Cautiously Optimistic

By
Dan Romain

… Warren Buffet

"The economy has fallen off the cliff. People have really changed their behavior like nothing I've ever seen. I've never seen Americans this fearful and most of them don't know that we were literally hours away from a total collapse of the economy."

"Cautiously Optimistic"

Hey Warren!

Stop being such a downer!

Where's the cautious optimism? Where's good' ol "irrational exuberance"?

And, like most Americans, when I came across these remarks a few weeks ago I pretty much blew it off. But then ***it got me to thinking…***

History's greatest investor, *The Oracle of Omaha* has never run with the likes of Chicken Little. Born 11 months after the great crash of 1929, he literally willed his way from the deprivation of abject poverty into one of America's greatest stories. Warren loves this country to the point of tears (literally, when he describes America on broadcasts). His wealth is shared with endless charities and his life-style is more modest than most Brokers I know.

When Warren Buffet went public with, "…a total collapse of our economy" none of us snapped-too, because none of our media outlets ran with the story. It wasn't a media conspiracy. It was, well…simply business as usual. Americans were obsessed about an event that took place the night before. There were Stimulus Package stories for sure, but it was just so much "noise".

As the world's economy teetered, your children's future hung in the balance, the very survival of man's one and only freedom experiment (America) faced its own Russian-like overnight collapse; Americans were glued to the tube and watched every move, every twist, turn, and nuance. American's were transfixed.

That night, Americans gave "*Dancing with the Stars*" one of the highest Nielsen ratings in television history. Little did any of us realize that on that night America's flat screens had become the modern version of Nero's fiddle.

Now I'm not dogging Americans. *We the People* just didn't know. I remember reading that, for the first 9 months of the Great Depression, no adverse economic article appeared on the front page of the newspaper Charles Dow and Edward Jones founded in 1889 dedicated to…well…financial news: The Wall Street Journal. Not one. The question is, will you believe and take steps to harden your Agencies once you hear the facts?

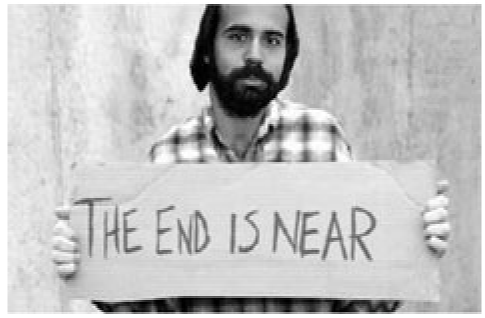
The story goes like this…

First, no one ever accused CSPAN of being anything but clinical, a-political, and terminally boring. Fair enough? Most of you would agree that CSPAN is "fair enough". So, here's the story that unfolded on CSPAN that Warren was referring to:

On February 9th, Congressman Paul Kanjorski (D) from Pennsylvania, who chairs the *Capital Markets Subcommittee,* broke ranks and confessed to the world on CSPAN that Paulson and Bernanke were rushed by the Secret Service to the White House on September 15th. There he met with President Bush and all of the high-ranking members of Congress. (Full interview available on U-Tube: CSPAN.) Kanjorski told the world what happened next:

> "Look…I was there. We don't even talk about these things. On September 15th, at 11:00 o'clock in the morning, Treasury Secretary Paulson and Fed Chair Bernanke briefed the President and members of Congress. I mean…the Fed had just watched approximately $500 billion dollars being sucked-out of money market accounts in about 60 minutes. The Treasury stepped-up and gave the Fed an additional $150 billion, but it became quite obvious that wasn't going to stem the tide. We were having an all-out electronic run on the banks."
>
> "Immediately, we authorized the shut-down of the market and we increased the FDIC guarantees to $250,000 to stop the bleeding…. and it worked. If it hadn't worked $5 ½ trillion dollars would have been sucked out of the market by 2:00 pm that day. **It would have collapsed the entire US monetary system, our economy and the government. And, within 24-hours, the entire world economy and most governments would have collapsed. That's how close we came…three maybe four hours. We even talked about national security and communication scenarios that were minutes from deployment if the run on the system had continued when the markets re-opened the next day."**

