

# In Review

LOCAL, NATIONAL &amp; INTERNATIONAL HEADLINES BY JEFF S. VOLLMER

## \*\* LOCAL \*\*

■ **ON A DAY WITH FOUR STATE PRIMARIES**, Ohioans vote for their presidential candidates, giving victories to Senator Clinton (D) and Senator McCain (R). Governor Mike Huckabee abandons his White House bid.

■ **PROCTER & GAMBLE** announces its plan to tackle rising commodity costs and declining consumer spending by reducing management staff and cutting back on worldwide employee relocation.

■ **MUSEUM CENTER** announces plans to spend \$120 million renovating the Union Terminal complex. Plan could lead to development of a 14-acre park and new commercial development.

■ **NATIONAL CITY CORP.**, rumored to be a potential acquisition target, announces it is "reviewing a range of strategic alternatives for the company."

■ **COLUMBIA SUSSEX CORP.** announces it will sell its Casino Aztar property to Eldorado Resorts LLC, of Reno, Nevada, for up to \$245 million. The move enables Columbia Sussex to repay debt from its \$2.7 billion acquisition of Aztar Corp.

■ **AMAZON.COM** announces plans to add 500 jobs at its three fulfillment centers in Hebron, Kentucky.

■ **CROWN PUBLISHING** releases a new book entitled, "The Game Changer," written by Procter & Gamble CEO A.G. Lafley.

## \*\* NATIONAL \*\*

■ **SENATOR MCCAIN** emerges as GOP front-runner, while Clinton and Obama remain deadlocked after Super Tuesday.

■ **PRESIDENT BUSH** signs \$168 billion bipartisan economic stimulus plan.

■ **DEADLY TORNADOS** kill more than 50 in five southern states.

■ **YAHOO!** rejects Microsoft's \$44.6 billion takeover bid.

■ **HOLLYWOOD** writers return to work after three-month strike.

■ **GM** posts largest annual loss ever by automaker and offers to buy out all UAW employees.

■ **CRUDE OIL** hits record levels at over \$100 a barrel.

■ **BEAR STEARNS** is forced to accept a Fed-sponsored bailout package. The 85-year old firm agrees to be acquired by J.P. Morgan for \$10 per share after its desertion by clients and counter parties because of over-exposure to the credit crisis.

■ **FED CUTS** target lending rate 25 basis points to 3.25 percent, and announces plans to inject \$200 billion into credit markets in order to shore up confidence in the nation's lending system.

■ **NY GOVERNOR ELLIOT SPITZER** resigns on news of his involvement in a prostitution scandal.

■ **SIRIUS AND XM SATELLITE RADIO** win merger approval from the U.S. Justice Department. The merger must now gain passage through the Federal Communications Commission.

## \*\* INTERNATIONAL \*\*

■ **U.S. AND IRAQI FORCES** kill more than 250 insurgents in Nafar battles.

■ **FIDEL CASTRO** resigns as Cuba's president, handing power over to long-standing defense minister, his 76-year old brother, Raul.

■ **KOSOVO** declares its independence from Serbia, gaining immediate recognition from the U.K., France, Italy, Germany and the U.S. Russia and China criticize the unilateral action as illegal under international law.

■ **RUSSIANS** elect President Vladimir Putin's appointed successor, 42-year old Dmitry Medvedev, as their next president. Putin, barred by the constitution from seeking a third term, announces that he will assume the office of prime minister.

■ **TIBETAN** protests escalate in China. Delivery of Olympic torch is interrupted by protesters in multiple countries as news of Chinese handling of the crisis spreads.

*Jeff S. Vollmer is a financial advisor with The Cornerstone Group at Smith Barney.*

## PERSONAL FINANCE

# BANKRUPTCY

## THE ULTIMATE ECONOMIC ESCAPE HATCH

HOWARD MCEWEN, CFA

While some politicians decry the \$160 billion stimulus package as adding to the Federal government's looming insolvency, many Americans worry about their own solvency. Home foreclosures are up. Personal debt is up. Real income is down. That leads many indebted Americans to eye the ultimate economic escape hatch, bankruptcy.

