

With the economic outlook still gloomy, investors cautiously hedge their bets



By Don Wade (Contact), Memphis Commercial Appeal
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It was only a few years ago, but to William Kenley, those were the good old days.

"That was a time when you could throw a dart at what you were going to invest in and do pretty well," Kenley, 44, said of the "fringe" money he used to manage himself. "It's a whole different ballgame today."

Because the game has changed, Kenley, CEO of Methodist North Hospital, now relies heavily on Chirag Chauhan, a partner in [The Barnett Group](#).

"Chirag and I have had numerous conversations" about strategy, said Kenley. "It's a frustrating time. We've had a diversified approach and it's good to be diversified, but the whole universe is down."

Planet Kenley, if you will, is "down more than 10 percent over the last one and a half years," he said.

But Kenley himself is not down. Married and the father of an 11-year-old son and a 9-year-old daughter, he holds to a broader -- and deeper -- perspective: "In reality, our family is very blessed."

It's a tough attitude for many investors to have as they have watched their net worth decline. "Emotion overtakes people in a down market and that's when people make unwise decisions," Chauhan said.

For instance, Chauhan cautions people to be wary of cash-for-gold come-ons.

"They're preying on people," he said. "Gold can be important to diversification, but people need to understand gold is at an all-time high.

"Even the most basic investor understands you should buy low and sell high."

It is that very tenet that Michael Nunn, 29, owner of Second to Nunn Design, finds encouraging.

"I'm not really worried about the market," said Nunn, who after backing down his 401(k) investments is beginning to move money into more aggressive funds. "Now's a good time to invest."

Ray Fracchia, a certified financial planner with Atkins Capital Management in Memphis, says they're advising people to invest differently, adding, "Do I want to own stock in a company? Or do I want to own a bond of that same company?"

"If you can find babies thrown out with the bath water, it could be the bond market is more viable," said Fracchia, whose typical client has \$1.5 million to \$2 million in investable assets.

"Tax-free bonds are a wonderful place to be because taxes are going up in this administration." Kenley said he has "maintained faith" and while he has gotten out of some investments, "I've actually increased our position in a couple of individual equities. I've also used some cash to pay down our mortgage term."

Chauhan says he believes it will take "three to seven years" for people to heal from the 30 to 40 percent hit their investments have taken.

Age, of course, is on Nunn's side. His business made a profit last year, he said, and he's confident the market will go back up in years to come. So he's staying in the investment game, just hedging his bet.

"You don't risk everything," he said. "You only risk what you can afford to risk."

And you understand that no matter what your age, a financial plan is a lot like the weather -- fickle.

"Any time you run a financial plan on somebody, it's wrong the next day," Chauhan said, "because all the numbers will have changed. It's an inexact science."

What the experts are saying

Ray Fracchia, certified financial planner for Atkins Capital Management:

"We're backing people out of stocks."

Fracchia also advises caution when purchasing a home.

"Just demographically, looking at people over 55 in this country moving out of larger houses, and looking at the smaller population coming up behind them, I'd be very leery of the McMansion market."

Chirag Chauhan, partner in The Barnett Group:

Chauhan advises people to carefully look at their 401(k) investments because while they might have their money spread among several funds, the investments in those funds could be very, very similar and defeat the objective of true diversification.

"Overlap," he said. "We see it every day."