



## Financial experts: Now not time to panic

By Mike Grizzard  
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The week's spike in bad news from Wall Street painfully underscores how uncertain and trying times have become. But local experts still emphasize that despite the gloom and doom, it is not a time for rash decisions.

With this week's bankruptcy filing by Lehman Brothers, Merrill Lynch agreeing to a \$44 billion merger with Bank of America to avoid a similar fate and two 450-plus point drops in the Dow, the ingredients for panic were certainly at hand. Especially when added to the mix were the proposed \$85 billion bailout of American International Group and the possible sale of Washington Mutual Inc. and investment bank Morgan Stanley.

"First and foremost, the world is not coming to an end," Rick Niswander, dean of the College of Business at East Carolina University said Thursday. "Now is not the time to panic. ... For the vast majority of people around here, just continue to go on with what you're doing. There's nothing that you can do to make it better."

The federal government has stepped in to stem a domino effect that could have led to a calamity on the scale of the Great Depression. After the March collapse of Bear Stearns, the fifth-largest investment bank in the United States and one of the largest financial institutions in the world, the federal government seized control of IndyMac in July and mortgage giants Fannie Mae and Freddie Mac in early September. The Fed did not rescue Lehman Brothers, which is expected to be taken over by Barclays, but keeping AIG afloat was deemed necessary to avoid a total economic collapse.

Niswander said the implications for government inaction could have been catastrophic.

"I think the actions that the Federal Reserve and the Treasury have taken are clear signs that they are going to do everything they can to ensure that the financial system does not implode," he said. "They've done things that have never been done before, but those are the kinds of things that the Federal Reserve and Treasury may very well need to do to ensure that things don't get very, very bad."

"I think the risks of inaction were far, far, far greater than the risks of action," Niswander said. "It is true that these actions officially put the taxpayers of this nation on the hook for certain obligations that, six months ago, we weren't on the hook for, but it is also clear in my mind that failure to act would have effectively put us on the hook for far more than the dollars that we're talking about."

Much of the fallout is the result of poor decisions by lenders who issued risky loans to borrowers unable to repay. The result has been a rash of foreclosures, a mountain of debt and a graveyard of companies.

Will Sneed, vice president, Dixon Hughes Wealth Advisors LLC in Greenville, said companies like Lehman Brothers steered away from the basics that helped them build into major players in the market.

"One of the things a lot of people are focusing on is how much money the CEOs of these companies made," he said. " ... I think it's actually a picture of what's happened in our entire country, from the top down or from the bottom up. You've got individuals who have taken on way too much debt, and now you've had corporations who have taken on too much debt, and it's coming home to roost."

Sneed said he has taken the cautious approach with his clients.

"People that react in a panic mode to anything tend to make wrong decisions, whether they're reacting in panic to sell something or in a panic to buy something," he said.

"We've gone through tough times before, and we've come out of those tough times. With that said, this is an extremely tough time. We're witnessing some historical happenings with companies that are 150 years old or older."

The credit market has tightened for individuals and corporations seeking loans. But Niswander said those with solid credit should not encounter any problems.

"People with poor credit already have had a harder time getting credit, and they're going to continue to have a hard time getting credit — that's clear," he said. "But people with good credit, it's entirely possible that they will have less of a problem borrowing money if they need to."

His advice to investors is to diversify.

"Have a diversified portfolio of stocks, bonds, cash that's appropriate for your age," he said. "If you've done that, you just sit. The second thing is you need to pay attention to the proportion between those three pieces — stocks, bonds and cash — depending on your age. If you're 20 years old, you can have a lot in the stock market, If you're 80 years old, you should have a little bit but not very much.

"I personally haven't done anything with my investments over the last three months because I have a diversified portfolio that is appropriate for my age. If those two things are in place you don't mess with it."

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