Bob Goering of Goering & Goering, LLC, has practiced bankruptcy law since 1964. He's taught Chase Law School's bankruptcy course for 34 years. He believes the first thing people must decide is whether they should or can file bankruptcy.

"There are two types of insolvency," said Goering. "Legal insolvency is when your debts exceed your assets. Equitable insolvency is when you are not able to pay your bills when they come due. Either legal or equitable insolvency is likely to trigger a filing (for bankruptcy). As a practical matter most consumers seek help when they aren't paying their bills and the collectors start calling.

"The facts of each situation determines the most advantageous (approach) for each individual. Chapter seven is straight bankruptcy—liquidation—where the debtor agrees to surrender all of his or her nonexempt assets in return for a full discharge of all dischargeable debts."

That means you walk away with nothing—no assets but no debts.

"Chapter 13 is reorganization for debtors with a regular income. The debtor files a plan with the court to describe income and expenses and what portion of debt may be paid over what period of time. Plans have a normal three-year span but may

be filed to run over a five-year period."

"In Chapter 13 the debtor can cure past (debt) on mortgage payments, pay back taxes, and pay unsecured creditors less than 100 cents on the dollar."

Your home is not necessarily safe during bankruptcy. It depends on how much equity you have in your house, which chapter you choose to file under, and how behind you are on your mortgage payments.

While bankruptcy may get you "a fresh start" there are costs. Goering said Chapter Seven bankruptcy stays on your credit report for 10 years. It's seven years under chapter 13 "if the credit reporting agencies pick up the filing correctly".

.....

## "Legal insolvency is when your debts exceed your assets."

.....

"It can be difficult getting some credit after bankruptcy," Goering continued. "FHA and VA financed loans are available after two years if everything else is in order."

And there are residuals. "Some employers frown upon filing—particularly for individuals in executive positions or positions involving finance," he said. "There is social stigma in some constituencies - it's a great gossip item." ☺

# THE ECONOMIC STIMULUS ACT OF 2008

## WHO BENEFITS AND WHERE TO INVEST

BY HOWARD MCEWEN, CFA

For investors, the passage of the Economic Stimulus Act of 2008 raised the question: "What companies will profit by the public receiving tax rebate checks?"

Malcolm Robinson, an economics professor at Thomas More College, says it's probably not where you would expect.

"In terms of the companies that make big toys, there won't be a big benefit from it because they are not going to get big spenders," Robinson says.

His point is that the \$1,200 per family won't buy a new boat, vacation homes or cars.

"Maybe Wal-Mart stock will go up," Robinson says. He believes retail outlets selling smaller "toys" may benefit as shoppers might feel a little flush. However, investors should ask themselves the same questions Robinson has been asking his macro-economic students since the act passed in February: "How will the public react to those checks? What will real, live people actually do?"

"My feeling is that with people being over extended, a lot of people are going to take the tax check and use it to pay off the credit cards or use it for expenses they are already having. There's a real concern among policy makers on whether or not the tax cut will lead them to spend more."

Bottom line. "I don't see much stimulus at all," said Robinson.

But that doesn't mean there's not an investment opportunity. Think about the net effect of all those people paying down their credit cards, double-downing on their student loans, and catching up on their mortgages.

"There will be more liquidity in the system," said Robinson. "The banks should be able to shore up who they are lending to. That might loosen up credit conditions somewhat and improve bank balance sheets. The rebates could help the banks."

**"How will the public react to those checks? What will real, live people actually do?"**

Many have suggested that the economic stimulus act is a roundabout—but politically easier—way for the government to bail out the banks from the sub-prime mess.

Good investments are not always the first and obvious choice. Money is fluid and sometimes chooses to go in not-so-obvious directions. In this case, it may not be Wal-Mart and their "toys," but right to the banks and their balance sheets.

