

# BEALL

Financial Planning • Wealth Management

## Summer 2008

### Important Dates!

- August 10th Holst & Vida's Anniversary.
- August 18th Jim & Ann's Anniversary.
- August 31st Joshua's 1st Birthday.
- September 1st— Labor Day the Office will be closed.
- September 13th Liam's 1st Birthday.



Mary Lin, Joyce Evelyn & Joshua

### A quick note

Friends,  
 Have you visited our updated website? Check it out at [www.beallfp.com](http://www.beallfp.com) It has many new features, including a blog, an interactive map, a FAQ page, updated information and a new links page. Let us know what you think as we value your input.



Holst on his recent vacation met the 9th generation Granddaughter of Daniel Boone at Cumberland Gap.

### Inside this issue:

### Habits Change

Important Dates	1	Have you noticed your driving habits changing? Are your shopping habits changing, in particular your food shopping? If so, you are not alone. American's are driving less as prices at the pump rise. Already we are down to the level we drove in 2004. Sales of bottled water are declining as people realize that they can	refill that bottle at the tap. Luggage sales are declining as airlines begin charging for checked bags and people travel less.	but fewer days. Casual dining is seeing a dramatic reduction in customers and the national chains are issuing profit warnings due to a slowdown in demand and an increase in costs. Suburban living is waning as a commute at \$4 a gallon doesn't make as much sense as it did at \$2. Change is afoot in America.
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Liam standing tall

## *Think, plan and prepare for change.*

### Brain Exercise

There is a lot of talk about how medical science is changing our understanding of the brain and our ability to learn new things.

So I am going to give you a brain exercise so that you can keep your mental gears spinning smoothly.

Two years ago it was hard to imagine \$4.00 for a gallon of gas. Yet that is the reality we face today. Your brain exercise

for today is to imagine that same gallon of gas rising from \$4 to \$6 or even \$7 by the year 2010. Now that you have that fact before you, I want you to imagine the impact that it will have on your personal habits. Then imagine what impact it will have on your lifestyle and the lifestyle of your family.

Taking this further what impact will it have on the businesses you interact with and their suppliers. Now as you

expand your mind even further: what impact will this have on America? Inflation? Deflation? Stagflation? I want you to think and then plan because it can happen as early as this year. Consider: if Iran is attacked and the oil supply is diminished or a hurricane hits a refinery in Louisiana or the Alaskan Oil Pipeline is shut down for repairs again. **Think, plan and prepare** for change.

### Facing Reality

Mortgages, Home Equity Lines of Credit, Auto Loans and Credit Cards are all seeing rising levels of late payments and defaults. The stimulus checks might help some but it does not alter the fact that a significant portion of Americans are living above their means. They are trying to

hold forth the façade that they are successful and can enjoy the finer things in life. A prolonged consumer led recession and credit crunch is crumbling the foundation of this façade. The adjustment from living above their means to the reality of living within their means will be very painful. They will put off

the day of reckoning as long as possible. Eventually though they will have to face reality. This might come from having the bank foreclose on the house or declaring bankruptcy. It will be painful and hopefully they will come out of it with a little wisdom.

### Economic Outlook

I don't have a Crystal ball, but I do have common sense. Common sense says that if the price of energy goes up then everything that uses energy costs more to use. The two possible outcomes from a producer making a good for a consumer is that the price either has to increase or the profit margin has to decrease.

Stocks don't increase in value when the profit margin shrinks. Few firms outside of the basic materials and energy sectors are seeing sales and profit growth.

Already we have seen the announcement of Starbucks to close over 600 stores and slow their domestic expansion.

Home Depot has also announced its slowest new store growth in 30 years and 50 store closings. This is the retrenchment that every recession brings as development slows so do jobs and consumption. Demand begins to fall and profits along with it. This has the appearance of a normal consumer led recession.

The trigger being housing market collapse and credit bubble popping. There are a few more chapters to play out and then the economy will rebound and begin to grow again, but it probably won't happen in the next three months.