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**MENTOR**  
C A P I T A L

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## Mentor Monthly Missive

### A special note

We are sincerely grateful to our clients, who have stuck with us through the recent stock-market slide. It's easy when markets surge for clients to be patient and stick with their plans; tougher when markets decline. This proves that our thorough, careful approach to wealth management is one that will be successful for the long term.



### Lessons learned

What can individuals take away from the current crisis on Wall Street? Two lessons:

- 1.) Lack of liquidity can be financially fatal. Just as inability to access funds in times of financial duress has crushed scores of institutions, it can crush individuals as well. Smart individuals have access to a reasonable amount of cash to protect themselves in the event of a job loss or other personal emergency.
- 2.) Failure to diversify properly is risky and can result in disaster. Banks that loaded up on toxic debt (and even, in some instances, invested large portions of their portfolios in Fannie Mae and Freddie Mac) were too heavily exposed to one asset class. Individuals who have broad exposure to a diversity of businesses, sectors and regions of the world, and to many asset classes, will see downturns, but they face a lot less risk.

Our comprehensive approach to wealth management involves careful consideration of these two issues, along with many others. During trying times, clients who have followed our recommendations have the luxury of waiting out the downturn and, when markets recover, participating fully in their advances.

### The danger of having a TV personality as your financial advisor

With all the turmoil swirling in the economic environment lately, it is more important than ever to have access to sound financial advice. A client called recently to say that Suze Orman, appearing on the "Oprah" show, had recommended putting everything in insured accounts or U.S. Treasuries.

It was a good thing the client called to check this. We reviewed the broadcast, and what Orman had said was that investors should place all their "deposit" funds in insured accounts or Treasuries. (This was before the federal government stepped in to insure money-market funds against losses.) That means their cash-equivalent holdings, not all their assets.

We would have been surprised had Orman recommended such extreme action as to sell everything – she's usually pretty level-headed. But if this client hadn't had access to our advice, the client could have made a big mistake.

There's nothing wrong with watching or listening to TV or radio financial pontificators. With the exception of Jim Cramer and a few others, they're often well-informed and objective. But their value is mostly as entertainment. Having access to a personal advisor like Mentor Capital can provide prudent, thoughtful guidance during good times and bad.

## Hedge funds, anyone?

Two recent examples of supposedly “smart” hedge funds making bad bets:

- In June a group led by J.C. Flowers & Co. acquired a 24% stake in Hypo Real Estate Holdings AG for \$1.7 billion. Hypo’s stock subsequently dropped more than 75% after the investment. Scarier still: Flowers continues to raise money, closing last month on \$2.5 billion for its third fund.
- Buyout fund TPG invested \$1.35 billion in Washington Mutual Inc., only to see its investment wiped out five months later, when the feds seized the ailing thrift.



## Tax refund scam

The scam artists never give up. A client forwarded an email to us with “Tax Refund: \$620.50” in the subject line. It told the client to click on a link to enter their credit-card number and receive the refund. The IRS logo in the email looked pretty good, but the following was a giveaway: “You have get (sic) a Tax Refund on your Visa or Mastercard.”

Again: DO NOT open any email if you aren’t certain about the sender. NEVER click on a link in any email. You do so at your own risk!



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