Invest accordingly. ©

*Howard McEwen can be contacted at [hmcewen@cincygentlemen.com](mailto:hmcewen@cincygentlemen.com).*

# MAYNARD, YOU'RE THE MAN!

## PUTTING MONEY IN MY HAND

BY HOWARD MCEWEN, CFA

When you get that tax rebate check in the mail make sure you say a word of thanks to a man named Maynard, born in 1888.

John Maynard Keynes—Maynard to his friends—may have been the 20th century's most influential economist. His only rival to that claim is Brooklyn-born Milton Friedman (1912–2006), who directly opposed Keynes in virtually every area of economic theory.

Keynes came to prominence during the Great Depression. He viewed the nation's economic plight as a result of too little spending by the people and too little investing by businesses. He proposed a third party government that would make up the difference, one that would start buying things or, cutting taxes so business and the public would start buying.

In a Keynesian world, when a consumer spends money on a new flat screen at Best Buy, he is giving a job not only to the men and women who made the TV, but the dock workers who loaded the TV into the truck, the big-rig driver who picked it up at the factory, the people working in the warehouse and the sales people on the floor.

To Keynes, it's the total demand for goods and services that drives economic growth. If consumers and businesses aren't going to do it themselves, the government needs to pick up the demand slack. According to Keynes, money in your cookie jar saved for a rainy day isn't doing anyone any good because it's not demanding any goods.

"The fellow who wakes up to find that his income is reduced or that he is thrown out of work... is compelled in his turn to cut down his expenditure, whether he wants to or not... Once the rot has started, it is most difficult to stop," wrote Keynes. This is the theory that put a rebate check in your hand.

Friedman on the other hand argued that economic downturns were not caused by a lack of demand, but usually by government policy missteps. Often, he leveled an accusatory finger at the Federal Reserve. He argued that the money supply was the cause of economic problems in societies past and present.

"The Fed was largely responsible for converting what might have been a garden-variety recession, although perhaps a fairly severe one, into a major catastrophe," Friedman wrote of the Great Depression. "Instead of using its powers to offset the depression, it presided over a decline in the quantity of money by one-third from 1929 to 1933 ... Far from the depression being a failure of the free-enterprise system, it was a tragic failure of government."

This idea led to the conclusion, by many that if demand increases and decreases had no effect on the economy, then it must be the supply of goods and services that could be used to spur an economy forward—hence, the birth of supply-side economics.

Supply-siders argue that lowering taxes such as income taxes, capital gains taxes, and dividend taxes allow people to keep more of what they make. This spurs them to work harder and take more risks, which supplies more goods and services to the economy.

Supply-siders point to the success of tax cuts in 1964, 1982 and 1996 that ignited growth as proof of their arguments.

However, politicians want to be seen as doing something and invariably tax cuts are called tax cuts for the rich. So it's easier to just send a check.

The battle between Keynesians and supply-siders will continue to rage, but in this round, the tax rebate checks are a win for Keynes. ©

KENTUCKY SPOTLIGHT

# THE BUDGET CRISIS IN KENTUCKY

## PUTTING A PINCH ON THE 'NORTH SHORE'

BY HOWARD MCEWEN, CFA

Kentucky's legislature just finished up a session that began with newly elected governor Steve Beshear declaring a fiscal emergency. This was about as unusual as finding someone in the Commonwealth that doesn't live and die with the University of Kentucky basketball team.

"Every administration in recent times in Kentucky has come in and declared a fiscal crisis," said Jim Waters, director of policy and communications for the Bluegrass Institute, Kentucky's free-market think tank. "It's usually a set up for whatever the governor wants.

"In this case it's casino gambling. Beshear wants casino gambling and more specifically the revenue from casino gambling. They spend more than they bring in. That's what creates a fiscal crisis. We don't have a revenue problem; we have a spending problem. The inability of legislators to control their spending of taxpayer dollars has brought us to this point."

This "point," as Waters put it, was a legislative session that faced a \$400 million-to-\$500 million shortfall in an annual budget of \$8-\$9 billion dollars.

