



Klein, Pavlis & Peasley Financial, Inc.

Thinking Outside the Stocks

We are going through one of the strongest stock market collapses in modern history. It has led the way down because the economy is also dealing with an historic collapse. You would have to be living in a bubble not know this. But the question is 'now what'?

This is Not Last Year's Stock Market

For investors it is no longer prudent or even wise to use standard methods to invest.

- No longer can you diversify a portfolio and think performance will follow. It is time to think differently when it comes to diversifying your portfolio. We are faced with a different set of parameters in all asset classes. So buying bonds, or different sectors or groups of stocks or even real estate or precious metals is not going to cut it any longer. Every one of those asset classes fell last year.
- In the stock market, the contra funds, funds that short the market or sell stocks short, have been the traditional way to bet against the market and make money, but with the market so low in price that play is getting to be dangerous.
- What I am suggesting is that you tweak that computer sitting on your shoulders and decide what is going to happen in the future.

What effect will all this government spending have on our economy, our currency, inflation and interest rates?

- Then think about what we can invest in that will take advantage of this possible new reality.
- Focus in on the health care industry. The government is allocating \$19 billion to health-care information technology (IT) systems. The challenge is to find companies that will not only benefit from the stimulus rush, but will be in a position to sustain their good fortunes after the government money has passed through the system. Picking these companies out of the field requires hard work, but the opportunities will be out there.

Real estate also comes to mind.

- Rents are up and prices of property and the mortgage rates are low. If you can afford it and can carry the loan this might be an ideal time to buy some multi unit rental properties. However, there are also ways to invest in the stock market that will make money if interest rates rise and if inflation comes back – in addition to buying gold. If the economic slump drags on what

products or services will become necessary? There are companies that thrive in a poor economic environment.

Then there's China.

- [Martin Hutchinson](#), contributing to MoneyMorning.com writes, "The \$586 billion (RMB4 trillion) stimulus package that China announced Sunday may or may not help China's economy. But with investments in low-income housing, water and energy projects, airports, disaster relief – and \$100 billion for new railroads – over the next two years, this financial package provides oodles of opportunities for investors."
- Now the world's fourth largest economy, they have big infrastructure needs, as their population becomes more mobile. As has been reported, General Electric Co. ([GE](#)) [expects its business in China to double by 2010](#). What about cement, iron and steel producers?

Focus on the Future

- More than ever, your focus should be on the opportunities of the future, in some previously unexpected places. Think outside the stocks. Look for non-traditional ways to take advantage of these non-traditional times.

If you have any questions about this form, the portfolio checkup session or any of the KPP Financial services, please don't hesitate to ask. You can call us directly at 800-557-5461, or send Steve an email directly: speasley@Investtalk.com.