Though most Americans missed that whole "whatever" story, I'm told that America was treated to the most stunning dance performance ever: Katrina and Ben, who stole America's heart. Kind' a like another famous Ben…



Ahh…the vagrancies of youth. I imagine there's a few snapshots of me floating around that I'd prefer to keep buried, but man…you gotta admit. This one is funny. And hey, who knows, maybe ol' Fed Chair Ben Bernanke was right way back in the day? Still, it's got to be tough managing the world's de facto currency with this picture as your Under Secretary's screen saver.

And is it just me or does anyone else think Ben was bald at age 12? Even Ben's doo ***got me to thinking…***

My kid's biology book claims that the average head contains 100,000 strands of hair unless you're a red-head (10% less) or blond (20% more)…still on average about 100,000 follicles. This means, there are as many dollar bills in phase one of TARP as there are stands of hair on the unemployed, 5.1 million Americans heads (510 billion). That is, of course, before they started to pull them all out.

(Things that make you say "hmm"?)

I say, "You seem Cautiously Optimistic ol' Chap"

Weeks before the current "bear rally", when the news of the day seemed more like Roman Gladiator, box scores (as in: Maximus "won" Lions zero) in the Insurance Journal's extensive poll suggested that most of you were "*cautiously optimistic*" about the future of your agencies.

So, help me out with that…

What's the name of your Doctor and how many refills will he prescribe over the phone? My drink of choice, *Hemlock on the Rocks,* doesn't seem to be working as well. I might have answered the next best choice on the poll, "*somewhat concerned*".

That's when I thought I'd try to put some things in perspective for you, not to scare you of course, not the way ol' radical Ben was trying to do back in the 70's (above), but to get you and your partners into a room to talk about things, think about them, and most of all plan for some things…those which no one ever, ever wants or wishes to happen.

Let's start-off by reminding you that you are very much involved, even if you're not the slightest bit moved by what I have to say.

In the past year, the hypothetical value (aka: value) of your firm has dropped 15+% and in many cases more (unless you specialize in bankruptcy lawyer's professional liability in which case you're loving life!). If you are one of the few, well-run, lucky ones that grew in 2008; great, Congratulations! Your value is higher today than it would be otherwise, but it's still no less than 15% than it would be, absent the current economic tsunami that made landfall.

I don't care about your last stock-price evaluation. Your three-year rolling average stock value will take some time catching-up to the downturn. Which, by the way, is another good reason to use my services: to set put-shares in place for the not-too-distant future where stock-buyers (youth) can buy stock at lower levels to help ease cash demands of internally perpetuated firms....I'm just saying.

Anyway, growth curves are down, capital is tight, earnings are impaired, buyers are nervous, terms sort' a suck…blah, blah, blah. You know all of that. Those 7-multiples of earnings are now 6, and much less of the value is paid in cash. That's not an opinion. It's a fact.

And, in full disclosure, I happen to believe that the value of your firm will drop another whatever-%, absent some serious re-jiggering on your part. Commit or sell, either way, do one or the other fast!

Believe me…don't believe, it doesn't really matter. I only talk on an intimate and visceral level with 50+ firms a month all across these fruited plains, because I'm one of you, a 20+ year Broker-turned CEO who had a nice run, bought lots of firms, organically grew 15% a year on top of that, and dozens of stockholders gained equity…like I should have a clue.

Most of you "aren't for sale" which is so weird, because the majority of you have Buy-Sell Agreements which, by definition, means you're buyers and sellers. But, don't let that distract you. You're not for sale because "You" are defined as the enterprise, the firm, and not Old Joe who, obviously, is going to sell to someone or something at some-point inside your firm. Right?

Back on the farm I "learnt stuff good". "I learnt that sell'n a pig at some point don't make sense cause most folks would rather eat the pig than sell it".

