# Markets in Turmoil: What Should You Be Doing?

**Financial Advice Columnist Kevin Bourke Says It's Time for a Checkup**

By Kevin Bourke

Wednesday, September 24, 2008

Money Talks

**Oil Price Prediction:** In this column dated July 12, 2008, I mentioned that the demand for oil was down in the U.S. and globally, yet the price was up. My point in the column was that the price of oil must follow the law of supply and demand. I don't claim to be a prophet, clairvoyant, seer, or in any way gifted with foresight, but as it turns out, the week of the column proved to be the peak for the price of oil — near $147 per barrel. Now it rests under $100 per barrel. Common sense finally prevails.

**Forever Young?:** The article on young people and their finances stirred up much discussion and feedback from many readers. The most common response was "I wish someone had told me that when I was young. Of course, I wouldn't have listened anyway."

If you have a young person or couple in your life who needs some gentle prodding, perhaps email them a link to that article. From the responses I've received, it may help to move someone inexperienced along the path toward financial independence.

**Elephant in Room:** The elephant in the room is the state of the economy and the capital markets. What is going on with the stock market? As of this writing, the media was reporting that Treasury Secretary Henry Paulson is considering the formation of a vehicle similar to the Resolution Trust Company (RTC), which operated in the late 1980s and early 1990s.

If you'll remember, the RTC purchased hundreds of billions of dollars worth of soured real estate investments and mortgages and liquidated those positions over several years.

The news of something similar sent the stock market soaring to one of its biggest one day gains ever. The Fed has certainly demonstrated their concern and interest in containing the damage done in the capital markets.

Forgive the pessimist in me, but selling off real estate in the 1990s is considerably different from selling esoteric investment vehicles in the 2000s with arcane acronyms like SIV and CDO. The investment vehicles in question are more complex and convoluted. It remains to be seen how the government will choose to unwind these positions.

Thankfully, it may not matter because ultimately it's the confidence that investors have in the U.S. government's willingness to support the capital markets that will make it all work. Lack of confidence would sound the death knell for financial markets like nothing else could.

By brokering the deal between Bear Stearns and JPMorgan, by rescuing the two mortgage giants Fannie Mae and Freddie Mac, and more recently by injecting billions into AIG, the Federal Reserve has shown that it will go to great lengths to protect the stock and bond markets.

What should you be doing? It's at times like these that most investors decide not to log onto their accounts or to open the envelopes containing their brokerage statements. That is probably not the best choice. Just as a serious ache or pain would prompt you to call your doctor for a checkup, call your financial advisor and ask him or her what you should be doing. Is your portfolio performing better or worse than the market and why? When the market recovers, are you in a position to benefit from the rebound?

What have you learned from this very difficult time in the stock market? Traditional wisdom and history teach that if you are in it for the long haul, you can afford to ride out the inevitable rough patches in the market. But if you find yourself worrying, losing sleep, fighting with your spouse, or kicking the family pet, then perhaps a review of your risk tolerance is in order.

Take stock (no pun intended), regroup, and review your financial plan to ensure that you are on track to reaching your goals.

*Kevin Bourke is a registered principal with, and offers access to securities through, LPL Financial, member FINRA/SIPC*