

Opportunity

By Drew Tignanelli, CPA, CFP®

In every struggle is opportunity. So often it is not the difficulty that causes us worry, stress and sorrow, but more the attitude of our mind. I for one came to this understanding as this economic crisis unfolded. For few days I found myself absorbed by the crisis until it became apparent that I would be of no benefit to anyone if negative thoughts absorbed my thoughts. With that new mind set, opportunity began to become apparent and I was able to seek out the opportunity. Our thoughts are far more important than the situation, no matter the circumstances.

A good friend tells of a time in his life when he went into a deep depression for a couple of years. He tried everything to escape the deep darkness that grasped his life. Finally one day he realized that he had numerous radio stations he could listen to and it was his choice. This then became revelation that he could also choose what thoughts to listen to daily. He began to actively reprogram his thoughts to focus on the good things that happened. Moment by moment and in a matter of days the darkness lifted. He continues this practice to this day and has found that when the despair hits he can quickly recover his joy.

This downturn surely has turned the negative thoughts on for many and they have tried to cope by merely ignoring the reality. The truth is that there is incredible opportunity to the one who is extremely prudent through this crisis. This is not likely to be a buy and hold and hope it comes back economy, but instead, one must be ready to buy when opportunity strikes. Currently the risk reward ratio of the general stock market is not very good. There is no doubt that the US consumer is not going to rise up and continue to buy like they did before. Therefore, it is going to take a couple of years for businesses to adjust to this new level of lower spending and debt reduction. While this is happening any negative spark could trigger another massive round of selling. This is why we believe that so far only commodities and commodity companies have given us prices that reflect true opportunity.

Oil is a perfect example. Oil went to \$150 a barrel not due to speculators betting on higher prices, but because of true economic supply and demand imbalances. Oil then plummeted to \$40 a barrel on fear that the recession would cripple the demand part of the equation. I would say that could have been very true if the emerging nations were not coming to life. China, Brazil, India and Indonesia represent 10 times the US and European population. These nations are also hurt by the economic downturn, but they are still growing economically. In addition, all the stimulus that is being created in the US and Europe is likely to end up mainly in the emerging nations. The people of these nations want all the same benefits of fuel as we have. This means demand is going up tremendously right at a time when the supply of oil world wide is peaking. New supply is harder to find for many reasons such as environmental protections, deeper positioning of the oil and the world has been actively explored for years. Therefore a drop of oil to this price level created an enormous opportunity.

Agriculture also is in great demand again for the same emerging nations purpose. One billion of three billion people in these nations now have enough money to buy food instead of growing it to survive. That is a doubling of the world population that buys food at a store. At the same time farmers have been in short supply due to falling prices for 2 decades. Prices are now starting to bottom and have tremendous upside potential, but the amount of land available to farming has declined, the amount of fertilizers are in short supply and people who know how to farm are limited. This creates opportunity in the price of agriculture commodities and related companies, i.e. Deere, Mosaic.

We believe before this crisis truly comes to an end, which may not be for another 5-10 years, opportunity will abound. The key is to remain conservative, liquid and to be attentive to what is a real value. Value is always found in buying good assets at good prices.

One other opportunity that I saw from this crisis is the greatest chance to see real change in the financial services industry. There is no doubt that creating product and then selling the product to clients expecting honest advice is fraught with conflicts of interest. This is why Wall Street has been mortally wounded and the Insurance Industry was seriously wounded. The public is coming to realize that a truly professional firm can only be as we so passionately preach, Independent, Educated, Credentialed, Experienced, Fee-Only and works as a Fiduciary full time. We know this because my colleagues and I have experienced both sides of the financial services industry. The reason we do the radio show and media appearances is to promote non-sales advisory services. In this type of economy the message is received with far more clarity and it is bringing in a substantial amount of new business. Not only are people coming that hear us on the radio and in seminars, but many of our clients are referring family, friends and colleagues that are looking to an alternative to their current broker or insurance advisor.

With every struggle comes opportunity. Our goal is to find and develop the best opportunities in 2009.