So, Mr.…, "Who cares about agency value?" and…you couldn't give a rat's ask'n price because, at some point, you have all the policies you can eat?

Tell me how long you think housing will be over-supplied and under-demanded and I'll tell you when the value of your agency may begin to recover (insert the word "retire"). It's not all about the movements on Wall Street over the next year. Just know this. Agency values haven't stopped falling and won't stop falling for quite some time. If you're going to sell, hire Hales because #2 is going to cost you a ton!

So, and finally, let's do some quick rudimentary math.

You and '*Bubba*' own a $3-million dollar commission firm that was "flat" in 2008. It's a little inefficient because, well…neither one of you wants to listen to the chirping. You post $600,000 in pre-tax before you take the money home. In the abstract world of EBITDA, if you could get it to do $800,000, that's pretty, darned good!

A year ago your firm was worth $5.6 million plus/minus your balance sheet. Today, it's worth $4.8 million and the terms are extended into time and some of that is at risk. So, you both "lost" $400,000 last year? So? You can just squeeze payroll and still take home $450,000 next year. Which is so weird, because that's how much your firm stands to drop in value over the next 18-months (to a 5.25 multiple of earnings, in my estimation).

But, not all things apply equally. Here are some quick points:

- ✓ National Brokers are getting increased fees by taking-on more risk-management and HR functionalities by encouraging their clients (the big accounts) to outsource those "overhead" costs. Large, independent Brokers, heavily committed to self-insured fee based benefits clients, generally have a good future ahead.

- ✓ The construction trades aren't totally dead. Homeowners can't/won't move, but they are fixing things up around the house and contractors are still making payroll.

- ✓ Anyone involved in healthcare, D&O, and all things law-profession are smiling from ear to ear.

- ✓ Personal lines revenues remain resilient. So do agricultural and crop insurance Agencies.

- ✓ The generalist P&C firm with 12% benefits revenue and 6% profit-sharing is down, 12%+ on average, and expects profits to shrink the same or more next year.

But, like I said, the point of all this is to get you and your partners off-site for a day-long discussion, an ol' fashion kibitz if you will. You don't need me to be there. All you need is a gentle nudge:

- ✓ <u>Contingency Plans?</u>
  Eric Dinallo, Insurance Commissioner of New York, recently published the testimony on his hearings regarding Contingent Income. After watching the recorded stream-feed and reading all 822 pages, I feel "*cautiously optimistic*" you're not going to like what comes next (expect to hear by mid-June). Oh, by the way, Eric was elected on a pledge to "level the playing field" relative to Brokers and most of the testimony was leveled against the practice of accepting profit-sharing by Willis and Marsh.

- ✓ <u>"Something from nothing"</u>
  For the first time in American history, the Treasury sold nearly a trillion dollars of "debt" to the Fed. The last republic to do this was Argentina, a year before their interest rates

soared to 32%. Before that, it was Zimbabwe and before that…yes the Weimer Republic of post World War One Germany.

While American's were moaning about the outrage of AIG, and not three days after the Premier of China called-out the creditworthiness of the US government, the Fed announced a plan where the Treasury would print some certificates, print one-trillion dollars, and then give both to the Federal Reserve, who in-turn would give-back the "money" to the Treasury (thus buying the debt).

In English, it goes something like this:

You and the Mrs. are dead broke, tapped-out and on the brink of foreclosure. You're so tapped that even your "friends" (China) won't loan you money. So, you get-out the checkbook and write your wife a check, for say $100,000, to tide you over for six months. She deposits the check in the Credit Union and $100,000 appears on your statement. Then, the Credit Union declares that, since you are an owner of the Credit Union (as all members are), they won't apply a $100,000 debit against your account for the original check as long as you pay 0% interest over the next 12 years and zero principle with a balloon payment at the end of the 144th month. They do this because, as luck would have it, you are the sole member of the Credit Union and it is all 100% perfectly legal.

But then something truly remarkable happens.

