

Often people do not plan because they see only what is, and they do not have a vision of what can be. Something is always possible. We believe that, with vision, the possibilities are almost unlimited.

Anger Management

People are really ticked off. Their assets have been devastated, with everything from their investment portfolios, homes, and retirement accounts going dramatically down. Almost everyone knows someone close to them who has lost his or her job, or soon may. In the meantime “taxpayer money” (their money) is being used to bail out the perps and pay them big bonuses – or so it seems.

The pain and fear that many Americans are experiencing is real. The fiery anger is being stoked by the media and by politicians creating populist outrage. According to Wikipedia.org, one definition of populism is “...the definition by Daniele Albertazzi and Duncan McDonnell who, in their volume *Twenty-First Century Populism*, define populism as pitting “a virtuous and homogeneous people against a set of elites and dangerous ‘others’ who are together depicted as depriving (or attempting to deprive) the sovereign people of their rights, values, prosperity, identity and voice.” The current AIG bonus outrage is a great example.

The problem I have with this is encompassed in the definitions essential to the definition of populism. Who are the “virtuous?” Who are the “elites,” and why are they bad? Are those who disagree with the self-described virtuous and homogenous people *de facto* dangerous? Or, could we look at populism and consider it dangerous? It is important to see if we can turn anger into something constructive, as right now this populist anger seems to me to be destructive.

Here are some of the e-mails sent to AIG by very

angry people (released by CT Attorney General):

*Dear Sir: Ya'll should have the balls and come clean and give back the bonuses. I know you would never do this so the gov't ought to take you out back and shoot everyone of you crooked sonofb****es...I would be very careful when I went out side. This is just a warning. If I were ya'll I would be real afraid. Thanks, Bill.*

I don't hope that bad things happen to the recipients of those bonuses. I really hope that bad things happen to the children and grandchildren of them! Whatever hurts them the most!!

The Revolution is coming. The family members of your executives are not safe. Your blood will run through the streets in the coming months.

Now I don’t know about you, but I find this kind of anger to be over the top. You can say that it’s only a few nuts who are writing this, but according to authorities there are many more.

Congresswoman Michele Bachmann (R-MN) incites people with incredible, populist rhetoric and this past weekend told WWTC 1280 AM, “I want people in Minnesota armed and dangerous on this issue of the energy tax because we need to fight back. Thomas Jefferson told us 'having a revolution every now and then is a good thing,' and the people -- we the people -- are going to have to fight back hard if we're not going to lose our country.” (source: huffingtonpost.com)

The over-the-top anger is not coming from just one side of the political spectrum (although it appears to be from each fringe). I maintain it has

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the real potential to inhibit government to focus on taking care of the “people’s business.” It is very hard because the policies regarding crises of everything from the economy, international events (Afghanistan, Iraq, North Korea, Middle-East, Mexican drug war, etc.), health care, etc. have strong supporters and opponents. When anger prevails the discussion becomes not about policy, but about people. Name-calling makes things personal and anger makes it worse. We focus on who to blame, not what to do.

On October 20, 1991 a small brush fire in the Oakland Hills turned into an incredible disaster. The blaze “consumed 1,520 acres and destroyed 3,354 single-family dwellings and 437 apartment and condominium units...” (source: Wikipedia.org) Imagine if you will that the fire fighters headed to the blaze, but before they would turn the hoses on the fire they wanted to know who started the fire. Or, if in a territorial dispute they said that the threatened houses on one side of the road were not their problem. That is the picture I get of the current anger and debate. Until we identify the evil-doers who got us into this problem, and tar-and-feather them, we are not focusing on fixing the problem. The wind-whipped brush fire destroying assets and families burns out of control while many protest everything and everyone.

I think it is time that those of us who have a more nuanced view of the current crises, speak out and ask our friends and leaders to set aside anger long enough to work on solutions. Even though people talk about “doing what is best for the country,” there is no evidence that politicians want to cross party lines to develop a consensus. Liberals and conservatives alike see no common ground, and even those who consider themselves moderates, have dug in on party lines. We need to again remember we are supposed to be the *United States of America*.

American Identity

America is in the midst of a real identity crisis, as are many Americans. Ever since the Second World War we have been the world leader militarily, financially, and politically. We had fifty years of relatively steady growth in our standard of living, and we were the innovators who led the world into the digital age. But then something changed, and we are left wondering what happened. We are also faced with the very serious question of what we want to be, individually and collectively, when we come out from the current economic crises.

