

Local money managers offer thoughts on economy, investing

Web Posted: 07/15/2008 09:13 PM CDT

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Gas and grocery prices are high, the stock market has provided more stomach-dropping thrills than a ride at Fiesta Texas, and Monday customers of California's IndyMac Bank lined up for hours to withdraw as much of their savings as possible.

The turmoil isn't much fun for anyone other than cable news anchors.

What's the average person to do?

We asked seven San Antonio money managers about what's happening and how investors should respond.

Here are the answers from Dick Evans, chairman and CEO of Cullen/Frost Bankers Inc., Jeanie Wyatt, CEO of South Texas Money Management, David Komet, managing partner at Komet Asset Management, Mickey Roth, president of Intercontinental Asset Management, David Ullom, principal at ARX Capital Management, Juan Landa, principal at Matterhorn Capital Management, and Paul McSween III, chief investment officer for Jefferson Bank.

What has people so nervous?

Komet: The most obvious two issues that have people nervous are the price of gas and concern about the real estate markets. Sprinkle in the fear of the potential for increased food prices and people are being affected in some primary areas of their day-to-day lives. This isn't just about the impact on investment portfolios, rather a very direct impact on daily living.

Wyatt: The IndyMac people standing around the block? That's a terrifying scenario for people to view, but the U.S. banking system is very solid. Certainly everyone is worried. You'd have to be living under a rock not to be worried. What I worry about the most is public fear. Most people can't put this in context. You have to read below the headlines. You have to read the details.

What are your customers asking you?

Wyatt: The biggest issues are about the investment banks and Fannie Mae and Freddie Mac. It makes people wonder if the stock market is still a good place to be. We know there's uncertainty out there. It's a time to be diversified.

McSween: Customers want to know if their money is safe. The FDIC insures up to \$100,000 per customer at member banks. But many customers have more than \$100,000 in one bank. They are not sure what questions to even ask, and are not sure who to ask. All of the chatter in the media scares people because the banking business seems so complicated. Some know to ask about capital and

earnings, but they don't know if they can believe the numbers.

Roth: They're asking us what we are doing and what they should do. We are emphasizing that they look at their total portfolio and can now take comfort in its diversification and lower-risk assets. We're also suggesting that it would be wise to reinvest portfolio income into stocks at these levels and to continue that.

What do you think investors should do?

Ullom: Our advice has been just to maintain a longer-term view. Our customers have a financial plan. They have a balance between stocks and bonds. If your long-term plan is to be 60 percent stocks and 40 percent bonds, you're probably not there now. You're probably at 50 percent bonds. This is an opportunity to add to your stock holdings.

Komet: The optimal way for investors to ride out storms like these and build profitable, long-term investment programs is to have a rational game plan that makes sense for them and that is sustainable. In other words, match investments and disciplines to your personality, your goals. Build a framework for investing that makes sense over time. Then work hard to rule out emotions as much as possible.

Landa: Investors should take the time to revisit their financial plans to make sure that their asset allocation

is appropriate in light of recent moves in the equity markets. For those with a long-term horizon, the next six months could provide some opportunities to pick up high-quality, well-run companies at compelling valuations.

What do the Fannie Mae and Freddie Mac issues have to do with the average homeowner?

Wyatt: People that have their mortgages with Fannie and Freddie don't need to worry. They're not going to call your mortgage, and they're not going to write it off, unfortunately.

Roth: For the current average homeowner, doggone little. Freddie and Fannie deal only with high-quality mortgages. Those are loans to people who can make a down payment and make their loan payments because their income was verified. Fannie and Freddie overstepped their bounds and will be bailed out by the government. But their basic business is sound, and they need to stick to it.

Landa: Given their size, any disruption to Fannie or Freddie's ability to buy loans could have a significant impact on the availability of mortgages and mortgage rates.

Evans: I'm not one who believes in bailouts. I believe that they really destroy the capitalist system that has made this such a great nation. However, I think Fannie Mae and Freddie Mac are different because of the years of implied guarantee of the federal government. This implied guarantee has been there. I think this is the exception to the rule.

Are there any steps the public should take?

Ullom: The worst thing the public can do is take money out of the bank and put it under the mattress. Unless they have over \$100,000, they're protected. People should watch their driving habits and see where they can drive less and save some money. Don't let your credit card debt get high. Pay it off.

Maybe you should take a smaller vacation, but still take a vacation. You need the break. Don't sit there and watch CNBC constantly. You don't need to look at the market every day. You'll drive yourself crazy.

McSween: If you are keeping more than the \$100,000 of deposits in a bank, make sure you know your bank and know who is running it and making the decisions.

Roth: Don't do dumb things like taking a mortgage you cannot pay. Drive sensibly and if possible try to get a car with better mileage. Remember that FDIC insurance covers up to \$100,000 in a bank account. If you're at all nervous, sit down with your banker and ask for assurance of the soundness of your bank.