Senators and congressional delegates saw proposals for casino gambling, new cigarette

taxes, and a 12% cut in higher education spending shot down.

Covington City Commissioner Jerry Stricker said the cuts will affect some high profile projects in his city. "We've got quite a few projects that we've requested to have funded," said Stricker. "One being the farmers market/public space between Scott and Madison and 4th and 5th. They were going to get a million dollars for planning, but now we're not going to get that. The state is paying for the widening of 12th Street but I don't know if they have enough money to finish it. A work stoppage is possible."

Stricker said a halt to the work on 12th Street will not only affect the quality of life to the neighbors but possibly hamper the progress made with the new St. Elizabeth Hospital (Covington) and the expanding Gateway Community and Technical College campus.

"The problem is that there is no prioritizing of spending," said Waters. "When Northern Kentucky families figure their budget they have to make sure their necessities get paid for first, then you see what you have left over. But with this government everything is a priority." ©

WORDS OF WISDOM

*Do not confuse compliment and complement. They are not interchangeable.*

### com·pli·ment {kom-pluh-muh nt}

(noun) *An expression of praise or admiration.*

Ex. Any compliment on her beauty caused her to blush.

### com·ple·ment {kom-pluh-muh nt}

(noun) *That which fills up or completes.*

Ex. The brandy was a perfect complement to the evening.

*Key: While compliments abound in society, great complements are often hard to find. Say what you mean and mean what you say.*

THE GATEKEEPER

# REFLECTIONS

## THE MOST IMPORTANT STEP TOWARD THE BIG SALE

BY ELAINE STONE

You spend hours perfecting your power point presentations and spend beau coup bucks having slick handouts created for your potential clients. Then you wonder and you worry. "Is the font large enough? Are the colors vivid enough? Are they too bold?"

Have you really listened to your presentation? Is it interesting? Is it too long? Would a fifth grader be able to grasp what you are saying?

How about the countless hours spent studying annual reports and every tidbit of information you can find to learn everything you possibly can before an interview with the company that might just hold the position of a lifetime?

All of these things have a level of importance, but how much time did you take to look in the mirror to examine the most important product of all—you

Do you need a haircut? Does your suit fit properly? Does it need to be pressed? Look down. Do your shoes look like they've been polished with a piece of steel wool and a Hershey bar?

Many "gatekeepers," people like me who have been in the business for a long time, have seen many folks walk through the door with the hope of making that big sale or landing that senior position and we know the minute we lay eyes on them, they probably don't have a chance.

We have all witnessed the ill-fitting suits with so much dandruff on the collar that it looks like they just walked through a blizzard.

The outdated glasses that cover half their face or need to be cleaned and/or the necktie they must have purchased with eyes closed; the gentlemen who sport a comb-over, who have walked through windy conditions to get

to your office and their comb-over is—pardon, gone with the wind.

What do you do when someone comes in to meet with your boss and you know they just came from breakfast or lunch because you see the remnants in the corner of their mouth or the broccoli in their teeth, offer them a napkin?

We graciously offer to hang up their coats during those cold winter months but can't help but wonder what decade their coat spent some time at the cleaners? We have all learned how to hold our breath as we enter the dreaded men's coat closet!

The extreme opposite are those men who have drowned themselves with cologne. They shake our hands and we smell like a high priced gigolo the rest of the day.

The worst situation of all? The men who come back from the restroom unzipped. Do you know how hard it is as a female to tell a man she just met to zip up?

Most of us don't have the luxury of having a personal stylist so we need to do the job ourselves. Every now and then take a good look in the mirror and ask yourself what a perfect stranger would think of your appearance.

Most importantly, it only takes a moment to check yourself in the mirror before you walk into a meeting. A quick inventory can make all the difference in the world in getting that job or making that sale.

And for heaven's sake, check your zipper!

*Elaine Stone is the senior executive assistant to the president, CEO and chairman of the board of a Cincinnati Fortune 500 company.*