

DOUGLASBRADLEY LLC

Personal Financial Advisors

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DOUGLASBRADLEY'S MONEYWISE

Financial News and Insight from an Independent Advisor

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Personal Notes

All Work and No Play...

Doug just returned from a week camping with his wife, Patty, and their four children out on Montauk, which is at the end of New York's Long Island. As can be imagined, it was a lot of work. But living practically on the beach is it's own reward.

Brad's been using his boat to explore the waters of the Potomac as he does every summer. His young nephew recently enjoyed anchoring the boat near the landing planes at National Airport as they thundered overhead.

Mahesh and his wife, Nyota, just completed a major project at his home with the addition of

Cash for Clunkers

What are the Unintended Consequences?

The Cash for Clunkers Program has garnered a lot of headlines over the last couple of weeks. It's been so successful for the car dealers that Congress has added an additional \$2 billion to the original \$1 billion slated for the program.

Aside from the immediate economical boost, the administration is hoping for an environmental impact as these older, less fuel efficient cars are taken off the roads and replaced with higher mileage vehicles.

As with everything the government does, there are unintended long-term negative consequences that may or may not overshadow the short-term positives. For example:

- These incentives pull sales forward - effectively "stealing" future car sales. This would lower new car sales in 2010 and beyond.
- Money spent on new cars (a major purchase) will reduce current and future consumer spending in other areas such as computers, TVs, appliances, etc...
- Auto mechanics (already in a pinch as people delay repairs due to the economy) will see even further distress as the used cars are replaced with maintenance free new ones.
- With 750,000 cars and light trucks being destroyed, lower income families who can't afford new cars and rely on used cars will be impacted as the price of used cars and their parts increases.

Only time will tell if the positives outweigh the negatives. But if history is any guide, government inspired solutions (versus market based) frequently fail to deliver.

A Different Type of Hope for the Future

It is easy to look ahead and find plenty of reasons to be pessimistic about our economy and our world. However, a close reading of the work of historians William Strauss and Neil Howe gives us hope and a reason for optimism. Strauss and Howe assert that the world moves cyclically through four identifiable social eras they have termed "High", "Awakening", "Unraveling", and "Crisis". Each period encompasses approximately 20 years.

Howe argues we are just exiting the "Unraveling" era where individualism dominates and institutions are weakened and discredited (sound familiar). [I should add that back in 1997 Strauss and Howe predicted a sufficiently

outdoor living space (porch/patio/deck). Always a generous host, he's looking forward to entertaining family, friends and clients.

We hope you've had an opportunity to have some rest and relaxation yourself this summer.

traumatic crisis in 2005, plus or minus a few years, which would usher in the next "Crisis" period. They specifically cited a plane flying into the US Capitol among a few other potential triggers. They also predicted that self-righteous and judgmental leaders with strongly held beliefs on right vs. wrong and good vs. evil would come to power to end the "Unraveling" era (e.g., Bush, Putin, Ahmadinejad) and tip the world toward "Crisis.]"

The "Crisis" period we are now entering is one of great change and disruption as old, antiquated institutions are torn down and replaced with modern ones, previously insurmountable problems are addressed and solved, and nations are re-envisioned for the next era. This period of rebirth is characterized by great turmoil, uncertainty, and, often, war. However, as society exits this period we can look forward to a heightened sense of optimism and collectivism with strong institutions focused on individuals' needs.

The leadership of the future will be those born between 1982 and 2004. They are analogous to the "Greatest Generation" born between 1901 and 1924. As children, this group was formed by and survived the "Crisis" of World War II. Similarly, the current group will be formed by the "Crisis" period we are now entering. This new generation, when they come of age, can be expected to be clean-cut, pragmatic, and civic-minded team players that will reject philosophical arguments and self-interest groups for the greater good of all. If we look back, their like-minded brethren from 1901 to 1924 created esteemed institutions such as the United Nations, World Bank, World Health Organization, and International Monetary Fund which set the world on a course of 60 years of prosperity. A phoenix rises from the ashes...

We're Here to Help

DouglasBradley's truly independent analysis correctly anticipated the stock market decline more than a year ago and we positioned our clients' investment assets accordingly. As a result their accounts have been protected during this downturn. In that same spirit, we've found plenty of attractive investment opportunities despite the challenging scenarios outlined.

We keep reading about people who are frustrated by their financial advisors lack of communication and the firm's inability to provide any advice other than to "stay the course". At DouglasBradley, we always have a "plan of attack" and keep our clients in the loop. If you're ready to try something that doesn't involve a wing and a prayer then give us a call to chat. We are happy to share our ideas and proud to share our performance over the past year.

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