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RETIREMENT FINANCIAL SERVICES, INC.
WEALTH MANAGEMENT AND RETIREMENT SOLUTIONS EXPERTS

Market Commentary
July 28, 2011

Why do the markets seem to be ignoring, at least today, this potential default crisis looming?

A lot of people expect that this is just going to be a disaster if something goes wrong or something doesn't get done by August 2. While that's a potential outcome, the reason I think the stock and bond markets have held in there so far is two things. First, both the stock and bond market could benefit significantly if we could impact our deficit and debt troubles. Second, everyone thinks it will get resolved. Unfortunately, watching politics is like watching sausage being made. It's just not appetizing and might make you vow to never eat again.

We will certainly see over the next couple days or weeks how this all shakes out. But these kinds of crises are going to happen in this type of environment after a huge credit crisis like 2008. The tsunami wave went out after the initial crisis but will keep coming back and reverberating for several more years until we have deleveraged all of our bad debts and bad financial practices.

Warren Buffet said, "when the tide goes out you get to see who has been swimming naked". What we're finding is that a lot of cities, states, school districts and our federal government have been doing "Enron" type of accounting and hiding problems. Once all that extra money dried up the problems have come to the forefront.

In these kinds of markets, we need to be flexible, we need to be able to invest in strong areas, move away from weak areas and prepare with a risk management process like we have developed. Our goal is to be prepared well to maneuver through this environment for the next 30, 60, 90 days as well as the next several years as we go through this process of realigning personal, corporate and government finances to sustainable levels.

Sincerely,

Dave Shepherd, ChFC, CFP®
President / CEO

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