

>: Your First Decision to Make in 2008 (About Money)

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Today's article is courtesy of frequent Tycoon Report guest contributor Ethan Roberts. It is the single most important message I could share with those of you who want to turn your financial lives around in 2008.

Yes, that doesn't apply to all of you. Not everyone reading The Tycoon Report needs to turn his or her "financial life around". But for those of you who do, I know the feeling. I've made and lost millions of dollars in my life, and I know what it is like to have to start from scratch all over again. (It gets tiring after a while, let me tell you.) So you'd better get it right, and get it right now.

This is Ethan's opinion on the best financial decision you can make to start 2008, and I couldn't agree with him more.

2008: The year of "Cash is king, and debt is dumb!"

I know that the last week of December is the time when all of us begin to think about New Year's Resolutions. You know the typical ones, like stop smoking, get more exercise, lose weight, find a husband, etc.

I want to offer another idea for a resolution. I am asking all Americans to pledge that 2008 will be the year to eliminate, or at least substantially reduce, all debt, and to save and invest more money.

The great lesson of 2007 and the subprime mess was that debt can be very dumb, especially if you are signing financial documents without reading the small print or without understanding your debt. Question: How many people reading this right now can state the exact interest rates of their various credit cards? Hmmmm, maybe it's time to read the fine print!

I am indebted (no pun intended) to Dave Ramsey, the radio and TV host (www.daveramsey.com), for the title of this article. Dave teaches people to get out of debt and start to build wealth through savings and investing. And if ever there was a year to do this, it will be 2008.

I say this because as 2007 ends, Americans are sitting on more personal debt than ever before. Credit card balances and delinquency payments are at all time highs. Mortgage defaults and delinquency payments, even among non-subprime loans, are rising. The increasing debt load is getting out of hand and, if it continues, may well bring down our great economic system.

On the other hand, 2008 offers some great investment opportunities that we have not seen since perhaps the bottom of the stock market in 2002. There will be several sectors of the market with badly beaten down stocks, such as the Homebuilders, Financials, and Construction-related companies. Those with cash and a long term outlook will be able to purchase these companies at the lowest prices in years.

The Real Estate market at some point may begin to offer great bargains, both for owner/occupants as well as long-term investors (not house flippers). Prices have already retreated to 2005 levels, and inventory is still way up, foreclosures and short sales are everywhere, and sales are down.

Those with cash, low debt levels, and good credit scores will eventually reap the benefits of the current Real Estate downturn. Those with large debt, no money, and bad credit will continue to suffer the economic consequences of their self-indulgence.

Investors who are sitting on cash will be able to purchase the assets which panicky folks dump at fire sale prices. We have already seen the beginnings of this as foreign countries buy stakes in some of our largest financial institutions!

So pay off those credit cards, start paying cash for what you can afford, and resolve to become more financially responsible in 2008. Resolve to put money in your IRA. Resolve to increase those 401k contributions at work. Those who are age 50 or older are allowed to increase the maximum savings limits on both 401k plans and IRAs.

Finally, resolve to pay yourself first, the bills second, and then entertainment or frivolous purchases last. Retirement is always closer than you think.

Know anyone who has reached retirement and then says, "I wish I had saved LESS money"?

Recommended books to help you keep this resolution: Stanley and Danko, *The Millionaire Next Door* and Bach, *The Automatic Millionaire*
. Recommended TV Program: "The Dave Ramsey Show", Fox Business Channel, 8 PM. Recommended newsletter, as always, *The Tycoon Report*!!

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And, of course, a very Happy New Year to all of the staff and readers of *The Tycoon Report*!



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