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FINANCIAL
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Confidence needed to survive crisis

What do you do in a crisis? Be calm, don't panic. We all know that, but often it's easier said than done. Your nervous side whispers to you, "We've never seen it like this before — not this big, not right before the presidential and congressional elections, not causing the failure of so many large institutions, and certainly not of global proportions." And triggered by a seemingly little thing called subprime mortgages.

Your nervous side is correct, but it also seemed correct when it tempted you to panic during the previous crises. For example, the junk bond debacle (Drexel Burnham/Michael Mullen), Sept. 11, the Enron/Worldcom (and others) mess, the fall of Executive Life, the S&L crises (remember when FDIC had to take over the defunct FSLIC), and on and on.

The "smart" money, like Warren Buffet for example, has been buying. When the stock prices of America's great companies are down, it may be a buying opportunity, not a time for panic sell off. But we have to be convinced they are truly America's great companies. During the next several months, many stocks and even municipal bonds will likely look like bargains we should have bought.

So what should we do? We agree not to panic. I think such a "triggering event" is just the sort of thing that motivates us to action. Most of us have proven that we do not modify our behavior in positive ways unless we are shaken up. Remember right after Sept. 11 you called up your old friends and said hello and told your family members how much you loved them. Even Democrats and Republicans embraced to show the world that we are Americans — unified as one.

So now is a good time to take stock of priorities. If you are fully invested and scared to death, you've learned something significant. You are not invested in a way that is consistent with your emotional make up at this stage in your life. You're older than you've ever been, and you may have more money than ever before and your investment horizon is shorter. So now is a great time to make a plan for what you will do when this thing rebounds, so you won't be caught like this again. The good news is there are many options available to you. Please be patient though; it may be several months before you can pursue your new strategy.

For those of you who are on the sidelines sitting on cash, this may be the opportunity of your lifetime. The exercise for you is the same as for those of us less fortunate who are "riding this one out." You may never see opportunities like this again.

Finally, you must have good advice. You are going to improve your odds greatly if your adviser has proven competency. The best way to know that is to work with those advisers who have the Certified Financial Planner Professional credential. That doesn't guarantee you success, but it is the industry accepted way to ensure you are working with a professional. That should give you the confidence to not only survive these difficult times, but also benefit from the lessons learned.

Tommy Williams is a Certified Financial Planner and member of the Ark-La-Tex Chapter Financial Planning Association, a source for professional guidance, whose members contribute to this column weekly. If you have questions or topics you would like to see addressed in this space, send inquiries to Financial Fundamentals, c/o The Times, Money/Business, P.O. Box 30222, Shreveport LA 71130-0222 or e-mail shreveportmoney@gannett.com.