

Insurance Chit Chats

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THE 2008-2009 FINANCIAL CRISIS WHAT HAVE WE LEARNED FROM IT?

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The 2008-2009 financial crisis has been the worst crisis since the Great Depression. A contagious disease called "irresponsibility and greed" rapidly spread from Wall Street to Washington to Main Street and the consequences have been disastrous. Most Americans have seen their life savings erode and millions have lost their jobs and their homes, while large and small businesses have closed their doors.

This crisis and the ensuing recession have forced Americans to change their lives in ways large and small. It is a world of "new standards", with more belt-tightening, less income and, in many cases, a newly founded gratitude for the most basic human comforts: family, home and health.

In view of all that has happened, how do we get back on the horse and be sure that we gallop in the right direction?

- Buy only what you "need". Save for what you "want" and pay cash for it.
- Use credit cards only as a convenience, and pay their total balances at the end of their monthly cycles.
- If you have lost your job and/or your home, put all your energy in finding a new job and/or a new rental property to live in. Learn from your mistakes, but don't dwell in the past. You can't change your past, but you can definitely mold your future. Be creative. Start a new chapter in your life as soon as possible.
- Teach your children the value of money and how to earn it.
- Explain to your children that the values and character that you have instilled in their minds are more important than the designer labels on their jeans.
- Follow Albert Einstein's advice: "Try not to become a man (or woman) of success, but a man (or woman) of value!" (Parenthesized words added to bring the advice up-to-date).
- Before you sign anything in the dotted line, be sure you have no doubts that you understand the large print as well as the small print. If you have any doubts, get a trusted financial advisor, attorney or CPA to be sure you understand what you are getting into.
- Be sure you buy a home you can afford. Be careful that today's home of your dreams doesn't become tomorrow's nightmare.
- Narrow your objectives. Identify your goals clearly and why they matter to you, and decide which are most important. By concentrating your efforts, you have a better chance of achieving what matters most.
- Be prepared for conflicts. Even worthy goals often conflict with one another. When faced with these types of conflicts, ask yourself: Will one of the conflicting goals benefit more people than the other? Which goal will cause the greater harm if it is deferred?
- Put time on your side. The most important ally you have in reaching your financial goals is time. The more time you have, the more chance you have of success. Generally, younger people can take greater risks than older people, given their longer investment horizon.
- Be sure that you include in your list of goals building an emergency fund, getting out of debt, savings for your retirement and savings for your children's college education.
- If you have a spouse or significant other, make sure that person is part of the goal setting process. Children, if of appropriate age, should have some saying in goals that affect them.
- Start working now towards the achievement of your goals. Don't waste the advantage of compounding your money.
- Whenever you are about to make a large payment for anything, ask yourself: Is this taking me closer to the achievement of my primary goals? If the answer is "no", either don't do it, postpone it, or reduce its cost.
- Most of life is lived in the here-and-now and most of what you spend will continue to be for daily expenses, including many small things that are just for fun. It is fine to stop to smell the roses and have fun in the process, as long as your long-range goals are taken into consideration.
- Be prepared for change; it is inevitable. Reexamine your priorities every three to five years.
- Act in a responsible manner to you and to others.
- Gordon Gekko, the fictional character portrayed by actor Michael Douglas in the 1987 film "Wall Street", had a signature line: "Greed, for lack of a better word, is good". Believe me, Gordon, greed is not good. Irresponsibility and greed has brought us the worst financial crisis since the Great Depression and affected the lives of many hard-working Americans. Let's hope we learned something from it.