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## **Weathering the Crisis**

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I have fielded a number of phone calls and e-mails the past few days expressing nervousness about the current state of the financial markets – understandably so. While I can't say for sure when this will end, I can provide some thoughts on the current situation and how to proceed from here.

When it comes to business, bankers don't do anything out of the goodness of their hearts. It is all about the money. Banks don't lose any sleep watching their competitors struggle. In fact, they do everything they can to help the decline. Bank of America didn't agree to buy Merrill Lynch just to be nice. They expect that they got a deal. Barclays isn't buying Lehman assets to protect Lehman jobs. They are buying at a firesale price to help their own bottom line. Ten major global banks didn't put together a \$70 billion loan program to help the guy down the street, they did it to protect themselves.

If history is a guide, the good news is that by the time the banks step in to "help," and when the government creates special programs and provisions (bailing out Fannie Mae, Freddie Mac, and AIG) to deal with the crisis, we are usually closer to the bottom than the top.

In developing a personal investment strategy it is important to know (or attempt to know) your risk tolerance. This is easier said than done. It seems clear that risk tolerance can change not only over the course of your life, but also with the ebb and flow of the market. While there is never a bad time to consider your goals and risk tolerance, I believe the best time is during bear markets. It is one thing to answer the question "how would you feel if your portfolio lost 10%" when the markets are booming. It is another to answer that question when they are not.

For some of you the answer may be to become more conservative, while for others it may be to become more aggressive. For the majority of investors, though, short term market movements should not change your perspective. Once you align your portfolio with your appropriate risk level, whatever it is, the best thing you can do is stick with it – through bear and bull markets.

Please feel free to contact me if you would like to explore your own risk tolerance and determine if your portfolio is invested in line with this assessment.

Daniel J. Traub