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MEMBER FINRA & SIPC INSURANCE AGENCY DONOR ADVISED CHARITABLE ORGANIZATION

Opinions & Facts...

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Quote of the Quarter

“Everyone knows that there is only one commodity the price of which always rises: **major-league pitchers**. Concerning the market for them, congress should *do something*.”

*George Will, Columnist
Washington Post Writers Group*

“So long Jonny. We hardly knew ye.”

Those of you who’ve been reading these columns for the last several years are aware that we’ve occasionally taken some heavy potshots at Mr. Jonathan Clements. Mr. Clements has written 1008 columns for the *Wall Street Journal*, mostly covering “personal finance”. He alerted his readers a few weeks ago that he had written his last column after having served the noble profession of journalism for 26 years. He announced that he had decided to take his mother’s advice and enter into another profession. However, some of our confidants in New York and Washington have told us that it is rumored he may be writing a food column for the *Daily Worker*.

This brings good news and bad news. The good news is that he probably has embarrassed his Editor too many times by recommending Index Funds in a Bear market. The bad news is that we won’t have Mr. Clements continuing to give his readers the failed advice of utilizing out-dated ideas to prepare for retirement and the education of their kids.

Other things that he mentioned in his last column:

“If you are diversified, you don’t have to fret about your wealth imploding because of the few disastrous stocks or a single rotten market. And if you buy index funds, you don’t have to worry about badly lagging behind the market averages because you or your fund managers picked the wrong stocks.”

Undoubtedly the main reason that Mr. Clements probably was canned by the *Wall Street Journal* is that professional money managers have proven beyond a shadow of a doubt that well managed mutual funds piloted by competent

researchers and stock pickers have handily out-performed the market over meaningful periods since the market was invented, except of course during a roaring bull market when the likes of Enron and WorldCom led the way in the late 1990’s. They certainly led the way: through destruction as the Bull market became a Bear.

Well, so much for Jonathan. *Bon voyage*, my friend. We’ll miss you.

Is It Too Late Now To Get Rich In The Market?

Certainly that question has been asked recently by scores of people who have watched this market fluctuate sometimes up 300 points, sometimes down 300 points. Our answer is it’s never too late, not 200 years ago and not now. This fact has been true since two dozen brokers and merchants met under a buttonwood tree on Wall Street May 17, 1792, and organized what became the New York Stock Exchange. Ever since, stocks have been the surest way to long-term riches.

“What about Real Estate?”

Certainly people have become wealthy in dealing in real estate, but with over 50 million investors across the USA invested in the liquidity of public markets, it’s become obvious that by utilizing the professional manager concept, provided investments are made on a consistent basis, people can accumulate assets in well managed common stock portfolios. Most of the people who own funds, whether a few hundred dollars a year, or thousands or more, investing regularly can help the patient investor get satisfactory results. The simple success story has been to buy and hold a mix of domestic and global stocks. Only pros, gamblers or the greedy play the game of trying to out-guess the market by constantly moving in and out and around. Even with the 5600 on the Dow Jones in 1996 or the flirtation of 13,000 in 2008, the message is clear: if you’re invested in well managed, well researched mutual funds, stay there. If you’re not, get in now.

“The question that UnderInvested Baby Boomers don’t want to ask.”

Recently we’ve read a number of surveys indicating what it takes in capital accumulation to retire comfortably.

Some “experts” indicated that a typical working family can retire comfortably on \$750,000 to \$1,000,000 of capital considering Social Security income, other possible pensions, etc.

We haven’t seen a computer program yet that can give you the exact number because a) nobody knows what is going to happen to an investment of any type in the future and b) certainly no one knows what the inflation rate will be. However, the future *is* telling us that there is no way you are going to buy the things you consume *today* for the same price in 5 years. From the year 2000 to 2008 a recent study showed that inflation ran at 2.8% per year. This means that over the period mentioned earning 3% in CD’s, you only made .02% per year net before taxes and after inflation. Over the longer term, we believe that it is absolutely vital that you own equity in the form of domestic, global and international mutual funds.

“...And The Answer They Don’t Want To Hear.”

Certainly we are available to give you some ideas as to what you should look for and plan on as you look at retirement down the road, but we can tell you right now, from a recent research project we accomplished with our clients, we have discovered quite a number of people we hope will either win the lottery or inherit a great deal of money because they are far short of the \$1,000,000 these “experts” maintain that’s going to be needed.

The major mistake that many have made is that they have anticipated high double digit market returns and neglected to add to their long term investments.

We would urge you to look at your situation now and consider adding to your investments, no matter what your situation is. We all know how tough it would be to retire and run short of money and be forced to go back to work a few years after you’ve been out of the job market. So take another look and call us if we can help. It is time to sacrifice and begin adding to your savings program, whether you are clients of Omega or somewhere else. Most of our clients have certainly enjoyed investing when their funds are rising in value – but now when only modest growth is occurring is the time to *acquire* shares, both with “new money” and reinvestment of dividends.

And if you’re now invested – stay that way.

Pregnancy Report

Sandra has delivered! A 7lb 7oz boy by the name of Caden Seth. Good looking young man! Tamara and Adelle are progressing slowly. We anticipate an October 4 touchdown for Tamara’s daughter and Adelle will

introduce her daughter on September 27. Nice going ladies!

