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Opinions & Facts...

Late Spring 2007

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Quote of the Month

Lucy: "Do you think anybody ever really changes?"
Linus: "I've changed a lot in the last year."
Lucy: "I mean for the better."

Charles Schulz

Ben Franklin once said that the only things that are certain are death and taxes. He left one thing out: change.

We are perhaps in the midst of the biggest economic/social change since the Industrial Revolution, both globally and domestically. We in America are continuing the evolution of the manufacturing economy to a service economy. 82% of the US workers today are in service industries. By 1999 service workers' pay was higher than industrial workers. Another fact: the number of telephone operators has declined 45% in the last 2 decades. Does that surprise you? Remember that the next time you're unable to get a human voice on the line. Technology has made it possible to leverage phone service industries a thousand fold. Add this paradigm to the fact that we no longer limit our business to the United States. We have as much at stake economically around the world as in the Americas.

"Around the world in 60 seconds"

We are no doubt in a global society. A doctor in Dallas does a diagnostic interview with a patient and dictates what he wants on that person's chart into a recording device (this has been happening for many years). However, from that point the transcription is communicated to India. By the next morning not only are the words on paper and on the doctor's desk but also there are no mistakes and the English is perfect. The work is done in India at a fraction of the cost of that same work in Dallas. The same thing happens with x-rays and MRI's. The technology is done here. The reading is done in India. Lower costs – here again, outsourcing allows leveraging of the physicians' time.

"Please site an example of a "service business"'"

A service business is one that generates a product that can be duplicated not only almost effortlessly, but gives this increased productivity at a lower cost. This helps to tame inflation and to level out the economy.

Here are some examples of service businesses:

1. Software – created and distributed
2. Entertainment – produced and distributed
3. The internet – an unlimited production of ideas
4. Communication – new ways and means
5. Pharmaceuticals – developed and distributed
6. Legal firms
7. Accounting practices
8. Investment and advisory firms

The biggest task in bringing these things to the market place is the development, not the production or distribution. Here, the productivity is multiplied ten-fold because of the lower cost of duplicating the product (service). When the distribution occurs, the utilization of global markets enhances the chances of success for the innovative enterprise.

"An example, please"

As a further look at the globalization of commerce, earlier this year the Chinese government announced it was looking for a place to invest a portion of its \$1.2 trillion of foreign exchange reserves. Now the Blackstone Group, a hedge fund management operation, has launched plans to raise money in an initial public offering. China reports they will invest \$3 billion in Blackstone. According to the *Wall Street Journal* "this landmark signals China's determination to earn higher returns on its reserves and gives Blackstone a potential advantage in doing deals in China." The sound from our seat says that this is just another step opening wider markets in China for free countries and a shift towards a more democratic environment in that ancient land.

As many of you know, we at Omega Financial Group, feel very positive about our global economy. Several years ago we remarked that if a money manager is restricted to only domestic companies' stock purchases, then one hand is tied behind his back. We will see in the future more and more globalization which will essentially act to shrink the world, opening avenues in developing markets for international companies.

"Hey, Chang. I want a HDTV like Bill in California has!"

This won't stop as long as the internet is in existence and people worldwide are able to witness how the advanced nations have increased their standard of living. They will want to be a part of that same advancement. So hold on to your seats folks, we believe that the best is yet to come.

Here we go again...The mysterious shrinkage of newsprint

A client/reader of ours sent us a clipping from *The American Journalism Review* recently which reminds us of what is happening in the field of communication. The loss of many of the newspapers of our country, e.g. Philadelphia Enquirer, Miami Herald and the eventual vanishing of the Knight Ridder dynasty has sent chills through the journalistic world. Probably the leading reason is due to one thing: money.

According to the AJR, network news audiences, while still massive, have dropped sharply in the face of countless cable alternatives. Let's face it, newspaper readers don't have the time to read lengthy articles so they revert to the internet. Advertisers have figured that out and so they're also going online with their message.