Because the Credit Union has $100,000 in "deposits" on the books, it can loan up to $1,000,000 to its member(s) (of which there is one) and remain in compliance with federal 10-to-1 liquidity requirements, thus earning it an A++ rating.

Since the interest, the Credit Union is charging you, is so low and there's so little credit out there available, you decide to borrow all $1,000,000 and post your savings deposit of $100,000 in "cash" as collateral.

Naturally, you get the loan. You deposit $100,000 in 9 other banks. Those grateful banks pay you 3½% interest and then, true to form, loan-out $87,788 of excess cash deposit on a 10-to-1 reserve basis, leaving 12-months in reserve in interest payments they owe you.

And so on and so on.

That original $100,000 hot-check, you gave the wife (M1), will eventually become $8,009,099 of M3 dollars, lubricating the economy, while everybody retains their A++ rating. (Trust the math folks.) Last year, the entire US economy did $14.6 trillion. This year it will do less than $12 trillion.

Mankind has never had this work. It is 100% guaranteed to fail and has done so 100% of the time, dating back to the Egyptians who forged copper coins out of bronze alloys and Romans who filled silver coins with a layer of wood to print more coins. This act is so desperate that, as a member of the Omicron Delta Epsilon Economics Honors Society (worldwide), I/we all know that there can be only one reason this ever could have occurred. "They" ran out of choices (or believed they had). Worse, knowing the world would know how desperate this was, they did it anyway.

Forty five minutes after the Treasury announced its plans, the world's hedge for inflation: gold, reversed a four week slide and shot-up $70 per ounce. It's still holding strong. The following week, TurboTax Tim swore to Congress that he opposed any talk of a world-wide currency other than the dollar. Sixteen hours later, he told a reporter that he "would consider all ideas". (Prompting 12 Senators to call for his head.)

✓ <u>Who Benefits?</u>
Imagine, for a moment, the White House just announced a $634 billion down-payment on national property insurance. What might you be telling your Employee Benefit's partners who ask, with great concern, "What's that mean for P&C commissions? Do you think Property commissions will go away?" Naturally, you answer, "No!" Moral: if you think you're getting the honest answer from Benefit's Producers on the future of Benefits revenue, you are nuts. They are the *last people on earth* who will tell you to envision that revenue is diminishing over time. And yes, I do know Benefits revenue for many of you grew last year. That makes you more vulnerable, not less. If you're doing high-end fee based consultancy, you're fine. If you're not, you're not.

✓ <u>Bank on It</u>
Remember when we were all worked-up about "banks in insurance"? Well, any impediment to that went the way of the Unicorn after TARP cash hit the tills of 33 Insurers, who bought banks to get the cash from Paulson. Now that AIG is front page news (and after America learns that they've erased all surplus with predatory pricing on long-tail casualty lines), the Feds will take-over what the states "failed" to do: Regulation. Your state commissioner will become a consumer advocacy group and nothing more. If any of you think that's no big deal, take an SEC broker out to lunch and listen. Your expenses will go up without a dime of revenue to show for it. Coverage competition will dwindle. Carrier response times will elongate and the relationship between you and beloved carriers will change dramatically.

(I wrote this March 22nd. On March 27th TurboTax Tim asked Congress for special regulatory powers that would enable him to step-in and regulate <u>any business</u> that posed a "systemic risk" to the financial system. Any…, as in privately owned, constitutionally protected, un-beholden to any tax bailout or assistance financial institution. Think: Hartford, Chubb and any insurer you represent; and if you think I'm kidding, the mere fact that he asked should rock you to your very core! He didn't limit his request to banks folks…any and every financial institution would include insurance companies.)

- ✓ TORA! TORA! TORA

America hasn't been attacked by so many zeros since Pearl Harbor!