OUR OPINION

After returning home from a business trip to Chicago I was happy to relax and attend my home church. Afterwards I sat down for a peaceful reading of the Sunday editions of the *Fort Worth Star Telegram* and the *New York Times*. When I pulled both papers off my front porch I was elated that I wasn’t paying by the pound for those newspapers. The *Fort Worth Star Telegram* was twice as heavy as the *New York Times*. I wondered what could be wrapped up in a newspaper that has openly confessed that it has had to cut back on columnists and employees because of the immigration of their advertisers to the Internet.

So I was ready to open the *Star Telegram* and see if there were maybe more than three pages in the business section and two pages in the Op Ed section. Sure enough, those sections were still thin. So where could the heaviness come from? Ah ha! It was the advertising they had sold for every conceivable retailer in Tarrant and Dallas counties. I could not believe it. Why, all of a sudden, in the first week in May would they be able to sell such massive amounts of advertising to retail merchants? Later, as I reviewed a back copy of the *Wall Street Journal* I came upon a column on its Opinions page by Dr. Arthur Laffer.

I had had the pleasure of listening to Dr. Laffer courtesy of Frost Bank in a speech that he made some time back. Dr. Laffer is an economist, professor, entrepreneur and political commentator. He spoke of the state of the US economy and the 2008 Presidential race. As Frost Bank put it, “The timing of this presentation could not be more opportune.” Dr. Laffer, Ronald Regan’s Chief Economic Advisor, graphically showed that cutting taxes could actually increase tax revenue which translated into “supply side economics” that helped trigger a world wide tax cutting movement in the 1980’s. He went on to explain that since there were so many tax shelters available for the high income producers, that by reducing the marginal tax rate on this group, you would discourage sheltering and encourage the high income tax payer to put the money to work in a productive way, thus helping to improve the economy and thus increase tax revenues.

Well, Dr. Laffer gave me my answer to the heavily weighted *Fort Worth Star Telegram*. **Every ad was designed to capture the “stimulus” checks being mailed to individuals in the United States, direct from the Federal Government.**

We've spoken of the "rebates" in these lines before. Our opinion is that the rebates are absolutely a needless action by the Congress and our President. Of course, the thought was to have the government write everybody a rebate check and hopefully these recipients will spend most of the money and create enough demand to pull the economy out of it's slowdown (my goodness what are they smoking!?). Hence, the government believes that the recipient will spend more money on items, obviously advertised in the *Fort Worth Star Telegram*, and give a much needed boost to the US economy.

The rebate of \$600 per man, woman and child is transferred to people based on some characteristic other than their work effort (all you have to do is file a tax return). Interestingly enough, if you work too hard and earn too much money you won't get a rebate. It's limited to people earning under \$150,000 a year.

According to Dr. Laffer these rebates have to come from workers and producers. He points out that if the resources come from workers and producers who thereby receive less for their work than they otherwise would have received, (enter increased taxes!) won't they in turn spend less? Of course they'll spend less. With tongue in cheek, Dr. Laffer suggests that since the money that is being paid out is borrowed, and paid for by taxes, instead of \$600, why not set up a \$40,000 rebate per person, indexed for inflation since immediately prices will rise. Just write larger checks! Incidentally, according to a recent *Star Telegram* survey over 90% of the respondents said they would either pay down debt or save the rebate. Not spend it.

Well, I needn't go any further. That, along with the gas tax vacation this summer (if you haven't heard about the "vacation gas tax", I'll explain later!) are typical bait for undecided voters. According to one Democrat and one Republican candidate for President, these are considered great ideas. Of course, the Democrat who is all for it recommends that Congress pass a windfall profit tax on the oil companies to pay for it! Everyone who would like to bet on Congress passing that law and the President signing the bill during the current administration, should be sure and come by my office because I have some oil wells halfway between San Francisco and Honolulu that I would like to get you to invest in.

"Here's the Deal"

Sooner or later the people must wake up and realize that anything the government gives away is taken from *someone*, usually by taxes. And that *someone* usually are the ones who work the hardest. The more you earn the more you pay. It doesn't matter what income bracket

you're in, if you pay taxes you're paying for these "perks for votes". Until we see to it that our citizens get proper education, we'll always have politicians of both parties trolling for votes with free dollar schemes.

Americans have overcome many obstacles if left alone by the government. **Self reliance and ingenuity have solved more problems than increased taxes.** We agree with our friend Nick Murray when he says, "Ingenuity is too compact, powerful, and portable to be thwarted by government. It will go where it is welcome, turning away from high taxes, irrational regulation, collectivist labor policies, market interference and other governmental meddling." Mr. Murray continues, "Incentivize ingenuity, and it will follow you anywhere. Punish it – with higher taxes on wages, dividends and capital gains, for instance and you will wake to find it gone."

Folks, as you vote this November remember the candidates who will have the courage to do the intelligent and right things for our country. You won't have to worry about which candidates. The lines will be clearly drawn. It will be easy.

That's our take. Yours is welcome.

Joseph E. Hawley John Dickens
Tom Hawley Sammy Bryant



"SMEDLEY HAS JUST FOUND OUT THAT HIS INVESTMENT ADVISOR HAS GONE UP ON HIS FEES AND IS NOW CHARGING HIM TO DISCUSS POLITICS, RELIGION AND THE WEATHER."