Don’t Panic...Plan

I have been flooded by e-mails today asking for my thoughts on yesterday’s financial news. Lehman goes BK, Merrill Lynch is bought by Bank of America, the Dow closes down more than 500 points, AIG is on the brink of failure, so what’s next? My message is this: don’t panic... plan. Those of you who are frequent readers of this blog know that I predicted these financial events all the way back in 2006, provided subsequent updates and warnings in 2007, and have offered cautionary remarks this year as well. By way of background I invite you to read: “A Capital Markets Overview” (November 2006), “Financial Market Update” (July 2007), and a piece that it explains why we are where we are, “Secondary Markets 101” (March 2008). Because I’m asking you to re-read three previous posts, today’s piece will be extremely short...

I’ll cut right to the chase... Yes, we are in trouble. Yes, there are very real casualties (just ask the plethora of former Lehman employees who now find themselves out of work), and regrettably there will be even more casualties in the months ahead. Ever the optimist, there is a bright side to everything. Free market economies must correct themselves when they are out of balance. This is the only way they can move forward in a healthy fashion. What I’m trying to say is that as bad as things get, the tough times are the pre-cursor of a recovery. While we may see volatile markets ahead, it is only through cleansing our financial system of bad debt that our markets can regain integrity, and the economy will begin to recover. There are no band-aid solutions, and we will see thousands of additional bank failures, a continued tightening in credit and capital markets, and higher unemployment rates before we see the brighter days ahead.

Remember that there is always a price to be paid when greed takes precedence over logic and prudence. This is true on both business and personal levels. My advice is this... Don’t panic, simply plan your way through these tough times by making solid decisions and choices in both your personal and professional life.