A trillion is 13 digits with 12-zeros. A trillion is one thousand billion. Sooner or later, those 9.3 trillion dollars in "oomph" (stimulus, banking lines, AIG, repayment to Chinese, TARP, Foreclosure legislation, Fannie, Freddie and Sally and Treasury interest) will land in the hands of real human beings and not sit on the legers of Treasury buyers who are waiting-out the storm. When that happens, and after the worse downturn in your lifetime (save Warren's generation of course), 1970's like inflation will kick-in and if you think things were/are soft today, you should have been peddling renewals back in the 70's as I was. Rates (per AM Best) fell on average 14% a year for several years. That sort' a messed with contingent income growth calculations too. Hold on folks. This is less predictable than gravity!

Most Americans have no idea how much we've spent, pledged, or printed to amputate the invisible hand of the marketplace. But, if you honestly believe that it's a "worry about that later" problem then you are just going to love what it might do to the devalued dollar and the world demand for its replacement. Over the past four decades, both political parties have encumbered future generations with some $60,000,000,000,000 of debt and the guys with oil and the Chinese are openly worried and candidly talking about dumping the greenback. Life, as you know it, turns to pooh if that happens. It's worse for your kids.

And, while China is openly negotiating long-term oil contracts with Venezuela, Russia, Saudi Arabia, Iran, Mexico, and yes even Canada (our largest supplier of oil by the way!); paying fixed-price deliveries with their unwanted dollars (thereby "selling" their dollars and further inflating the currency, while locking-in a supply of precious oil); our Congress opened hearings, on March 27th, following-up on an Obama remark, whereby Speaker Pelosi said, and I'm not making this up, "…Many members of both Houses and the President himself do not believe the current B.C.S. football system is the best approach".

- ✓ "At Lending Tree when Bankers compete you win!"

The Treasury reported that Credit Default Swaps (aka Insurance!) and related "instruments" could total $59.1 trillion dollars, securing over $594 trillion dollars of commercial debt worldwide. Right now, might be a good time to remind you that the threat of losing less than 1% of that figure: $5.4 trillion, on September 15th, would have resulted in "…the total collapse of the economy", according to the guys who actually run the economy.

- ✓ Bid'ness as usual

Sales down? Bad debt got you worried? Locked-in to legacy costs? Top line revenues falling? Re-marketing every last piece of business? The long-predicted hard market still not arrived? Old Joe, who is 9-months younger than you, just walked-in and said he's retiring at the current stock price? (I have consulted every one of these firms in the past 4 weeks.)

- ✓ We the People *in order to form a more perfect Union…"*
  Did I read someplace that it will be really easy for your employees to unionize in the future?

Shall I continue?

Why yes…I think I shall.

- ✓ Pee EU!
  The plight of Eastern Europe has widened political cracks within the European Union to the point where there is now a serious risk that the euro and even the European Union could fail. Unemployment in Europe is now 11.5% and growing. David Charter of The Times writes, "...The lack of EU leadership and direction threatens to wrench apart both the euro and the EU itself." If that occurs, and most believe that's a "when" not "if" scenario, the all-out cry for a blended currency world-wide will be on center stage. The impact on the dollar will be profound…first soaring to new heights and then plummeting.

  If the Euro appears under serious threat, there could be a massive financial panic and a stampede into U.S. dollars, driving it to unexpected highs at a time when the Fed's purchase of troubled assets is sending Treasuries even higher. That trend has the Oracle from Omaha (Buffet) very concerned calling Treasuries "A long-term trap".

  So?

  Well, as commercial real estate foreclosures accelerate, insurer investments will re-paper into Treasuries (already occurring) at a 2.7% long-term yield…when inflation will be running double digits (experts argue a range between 2011 and 2015). Cash-flow underwriting will be the order of the day, but unlike anything you have ever witnessed in your professional lifetime, and savers/investors will be losing buying power offset by minimalist Treasury yields they can't sell for several years. Remember 70% of our economy (and by definition 70% of your commissions) are consumer purchases driven.

  The soaring dollar sounds nice, unless you happen to export things.

  Buffet was born 11 months after the 1929 stock crash and lived in hand-to-mouth poverty until he clawed his way clear of the malaise. Maybe his opinions are valid and maybe they're not. But, no one can deny they aren't relevant and at a minimum "curious".