It seems now Rupert Murdoch has made a costly bid for the Dow Jones operation, which publishes *The Wall Street Journal*; the reason for worry is easy. According to the above mentioned journalism review column: "The fortifications that separate the editorial page policies and the news coverage at major media outlets is the dominant problem." There is the threat that ownership would control both parts and could influence the political leanings of both the news and editorial content. Mr. Murdoch now steps to the plate with very deep pockets to solve the "money problems"

We are told that a "Chinese wall" exists between the editorial pages and the news coverage. (It's difficult to believe that, when you consistently read the *New York Times*.) However, the *Wall Street Journal* definitely shows that this separation is real, according to the editor of the AJR. He continues: "While the Church/State separation is an integral, even sacred, part of American news tradition (First Amendment), it's by no means universal. Mr. Murdoch is among the exceptions." The article continues to state that "the mighty press lord has shown no reluctance to use the news pages of his *New York Post* and the content of his *Fox News* channel to advance his point of view." From our viewpoint we might extend that comparison to his competitors in the journalistic field. CNN and MSNBC would stand on the other side of the aisle to Mr. Murdoch and Fox News.

"Don't do it!"

As most of the readers here know, we have quoted liberally from the *Wall Street Journal's* opinion and editorial pages as we reinforce our fiscal Conservative bent. We would hope that the *Wall Street Journal* stays with its family ownership. It seems that in the case of editorial vs. news the left hand should have nothing to do with the right hand. Let's keep it this way.

The control of the press by Nazi and Communist leaders led to the rise of Adolph Hitler, Josef Stalin and countless other dictators in the 20th century. This must never happen again.

"Don't worry. I'm from the Government – here to help you!"

Much is being said about the lack of saving by the baby boomers who plan on retiring during the next several years. Statistics show that a large number of those people hope to retire in 2010 through 2015. Many observers believe that Congress will not step up to attempt to solve the Social Security and Medicare problems for retired people until the last minute. Of course, that means that people will need to work a little longer since Congress will probably simply extend the retirement age for Social Security to begin.

"How much will a movie and popcorn cost in 2015?"

In planning for retirement, one of the things that most people have neglected to consider is inflation. As of the 15th of May, the cost of a postage stamp has gone from 39¢ to 41¢. Does anyone here remember when those postage stamps were 15¢ and 20¢? Does anyone remember the penny postcards?

We have encountered a number of retirees and future retirees who are quite concerned about being sure that their money lasts for their whole life. The answer to that problem comes loud and clear

from the insurance industry: "Buy guarantees" "Buy annuities" "Be sure and don't lose your money".

"Joe, you've been saying this since 1965! I've heard enough!"

What many people today and during our career in this business have failed to observe is that if you have a fixed rate of return on capital, your capital does not grow; only the interest that "stacks up" compounds. The amount of money coming to you from that fixed amount of capital buys less and less each year. (Remember the saga of the postcard). **So the fear of losing your capital should be replaced by the fear of your capital not buying the goods and services you will need as your life expectancy is extended.**

These are problems that most people are unable to solve themselves. While the internet offers you websites to help you figure your needs in the future, we have discovered after many years of working with retired people, that there are very few technological tools that alone can solve the problem of your retirement longevity. We believe future retirees need help from a qualified advisor in analyzing their situation, developing a plan for the future and remembering not to forget that inflation is a big problem that all of us (no matter what kind of investments we have) will face.

"And now – a short word from our sponsor"

The only commercial we'll give is that if any of this interests you, feel free to call us and we'll go through our long term approach to retirement planning and hopefully, living worry free.

"Put 'The way we were' on the old record player before you read this"

One of the fun things in doing the *Opinions and Facts* over the last 16 years is finding articles that other people write that we think might be enjoyed by our readers/clients. Following is a tale written by an old friend, Dr. Bob Biondino, an orthopedic surgeon. It was published in The Connecticut Orthopedic Society Newsletter in 2006. If you're over 40 it could very well bring back your own set of memories of simpler times which we are all inclined to call the "good old days". Thanks, Dr. B, for sharing such universal memories with us all.

