...Redefining Wealth

Money Market Funds
By Drew Tignanelli, CPA, CFP®

Most of you have at least one. Since, Money Market funds have been around for 30 years, and have never defaulted or given back less than you invested, why worry? There in lies the potential for a panic.

While money markets are relatively stable investments, nothing can withstand a run from panicking investors unless you have absolute liquidity to return investors money. In regards to money market funds:

* In the last 30 years, many money market funds have lost value and if the fund sponsor didn't buy back the investments, investors would have lost money.

* This process of buying back losing investments has accelerated dramatically in the last six months.

* Prior to 2007, it happened maybe once every two or three years.

These funds are short term holding tanks waiting for long term opportunity. Why wonder about safety for a nominally higher return? Great investors are not return managers, they are always risk managers.

Technology Stocks
By Drew Tignanelli, CPA, CFP®

When a market goes up an extreme amount and then collapses, opportunity arises. A rise in Technology stocks (as in 1995-2000), begs the question: were they just deceived or were they way too early?

My belief is they were way too early and these stocks have begun a much longer, slower and more dramatic long term appreciation that could last many decades. A few more thoughts in regards to tech stocks:

* Technology stocks are cash laden and rarely borrow funds.

* The current problems are in the credit markets, those who borrow or lend are the ones in trouble.

* Cash hordes will prove invaluable as the credit squeeze continues; they can purchase assets from other distressed companies.

* Technology is the place businesses turn to in times of low profitability to try and increase productivity.

This tech rally will be a wild ride, but over time it has great promise. My job will be to buy when values are good and sell if values get too euphoric to wait for another buying opportunity.