



OPTIVEST

Turning Success into Peace of Mind.



The current financial crisis reminds me of a movie from the 50's, "The Day the Earth Stood Still". With a frozen and fearful credit market, lending for virtually everything has stopped. A true panic has caused runs on money market funds and banks (WAMU saw \$16.5 billion withdrawn from its bank in the week before it was seized by the FDIC). These are supposed to be the "safe" places to put your money. Goldman Sachs, the most revered of all investment banks, recently had to borrow money from Warren Buffet at 10% interest. If Goldman Sachs has to pay 10%, everyone else down the food chain has to pay more. This also means that the yield on corporate and muni bonds have sky rocketed, driving their prices down. The value of our well diversified Optivest portfolios, including Commercial Property, Trust Deeds and Hedge Funds really shines in times like these.

The \$700 billion bailout package is intended to clear the metaphorical accident that has cars backed up for miles, so traffic can flow again. If a version of it passes, it will certainly be helpful in calming the markets. But even if the last big bank failure has been avoided, it will be several quarters until credit flows "normally" again. Most likely, when all of this is settled, "normal" will have a new definition, one in which homes will be for people to live in, not to invest in, and low leverage will be in fashion.

I have had the good fortune to be a friend of our local congressman, John Campbell. He is on the finance committee in Congress and deeply involved with this bailout plan. He and I have been emailing back and forth these past 10 days and it's been very interesting. I feel like I have had a small influence on John and he has had a small influence on this plan. He voted for it today, but Congress still did not have enough votes to pass the bailout plan and the stock and bond markets responded violently (Dow Jones down 777).

Contact Us

24901 Dana Point Harbor
Drive, Suite 230
Dana Point, California 92629
949-363-8686

or visit our website:
www.optivestinc.com

World

War II. The economy had slowed to a crawl because of fear and people bought nothing except what was necessary for survival. Eisenhower got the economy going again with a radio address asking the American people to take a step of faith and start buying. He asked that if you were planning on buying something in the next six months, go ahead and buy it that week. Today we need a similar approach to get lending and banking jump started. Consumers and businesses will need to muscle up and put money back into the banks and money market funds. Lenders will have to start lending, and so on. There is a saying that confidence (and credibility) is gained by inches, but is torn down by yards. That's where we are today.

Our current problems started with the housing market and ultimately the solution will be found in the housing market. In the same way that volume and activity dried up before home prices started to fall, activity needs to pick up before housing can stop its decline and stabilize. Fortunately, that is happening in many parts of the country. Many distressed properties are receiving 5-20 bids at foreclosures and auctions. Transaction volume is up. But the banks need to be able to offer reasonable new loans, which brings us back to our current banking problem and why the credit crisis' downward spiral has to be reversed.

If you have questions about the current financial markets or want to discuss how we might help you achieve a more stable portfolio, please contact either Rich Oswald or me at 949 363 8686 or we can both be reached on our respective cell phones 310 283 7442 or 949 584 8686. We offer our advice and knowledge to you during these complicated and confusing times.

Mark Van Mourick
CEO



Investment advisory services are offered by Optivest, Inc. under SEC Registration and securities are offered through Gramercy Securities, Inc., member FINRA & SIPC, 3949 Old Post Road, Charlestown, RI, 02813, 800-333-7450.

Optivest Inc. 24901 Dana Point Harbor Drive, Suite 230 | Dana Point, CA 92629 | www.optivestinc.com