Stand by Me.

A recollection by Dr. Bob Biondino

August and September were hot in 1961. Princeton orientation found 813 eager and wide-eyed young men looking forward to college and worried about the Cane Spree Competition with the Sophomore classmen and girls the second night. The sounds emanating from the dorm windows were Ben E. King's Stand by Me, wafting across the campus like a warm summer breeze. Witherspoon Hall towered over us: the preppy from Connecticut, the biker from Nebraska, a few campaigning southern diplomats, an Ohio basketball player, a Florida nomad, and a twin from Arizona. Over nervous smiles and sweaty handshakes, we became roommates...and in time, the best of friends. By year's end Little Eva was doing the Locomotion, and we were doing the Princeton locomotive cheer.

The years seem to have jumped by decades, although in fact we met at Princeton reunions every five years – a guaranteed weekend for the group to congregate, to relive the old memories, and to update our lives. Visits, weddings, and then the children's weddings all promoted more unity in the group. There were also remarriages and tragedies involving our children – but those early college years forged friendships that endured the long and challenging journey.

In 2003 we gathered on a beach in Maui to toast our 60th birthday. In attendance were also former wives, dates, and a few old friends. Although the group had hunted in Canada, North Dakota, Nevada, Arkansas and Colorado, our true passion was fly-fishing. Our most recent trip this September was to Wyoming. The gang – now an orthopedic surgeon, a Federal judge, a patent lawyer, a PhD plumber, a legal computer specialist, a natural resources attorney and a business professor – converged on a simple trailer park in Saratoga Springs, Wyoming, where we fished Bennett's Peak and the Encampment, as well as the North Platt River, west of Casper. We laughed about our time at Princeton, embellishing upon age-old stories. We fished through hail, snow, and a mountain lightening storm. With each catch we toasted our longevity. While the fishing seemed secondary (indeed it always was), the past became more important than the future.

Who could have predicted that our meeting as freshmen would lead to this lifelong brotherhood of Bob, Rob, Whale, Will, Farney, Harl and Wigs? Our wives roll their eyes and sit through the same tales recounted annually in ski lodges and vacation spots across the country (yes, now and then they are invited to join us). Through cancer, four divorces, multiple sclerosis, and open heart surgeries, the melodic beat and words of Stand by Me echo through the corridors of time, beckoning us – and carrying us back to those balmy summer days at Princeton in 1961.

OUR OPINION

As we move toward the Presidential election in November 2008, the word from Washington is that the House Democrats are hoping to appeal to the middle class with a plan to shift more responsibility of paying the Alternative Minimum Tax (AMT) to the wealthier taxpayers. What bothers us is that in doing this, the Democratic Congress will attempt to make up for the "loss of income" of the AMT by Washington (if that's not an oxymoron I've never seen one) by increasing the capital gain and dividend tax from 15% to possibly 20% – 25%. Certainly the current administration wouldn't fail to exercise a veto to stop it. However, if the leadership and administration changes in 2008 and the Democrats continued to control Congress, we could very well see the demise of the Bush tax cuts which have successfully flooded the Government with increased revenue above all expectation and produced the most dominant economy in our history.

Looking back over the past few years of the Republican leadership we expected the GOP to hold the line on spending, which didn't happen. As we commented in an earlier column "if you cut taxes, you better cut spending". However, maybe now if the Democrats get control of our Government they will do just the opposite of what we expect them to do: **hold the line on spending.**

Wouldn't it be nice to have a Congress and Administration who would cut taxes, reduce the size of Government and cut spending? Join me in not holding your breath till this happens.

Instead, please understand that as long as we have free markets, a Capitalistic system and the free movement of goods from one country to another, America will overcome any stupidity coming from inside the beltway.

That's our take, yours is welcome.

Joe John Tom Jimmy



"OH I'M REALLY SORRY. I JUST INVESTED THREE MILLION WITH SOME BROKER WHO CALLED FIVE MINUTES AGO."



"YOU CAN'T LEGISLATE MORALITY, THANK HEAVEN."