There is a great debate currently going on which has forced us to ask “who are we?” Our auto companies, once world leaders, failed to plan for a future of gas efficient cars, even after the oil embargoes of the 1970s began the march towards smaller imports. When gas prices dropped, demand for SUVs, pick-up trucks and muscle cars increased and the auto companies flourished with these more profitable models. But it would not last. They now face extinction like the dinosaurs they’ve become.

Once the 1980s trend towards de-regulation and globalization got underway our world changed. I am making no judgment on whether it was good or bad, but see this transitional time as important to where we find ourselves and how it will affect our options moving forward. Competition is great, but it does have consequences, many of which are unintended.

In the March 27, 2009 New York Times there was an interesting article about the incredible, obsessive construction of subways in China’s growing cities. In Guangzhou, a city of 12 million people, crews work twelve hour days, five days a week, for \$400 per month. The article pointed out that the city is building 20 miles of subway a year at a cost of \$100 million a mile. It continues, “By contrast, New York City officials hope to build 1.7 miles of the long-delayed Second Avenue line in eight years at a cost of \$3.9 billion, or \$2.4 billion a mile.” That is **24 times** the cost of the modern Chinese subway.

I would guess that a skilled worker on the New York subway project might cost (with benefits, etc.) \$6,000 per month. That is 15 times the cost in China. It makes it hard for us to afford to build modern infrastructure, but the problem runs deeper. We are all delighted today to be able to buy a good laptop computer for \$600 versus \$2,400 a few years ago. But the primary reason for our ability to buy so cheaply is that today’s laptop is made by workers (or robots) in low wage countries. Their wages and standard of living have risen as they moved from being largely poor, rural workers to higher-paying factory and construction jobs. Our costs to purchase the products they make have gone down. But along with the savings we experience, we have lost our manufacturing base.

Over the past 25 years we have gone from making products to making money. The financial sector of the economy went from 4% of GDP to 8% just before the recent financial meltdown. To make greater profits our global companies (everything from Intel to GE to Ford, etc.) moved jobs overseas. From call centers to manufacturing, from software design to tax preparation, the demand for higher profits, largely through lower labor costs, decimated communities built around old, established employers.

We often didn’t notice the societal consequences as the global consolidation of production, encouraged by a flood of cheap money, enabled leveraged buyouts and mergers focused on making more money by producing cheaper goods wherever possible. Consumers were delighted as they had easy access to cheap credit through home equity loans and credit cards that offered zero interest for six months or more on balance transfers. Free credit -- no cost, immediate gratification. This became debt-fueled, consumption-driven growth. We went from \$500, 36-inch TVs to \$5,000, 60-inch flat panels, with no payments for 12 months. Looked like a no-brainer.

We are all beginning to understand the proximate causes of the current crisis -- over leverage and

“bets” gone bad. But I don’t think we’ve really begun to process the ways in which it will affect our lives. There is a heated debate in process as to what part government should play in rebuilding confidence in the system or helping those suffering from the current downturn.

When natural disasters strike, we expect the government to help. I have heard very few people say people were stupid to build homes in California, Florida, or Ohio because of the risks of natural disaster. We turn out to volunteer to help sandbag, fight fires, rescue stranded families, etc. If government fails in its response, as after Hurricane Katrina, we are quick to criticize the lack of support. Nobody gets agitated about using taxpayer money to help victims of major natural disasters. Nobody expects the government to get paid back for the money used to rescue people who lived in affected areas, even though they should have “known better.”

Our current crises make 9/11 and Katrina look like child’s play. The costs are in the tens of trillions of dollars when you consider lost asset values and the various bailouts. But we are yet to deal with the ways in which the reality of these losses will affect how we live our lives, individually, and as a society. I seriously doubt we will be able to return to the free-spending ways of recent years, and I believe we need to re-evaluate our core values.

If, as individuals, we will have less money to spend, what will be the most important uses of our money -- Family? Self? Community? Should I go on really nice vacations, or should I help with my grandchildren’s college (assuming it is one or the other). Should I buy a new car to replace my 5-year-old car, or put money away for when I am 80-years-old? Should I leave more money to my successful children, or should I help the nonprofits that serve the truly needy? Should I take excess risk to make more to attempt to regain my old lifestyle, or should I be conservative and “make-do” with less?