To prove Warren's point, the Chinese are now sheepishly buying Treasuries, but have virtually ceased all buys that date-out past 1-year and most are only six-months! America…the Chinese are positioning themselves with short-term options while much of the world may get "trapped". I personally believe Buffet is right.

✓ <u>"BOOM!"</u>
Today 10,000 Americans applied for social security. Tomorrow 10,090 will do the same. The number will grow each and every day, seven days a week, for the next seven years, as the boomer generation lives-up to its name. Social Security, Medicare/Medicaid, and the Treasury interest expenses, totaling "Six" followed by "thirteen zeros", will add a fourteenth zero by the time America's high school freshmen graduate from Grad school. Put another way, by the time a 54 year old principal thinks he'll retire (at age 65).

✓ <u>Honey, I shrunk the kid's college fund"</u>
40% of world wealth…Gone! Americans lost $11 trillion just in one year. "Poof!" That's not counting the drop in homes values, land, or the value of your agency. Reason enough to go on a spending spree I guess.

✓ <u>Fully Insured</u>
Who is the worst insurer in the world? AIG? Nope, not even close. Sorry America, your 80% in AIG isn't spit. You see folks, the worst insurer in the world, by any measure you wish to use, is the Federal Deposit ***Insurance*** Corporation: FDIC (and kid brother FSLIC.)

The Fed recently announced that the FDIC has a $45 Billion and another $75 Billion line of credit with the Treasury, compliments of TurboTax Tim…which is nice. The hitch is that those reserves guarantee $4.5 trillion dollars in deposits under $100,000 and nearly $6.8 trillion, now that the insurance was raised to $250,000. That's less than 1% folks. To put it in perspective, when Indy Mac Bank tipped-over it cost the FDIC nearly ½ of what it has today: $20 Billion. And, on the grand scheme of things, Indy Mac was a pimple. CitiGroup alone holds $300 billion in "insured" instruments!

If the FDIC had an AM Best rating, it would be so dire that the auditors would have to establish a new rating unto its own: "Credit Report Absurdly Poor" or CRAP for short.

Ahh, you say, "The supply of greenbacks is virtually unlimited to shore-up any deficiencies." Good Lord. Please don't tell yourself that! Ten minutes after a few banks go under and the Treasury announces its printing relief, everyone with an IQ greater than room-temperature will withdraw whatever they can. M1, M2, and M3 will spike so much and so fast, prices will literally be changed weekly. Oil would skyrocket and the capital within banks, to make loans, would shrivel-up and blow away. Treasuries will actually offer "negative interest" if you buy any term less than 3-years! (Per Mr. Buffet.)

If Americans (strike that: "world investors in American banks") pulled funds from troubled banks, because they realized that the FDIC is a total myth (as they did on

September 15th until the myth was magnified 2½ times larger) and dumped those dollars into Treasuries, Warren Buffet's "trap" would be set and the ramifications would be unthinkable long-term.

If the FDIC held itself to its 1-to-10 capital requirement, then the FDIC would be forced to petition the Fed and close-down the FDIC for being insolvent, by a factor of 10. No one anywhere would put money is such a bank. Yet, we do thinking: "They can print enough to cover".

The most objective body in government, the GAO, estimated that if the banks on the "short list" actually tipped-over, requiring an immediate infusion of dollars, and we couldn't get others (think China) to cover, the value of our dollar could drop so rapidly that it could de-lever the world's currency system. In such a world, a well-stocked pantry and a manual can opener might just come in handy.

The FDIC reported to the Treasury that 192 institutions meet the guidelines for "insolvent", as of February '09, which is so weird, because I couldn't find anywhere that the FDIC reported, "Cautious optimism", that they'd all be just fine.

If you think I'm nuts, you probably know me, but just ask yourself one simple question. Why did the current administration talk constantly about nationalizing some banks and then, suddenly "zip it"? They even got chapped at Christopher Dodd when he kept chirping about it after the memo went out. How come?

