

The Human Face Behind This Economic Crisis

Clients, friends and family all have asked me if I have a high level of confidence that the Dow is going to fall to 6500 or even 5500.

My answer is yes, major banking and finance stocks have already declined to a level that's equivalent to 5500 on the Dow. The economy, corporate earnings, P/E ratios, historical stock charts- all point to the same range.

My Aunt G. asks, (only in a way that an elderly aunt can); "Val, you pooh-pooh the rescue initiatives by the Fed, the Treasury and the Obama White House. But Wall Street says they're massive and will bring about a real recovery before yearend. How is it possible for smart people to be so far apart in their views?" (Thank you aunt G, for putting me in the company of smart people)

I answered her, "Aunt G. We all (us smart people) have access to the same public data and so no one can claim to be smarter than the next. But they're still driven by the mandate to keep you invested, they surely don't want a run on banks, and they can't have you hiding in your homes with the curtains drawn afraid to go out and spend, spend, spend. Now can they?"

My and Shari's sole mission is to help our clients and you preserve your wealth – and to help set you free from escalating worries about how deeply this great crisis could threaten your financial security.

However, our government is getting to the point that they can not sugar coat things for much longer. The hard figures released by the Labor Department last Friday, may look cold and impersonal. And Wall Street may be able to thumb its noses at it for a day or two.

But the half-million-plus stories of frustration, pain and even panic that they conceal couldn't be more important:

- In January, U.S. companies told nearly 600,000 people to pack up and go home.
- A mind-numbing 626,000 filled out initial applications for unemployment benefits — a 26-year high.
- The official unemployment rate has now exploded to 7.6%, the worst in more than 16 years.
- Nearly 11.3 million American workers have lost their paychecks.
- And these are just the most narrowly defined, *official* numbers. They exclude millions of jobless Americans who have given up looking for work or are employed only part time. Moreover, they've been candy-coated to portray the employment picture in the most favorable possible light.

Many experts — such as economist John Williams of Shadowstats.com, and Sam Stoval of Standard and Poors, Investment Policy Committee — say the real unemployment rate is twice as bad, between 14% and 15%.

But These Are Just the Numbers. Don't Forget the Human Face Behind Them!

For every one of those unemployed workers, this crisis is intensely personal: Disappointment, humiliation, dependence; the death of dreams and the birth of new nightmares.

Worse, now, there's a real question as to whether or not state governments will be there for the unemployed. Especially in light of the fact that State aid has been pulled from the proposed economic stimulus package!

So many people have filed for unemployment benefits that seven states have already emptied their unemployment-insurance trust funds and another 11 states could run out of money for benefits by year's end.

In South Carolina, for instance, the state boasted more than \$600 million in its unemployment trust fund a decade ago. Today with official unemployment at 20% in some counties, the fund has gone broke.

Other states are facing even larger financial challenges. I am sure that you can guess at least one.

Unemployment in America is the single most reliable indicator of the economy; and the economy is the single largest driver of investment performance.

What was that first question again? Oh yea, how sure am I that the Dow is headed for 6500, how sure are you?

Source: Martin Weiss, www.moneyandmarkets.com, M&M, Standard & Poors

I have had a couple of questions on our advisory fees:

As all of you I am sure are aware, the markets in general in 2008, loss an average of 40% + while you loss approximately 8% or less for the year. This takes a lot of research, knowledge and effort on my and Shari's part. But it paid off huge for our clients. Plus, I am constantly keeping you abreast of what is happening in the markets and economy; which again takes an enormous amount of time, much more than 8 hours a day. The fees that you are seeing are our quarterly advisory fees which are approximately 1% per year for our advice and management. You may not be aware that the markets loss 8.57% in January; The worse January on record ever. Our clients made money in January.

Through our constant efforts we have gained an opportunity to be in a position soon I believe, to take advantage of this bad situation in our economy and to make money in 2009.

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