



# CARE Chronicles

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## The D-Word Edition



*Deficits, Debt Ceilings, Downgrades and Default Overcome By Dreams, Direction, and Drive*

By C. Richard Hearn

These are not easy financial times for any of us. Fear is rarely a helpful emotion or a successful investment strategy. Over the almost 35 years that I've written this letter, several times I have noted that, "A surgeon with tears in his eyes is worthless. The job is still to cut." As frightful as the financial data can be, my job is the same. It is still to cut; cut through the noise, the conflicts and the hype. Let's jump right in.

There are two things I'd like to accomplish in this newsletter:

- ★ One is to suggest an alternative for your money if you are uncomfortable where it is;
- ★ and two is to share with you my personal experience with my debt ceiling, default and downgrade to say there is light at the end of the tunnel that's not another train.

Let's begin with investment choices in challenging financial times. It's normal for markets to continuously cope with problems. Ultimately, investors and the markets sort out the issues, adjust, and move on.

*Our glory is not in never falling,  
but in rising every time we fall.*

Confucius

What wasn't normal, but is becoming more so, is the frequency with which we experience "once-in-a-lifetime" events. The industry calls them *black swan events*, *fat tail events*, or *multiple standard deviations*. Whatever you call them, we're experiencing them a lot more often and they are wreaking havoc with investors' emotional composure.

In just the last decade or so, we've seen the dot.com bubble, the real estate crash, the financial system debacle, the flash crash, the European Banking crisis, and the debt ceiling crisis. Many of us who live in reality ultimately expect to see a devaluation of our dollar and a sovereign debt crisis at some point in the future. For some investors (and for some advisors,) that's too much pain and not much gain. Pardon the pun, but I do feel your pain and I share it. Some of us don't have enough recovery time left and some of us don't have the emotional chops to keep going through this.

At STARCARE, we work constantly on our models trying to provide performance, but always honoring your comfort level with risk. In my opinion, most of you are where you should be and should remain so. If, however, the markets are making you crazy and you can't sleep at night, we've constructed some new options we hope will moderate volatility or hopefully, increase income or lower risk in your holdings.

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We will continue to review every portfolio, every quarter and will reach out to you as we always do. If you need reassurance, attention, hand holding, or new recommendations because of a change in your situation, please give Brandon (ext. 110) or me (ext. 101) a call. That's our job and our calling. We'll get through whatever it is together.

Part two is to share a personal experience with you that I hope may put into perspective some of America's present financial challenges. Our country is a macrocosm of how each of us behaves and how we get into and out of trouble. Perhaps, there is an ill-advised vulnerability for a financial advisor to shine a light on his own past financial shortcomings. If you feel that way, I understand. From my perspective, success has rarely been instructive. Failure is illuminating and has taught me many things that have shaped my discipline, my character, and my ultimate success. Here's my story.

***Our country is a macrocosm of how each of us behaves and how we get into and out of trouble.***

Borrowing from an old Southern aphorism, my Georgia parents "reared me right." My first job was at nine years old. I couldn't even spend my paper route money until I put appropriate amounts into savings and tithing. Wasn't pleasant then, but I get it now. If you wanted something, you worked for it and you saved for it. All in all, it was simple, not a lot of fun, and unarguable because the only words you could say were, "Yes, Sir, No Sir, Yes Ma'am, and No Ma'am." My first car was my first introduction to Dad's Banker and my first loan, which was based on my Dad's reputation in the community, something I wasn't going to mess with and live to tell about.

My admission to college was as the first kid in our family to ever go to college.

Somehow, my family and I missed the memo that I was entitled to get that money from my parents (which they didn't have) or from a student loan when it was assumed I could and would get whatever number of jobs I could to fund it.

So far, so good. After college, the military, and a couple of data processing jobs in Dallas and Boston, I launched my career as a sales person in financial services. I was successful immediately, mostly because I just couldn't afford to fail. With my newly awarded "Rookie of the Year" designation, I began reading my own press releases and believing my own bull. Conservative financial behavior began to morph into the toys and trophies of the master financial advisor I imagined myself to be. No home too big, no car too fast, no travel too exotic for this "legend in my own mind." If I was a capable financial advisor, I must be brilliant at everything.

To prove up that brilliance, I founded or purchased a half-dozen businesses I knew absolutely nothing about and commenced to prove that I knew nothing about them. That floundering began to take time away from the one job I did know something about. Immediate success, a false sense of reality, and a lack of emotional maturity was, sadly, a dangerous combination. I found myself in a Kris Kristofferson song asking, "If the going up was worth the coming down?"

The going up was a lot of fun. Being bullet proof and invisible was a great way to live until the excesses and lack of discipline caught up with me. The going down wasn't nearly as much fun. It hurt to the core. From that pain, I learned some great lessons:

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1. Mom and Dad were right. You can't spend money you don't have forever.
2. It took a lot longer than I thought to get into trouble.
3. It took a lot longer than I thought to get out of trouble.
4. It took a lot of cooperation from a lot of folks working closely together to help get me back on the right financial track (especially friends and family.)
5. Denial was not a very good strategy.
6. Almost all the wounds were self inflicted no matter who or what else I tried to blame.
7. I learned more about myself and my character in those dark moments than I ever did basking in the light of success.
8. I made a promise to God and to myself that if I ever got out of debt, I'd never get back in it.
9. I kept that promise.
10. I like the person I became as a result of the tough times. They made me more thoughtful, more grateful, more in touch with my feelings than I was before.
11. I became a much better financial advisor because I went through it and came back from it.
12. I learned to stop closing my eyes and counting my stuff and opened them to a world that needed my service and my help.
13. God drives an unmarked car. Every time I give, I get it all back and more.
14. At the time of my greatest weakness, I found my greatest strength.
15. It's been 20 years. Every day, I remember the pain and every day I am grateful for the experience because it corrected my path.
16. I'm a very fortunate person.

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The difference between me and our government is I had credit cards with limits. They have a printing press with no limits. The underlying problem is the same, just with very different numbers. That which cannot continue, ultimately will not continue even for the greatest nation on earth. At least, the issues are on the table now. They are being talked about, albeit stridently, but are being discussed. I believe each of us can help our country and ourselves through this crisis.

### May I suggest:

1. Get our individual financial acts together with a realistic budget.
2. Take a fresh look at our investments and our risk tolerance and bring them together.
3. Step up our savings.
4. Practice tolerance beyond our individual ideology.
5. Double our charitable efforts.
6. Add a positive voice to the discourse (instead of cursing the darkness, help look for the light switch.)
7. Acknowledge without anger that those of us who have more will have to give more.
8. Acknowledge without anger that we may not remain entitled to what we cannot afford.

9. CARE without borders; about your country, about your family, about your friends, and about your job.

How can we be better and more productive as a citizen, a family member, a friend, and employee? How do we pull everything together and move in a more positive, productive direction? Know that all the easy problems have been solved. We now have the privilege of working on the hard ones. Let's do this together.

Thank you, as always, for your continuing support of STARCARE and of me. It means the world. We are here for you.

Sincerely,




C. Richard Hearn  
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Chair of CARE and TEAMCARE  
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