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## Look at Year Ahead

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### Special points of interest:

· *look ahead*

· *expert witness*

· *should I switch?*

· *current investments*

You've probably heard by now that the worst is behind us and that there is nothing but blue skies in the future. I don't believe that. I think that there is a second wave of defaults from people who are burning through cash and credit cards. I also believe that there is a huge glut of cash that was pumped into our financial system that

will precipitate high amounts of inflation. This could indeed lead to higher stock prices but will certainly lead to increased stock volatility.

I want to make money for my clients without the jarring ups and downs of the markets. From the first day of 2009 to the last day, our accounts hardly dropped in value

throughout the year. At one point in 2009, the markets were down almost 30%, only to jump over 60%. I don't want in on that. Also, at one point in time, our accounts had produced 1/8 of the volatility of the Dow Jones.

I'm holding a lot of cash, waiting for something to break. At this point, the market is far too high.

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## Holmes Osborne hired as expert witness

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I have been retained to serve as an expert witness in an employment lawsuit. My specific area of expertise is in regards to the duty of people who

hold the CFA designation.

Since I was hired, another attorney called me about a \$4.5 billion Ponzi-scheme. When told that the advisor had

knowingly invested clients' money with a former convict, I remarked that his actions were inappropriate. The defense attorney didn't hire me!

## Should I switch financial people?

Coming on the heels of one of the biggest debacles this country has ever seen, many people are switching financial firms. Should you stay with your advisor or jump ship and go to a new firm? It depends on your point of view.

In the last two years, I've seen an abundance of dismal account statements. Some of these issues included: money locked into investments called auction-rate securities, people who told their financial advisor that they wanted to be

invested in "safe" products and watched as their funds dropped 60% in value and then doubled. I've seen 80 year olds have their portfolios get chopped in half. Many of these people were invested at white-shoed firms like Sanford Bernstein, Brown Brothers Harriman, Northern Trust, and Goldman Sachs.

It all comes down to how you feel about the markets. I'll meet one person and they are sympathetic to their financial person due to economic

circumstances. The next investor who is in the same boat will be hopping mad and blame their person for not seeing red flags.

**THERE ARE TWO REASONS TO LEAVE YOUR FIANCIAL ADVISOR. THE FIRST IS THAT YOU ARE NOT HAPPY WITH WHAT HAPPENED IN THE PAST. THE SECOND IS THAT YOU FEEL THAT YOU ARE NOT POSITIONED FOR WHAT IS GOING TO HAPPEN IN THE FUTURE. SO IN WHICH CAMP ARE YOU?**

## How to buy bonds

Buying municipal and corporate bonds is trickier than you might think. It can be similar to buying a used car.

Let's say that you have a AAA rated bond that is backed by a state. It's tax free and yields 3%. Some brokerage firms might charge you \$1,000 a bond. The next firm might

charge you \$1,010 per bond. You must shop for bonds like you shop for clothing.

That is what I do for my clients. I call about three firms and find the lowest price. I then have the bonds transferred to my clients' accounts at Fidelity Investments.

The other point is

to forget what the rating agencies say. They have done a subpar job in the last few years. I buy a bond as if I'm buying a stock. I look at management, the underlying business, what their assets and liabilities are, and what the future prospects for the business are. That's why my conservative clients fared so well.

## Current Investments

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Of course you know that we initially bought gold at \$830 an ounce. It has done quite well. We will hold that until the day the government stops running large deficits and printing money.

We sold our Australian dollar and Canadian dollar for a profit of about

25% and 15% respectively. I'll take a profit like that any day on a currency!

Our Massey Energy bond has a nice yield of 7.2%. It paid its semiannual coupon of 3% in December. That was a nice payday!

We hold an invest-

ment that fluctuates with changes in stock volatility. The markets have been benign since last spring but I don't see that lasting forever.

The lion's share of our portfolios are sitting in the money market, waiting for an opportunity.

## Grains

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Grains like corn and wheat skyrocketed in 2008 when oil hit \$148 a barrel. Because Congress mandates that a certain percentage of corn goes into the use of ethanol, it drives the demand and price. When corn goes up in price, farmers stop planting other crops and

on corn. This reduces the supply of competing crops and in turn drives their price.

The amount of farm acreage has decreased in the past few decades, though crop yields have risen.

My guess is that

inflation will drive oil and grain prices.

It's challenging to invest in grains. Futures are the best way but pose too many regulatory issues. I may try a few exchange traded funds that are tied to various grain indexes.

## Do you hold old stock certificates?

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Have you inherited old stock certificates and are unsure of their worth? It can take much research to see if the acquiring company is still in existence.

If the certificate is in someone else's name,

you have to prove that you are an heir. It can be quite a bit of paperwork.

This is a service that I provide for clients who deposit the shares into their accounts at

Fidelity.

Don't wait too long to transfer these old certificates. As time goes on, it can become much more difficult. Also, if it's a bank stock, what bank is it part of at present?



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Holmes Osborne is a private money manager and host of Money Confidential on Santa Monica 16 and Los Angeles 36 public television. His claim to fame is that he took his clients out of the stock market in 2008. Holmes has spoken to many groups on economics and investing and recently interviewed former Secretary of State Warren Christopher on his career in government. He has a degree in finance from the Martin J. Whitman School of Management at Syracuse University and holds the Chartered Financial Analyst designation. Holmes is a member of the Pacific Council on International Policy, president of the Malibu Rotary, member of Business Forum International, and formerly on the board of the LA National Association of Business Economists. Publications that his articles have appeared in include: The Motley Fool, TheStreet.com, and Investopedia. Holmes has also served as an expert witness in court cases.