

# THOMAS J. McALLISTER, CFP

## REGISTERED INVESTMENT ADVISOR

1098 TIMBER CREEK DRIVE #7, CARMEL, IN 46032  
PHONE: (317) 571-1112 FAX: (317) 581-1261  
TOLL FREE: (800) 663-3419

### • One Man's Opinions - Summer 2009

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The month of July takes me back 47 years to my decision to leave my four year career as an industrial chemical salesperson and join the investment world. I was only 24, married seven years, with five children. It was a big leap of faith as I had NO academic preparation for this new world. Merrill Lynch assured me they would teach me what I needed to know to succeed. And they did. At the time they had the best training program on Wall Street. I took full advantage of it. After almost a year of training, I started prospecting and "building a book" as a stock broker. It took a couple of years of very hard work, but I made it

Today, looking back upon my very satisfying and stimulating career, I am thankful my Maker saw fit to give me these opportunities. After thirteen years in the stock brokerage business, six as a New York Stock Exchange branch manager, I took another big leap of faith and started my own firm, McAllister Financial Planning. I admit to a degree of ego in the name, but at that time I had been on local TV and radio daily for most of the previous twelve years, so I had some name recognition. My leap was again successful and I have mostly enjoyed self employment for the past 34 years. For the last fifteen of those years, as most readers know, I have tried to give back some of what I have learned. I have been traveling the world giving lectures on finance, investing, and economics on cruise ships. I recently completed my 60th cruise and brought my country count up to 140. I am blessed indeed!

I have refrained from criticism of our new President since his inauguration. It is time to lift that ban and make a few observations. First, the entire U.S. government has not been a shining beacon of common sense and efficiency in the last couple of years. Congress, and especially its leadership, has largely been ineffective to hurtful in its actions. The Federal Reserve badly handled the value of the dollar from 2003-2007, setting off an inflationary spiral in the economy, which they fought with very low interest rates. These low interest rates were a big factor in the residential housing price bubble. The SEC lifted the "uptick rule" in the stock markets, setting off widespread short selling by hedge funds and other players, heavily punishing financial and other distressed stocks. Regulators also insisted on "mark to the market" valuations even on current residential mortgages and mortgage securities, triggering a near collapse of our financial system. Mark to market has been corrected. The short sale uptick rule has not yet been reinstated.

Congressional Democrats intervened to "protect" Fannie Mae and Freddie Mac from tougher regulation by the Bush administration. Together they control over half the residential mortgages in the country. Both institutions drove themselves into bankruptcy with their unwise underwriting of junk mortgage pools, which ultimately brought them down and into government ownership. Congress still has not addressed the Community Reinvestment Act and other decrees

mandating that banks grant mortgages to unsound borrowers. Lack of changes here will, sooner or later, recreate the problems which led to near collapse last year. The Obama administration has so far not suggested what should be done about these entities and their problems.

The administration has also been silent as to changes in regulating the credit rating agencies, which have government-sanctioned, almost "cartel-like" privileges. They have also ignored the problem of what to do with future institutions and companies which are "too big to fail." If this huge issue is not addressed, politicians, Congress and our elected officials will come to dominate even more of our largest private institutions. The government's track record in this area in the past has been awful, and we certainly have no reassurances currently, with interference in executive pay, marketing pressure, and other areas in those institutions given TARP funds.

Mr. Obama promised us "change" during his campaign. He carefully avoided telling us what changes he had in mind. Those of us who voted for his opponent thought we knew what the most liberal of the 100 U. S. Senators would likely do - institute wide-ranging initiatives to implement a very leftist agenda. This is what the administration has done so far and what it proposes to do in the future. Universal health care is a wonderful concept, but as proposed, it will not lower costs, but sharply increase them. It is a very bad idea and will decimate the flawed, but still best, health care system in the world. The president's energy plan would likely raise electrical prices 50-100% for every household and business in the country. The plan fails to address a realistic option, nuclear power, which liberals have been against for decades. Mr. Obama came out for more nuclear power plants just last week. There has never been a fatal nuclear power incident in the U.S. or in our Navy, which is heavily nuclear powered. France now gets 80% of their power from nuclear; we get 20%. Obama proposes more windmills and solar power, which are good in isolated spots, but useless to provide the base electrical power needed in our economy. Hopefully this unneeded destructive proposal will die in the Senate.

The Bush stimulus bill appears to now be having its full impact, and, as predicted here three months ago, the economy seems to be bottoming. Except for widely anticipated poor unemployment numbers, things are not as bad as they were 90 days ago. A few indicators have turned positive. The Obama stimulus bill and the huge budget bill with its 9000 "earmarks" have had little impact so far. When they do they kick in, the economy will be in recovery, one I think will be even stronger than most expect.

The stock markets continued their March rally through the second quarter and the correction I anticipated after a one third run up has not happened. Public sentiment has turned more positive also, with consumer confidence slowly returning. I expect a positive 4th quarter 2009.

Consumer saving is up sharply, which many in the media are seeing as a bad thing. As usual, I disagree. A seven percent savings rate is a GOOD thing, not a bad thing. Sure, deferring some spending for now hurts this month's or this year's consumer spending and the gross national product. But it also undergirds the financial well-being of American families. I often lamented in these missives several years ago the practice of "drawing down our home equity credit line" for current spending purposes. Now that has stopped. Family financial stability is a positive!

I wish everyone an enjoyable summer season. When business picks up after Labor Day we should begin to see much more good news. My blogs will resume July 9.

Tom McAllister 800-663-3419