The solvency problem is so immense even the guys who print the money couldn't cover the defaults, if those banks tipped-over. They were/are so insolvent, trillions couldn't keep them afloat to make loans and run like 10-to-1 banks!

Ironically, the most paranoid conservative, Milton Friedman like economists say that temporary nationalization, of some banks, would be a good thing! (Scary…, but good if on a 1-year sunset clause basis.) Why isn't that happening? It's because, ironically, the banks are too big *not to fail!* Those same economists believe that England, who essentially nationalized what is left of their banks, runs a serious risk of collapsing if that plan doesn't work!

✓ "97% is just a small percentage of the total"

In good economic times, 1 in 3 new start-up businesses fail before year 7. Today, of those who did survive the past 7 years, the ASBA said 14% think they'll close the doors in 2009. Yet, 97% of all jobs in America come from small business, but not one penny was dedicated to small business in the near-trillion dollar Stimulus plan. Mono-pod mussels in the backwater goo of San Francisco Bay get some help, but not a dime for 97% of America's employers? Conversely, $2.3 trillion in bailout/stimulus tax dollars have gone to the top 1% of business, allegedly too big to fail, because they provide 3% of this country's jobs.

54% of all high-tech jobs come from small business. 82% of all corporate tax is paid by small business and provides 77% of all sponsored group benefit plans offered in the country. Nearly 90% of small businesses employ less than 20 employees and yet, those small business owners (like all of you) make-up the overwhelming majority of taxpayers who will; lose charitable deductions, see capital gains go up 15%, and pay 10% more in personal income tax when (not if) the Administration's plan is approved; and there's not a damned thing any of you can do about it, except watch, as your small business clients downsize, merge, sell, quit, or close their office doors and hope for the best.

(Sorry. It just irks me.)

- ✓ "<u>Bailey Building & Loan</u>"
  If measured the same way Buffet's generation measured unemployment, the current rate is now 14.7% according to the GAO. More jobs were lost in February, the shortest month of 2009 (650,000), than in all of 2004. The folks at ADP think the number is closer to 704,000. Neither organization measures the effects of hourly cut-backs, wage reductions, and the elimination of benefits.

  According to Freddie Mac, one in twelve homes you insure is upside-down on their mortgage. Back "in the day", Underwriting Managers described stuff like that as "moral hazards". One in thirty is in pending foreclosure and that number is expected to grow. Citigroup estimates that by 2010, one in eighteen homes will be in foreclosure.

Had enough?

Me too!

I have another three pages of notes I could spew across this subject. Yes…I'm worried about you, maybe enough for all of you. But, this is not time to batten-down the hatches. This is the time to go to war! More accounts will move to excellent service providers offering competitive prices and value added services than at any other time in your professional careers. That is a flat guarantee. Be smart, but now more than ever, talk to your partners!

But first…tell the man in the mirror to WAKE UP!

The moral of this is not to shutter the agency and move to northern Idaho. The point is to ask you to seriously examine if you are serious about your "cautious optimism". Please, ignore the recent signs in the market for a moment. If there's a seed of doubt and you'd like to drive significant cash-flow through your firm, I can help. But, most of you may not need my help and unless you engage in candid dialogue with your partners, I couldn't help if I tried.

Some of you need to sell. It's not too late.

In less than four years, my Brokerage went from "the down low" to mid-thirties in EBITDA. In P&L terms, that's a pre-tax in the high twenties. In the same stretch, it doubled in size after it had doubled in size. You can still achieve those kinds of results! That kind of cash, funds internal perpetuation and covers your bets at a time that YOU SHOULD BE MAKING BETS! Now, is when truly powerful firms will emerge at the expense of those who failed to talk to the man in the mirror.

As the richest of the rich will tell you, Fortunes are made in downturns.

I think next issue I'll so something fun…

Call if you have a question or comment. I field dozens and dozens each month; and there's no charge.

Dan Romain
Broker's Path
Brokerspath.com
503-577-3866