



The E-Newsletter of Offel Wealth Management Group

Volume 2, Issue 8

October 6, 2009

www.offelwealth.com

In this Issue:

- [Heading For Higher Ground](#)
- [Headwinds Ahead](#)
- [Tough Times](#)

Heading For Higher Ground

We've seen some signs of life in the economy and the markets lately, with Fed chairman Ben Bernanke declaring that the recession is "likely over," the Dow and the S&P 500 inching up, and even some stabilization in the housing sector. But these things have come at a cost, a cost that makes us wary for the long-term future of the American economy as a whole and equity investments in particular. The world changed forever in 2008, so we must be changing as well!

Much has been made of the fact that the current downturn is the worst economic climate since the Great Depression, but unfortunately, we seem to be making some of the same mistakes we did back then. These things could well be leading us to a double-dip recession, one in which the second part is even more serious than the first.

*I have been advising clients
that it's time to head for
higher ground.*

That's why I have been advising clients that it's time to head for "higher ground." None of us have a crystal ball, but we must find safer havens than the stock market in which to invest our money to help protect us from future economic calamity. It may not happen (and we certainly hope our worst expectations don't come true) but we must be prepared for the possibility that it does.

[--back to top--](#)

Headwinds Ahead

Why do we need to be on guard for another, potentially more devastating recession? Here's some of what we're facing:

- The housing crisis is a long way from over. There are a huge number of adjustable-rate mortgages due to reset over the next few years - \$2 trillion worth over the next six years. They are going to result in many homeowners having their monthly mortgage payments increase by as much as five or ten times, which is likely to mean a whole new flood of foreclosures and another slump, or even collapse, in the housing market.
- The commercial real estate market, which has survived more or less intact, may be due for a crisis of its own. A few weeks back, Chicago's Corus Bank, which was a major player in the construction loan business, became the second-largest bank to fail this year. The Corus failure could cost the already-beleaguered FDIC between \$1.5 billion and \$2.5 billion.
- As the Corus example shows, the banking crisis may not be over either. The FDIC has said that there could be anywhere from 250 to 500 more banks to fail, on top of the nearly 100 that have already failed in 2009. The FDIC has \$9 billion left with which to rescue such banks – and it has projected losses of \$70 billion over the next five years.
- Taxes will likely be raised in the near future, to pay for the deficits our government is running up in its bid to spend our way out of the recession. This would replicate some of the mistakes the federal government made during the Depression, when corporate and personal income taxes were also raised.
- Protectionism is returning to vogue, with the Obama administration doing such things as imposing tariffs on tires imported from China – another Depression-era relic.
- The dollar has fallen by 12 percent this year and will likely continue to decline because we continue to pile on more debt. Richard Posner, a world-renowned economist, judge and author, has suggested that increasing debt may cause the U.S. to suffer a decline akin to the British empire. “The United States may find itself in the kind of downward economic spiral in which ‘developing’ countries often find themselves,” he wrote recently.
- Unemployment remains high and is expected go higher – to around 10 percent – before it begins to get better.
- Inflation isn't likely in the near term, but deficit spending combined with a sinking dollar is a sure prescription for inflation in the future. Arthur Laffer, the economist who devised the famous Laffer Curve, which illustrates the relationship between tax levels and government revenue, points out that inflation persisted throughout the Great Depression and that our current policies may lead to more of the same.

The dollar has fallen by 12 percent this year, and will likely continue to decline.

[--back to top--](#)

Tough Times

Put all that together, and there are an awful lot of

“headwinds” for this struggling economy to overcome. Nobel Prize winning economist Paul Krugman thinks we could have another lost decade in store for us. We may be able to surmount some of those problems, but the fact that we’re facing all of them means we should be prepared for more tough times ahead.

*There are an awful lot of
“headwinds” for this
struggling economy to
overcome.*

What should we do address these tough times? As my client, you have either sat down with me already to discuss the changes we are making to your financial plans, or you are scheduled to meet with me over the next month to discuss how we will get you to Higher Ground. If you are not my client, I invite you to call me to discuss what I might recommend for you.

If you have any questions or would like to speak with me in the meantime, please give me a call at (800) 255-2545 or send an email to keith@offelwealth.com.

◆ *Simplify Your Life* ◆

Do you know where everything is, and how much everything is worth? Given the complexity of your financial world, we have adapted sophisticated tools to help you simplify your life in today’s changing economies.

As an Offel Wealth client you have access to your own, personal and secure website to help connect you to everything you own. By consolidating your financial information into one, organized website, you will simplify your financial world by creating one clear picture... of you!

To learn more about how we can help simplify your financial world, please watch a short video on this unique service we offer that goes a step further than most banks, by clicking [here](#).

Offel Wealth Management Group
Phone: (800) 255-2545
info@offelwealth.com
www.offelwealth.com



Recently named a Five Star Wealth Manager for Orange County, joining a select few (representing

less than 7% of the wealth managers in the market) that scored the highest in client satisfaction.

[--back to top--](#)

Offel Wealth Management Group
1111 East Commonwealth Avenue, Suite A
Fullerton, CA 92831
(800) 255-2545
www.offelwealth.com

All Securities through Money Concepts Capital Corp. Member FINRA/SIPC.

The 2009 FIVE STAR Wealth Manager logo is proprietary to Crescendo Business Services and has been purchased explicitly for marketing purposes.

Copyright Offel Wealth Management Group, 2007. All Rights Reserved.

[unsubscribe](#)