



Client Communication Briefing

March 9, 2009

Scream of the Lizard, by Bob Veres (distributed with permission from the author)

I asked permission to share this article written by a well-known and highly-regarded writer for the financial planning industry and a long-time friend of Financial Service Group, Inc. Its message is certainly relevant to our times and the reptilian part of my brain can certainly relate to Bob's words. I hope you benefit from this piece of clever and relevant writing and while the intended audience is the financial planning community, I feel the message is applicable for those outside the industry as well. Besides, I just simply can't resist sharing a piece of work that is so timely, honest and thought-provoking.

As always, please feel free to let us know if you have any comments or if we be of assistance to you.

Appreciatively,

Michael P. Haubrich, CFP

Bob Veres E-Column: The Scream of the Lizard

I don't know about you, but I'm feeling just a little beat-up at the moment, and not totally because of the stock market.

Today's returns, trickling in all day, reminded me of a time years ago when I foolishly allowed my children to talk me into accompanying them on a roller coaster ride at a theme park called Sea World. For most of the day, we had been staring at sharks that were safely housed behind thick glass, and polar bears behind even thicker glass, chilled in the penguin area and splashed while watching the killer whales throw their trainers 20 feet or more in the air.



It was a good day, and I still felt good about it as the roller coaster ominously rose into the air, but the people who built it were really clever, and after we crested and fell, nobody noticed that the dip was only about half of the distance we had climbed up, and I was breathing a sigh of relief while my children were pouting in disappointment.

Then the rollercoaster climbed again, and as we crested this second time, I looked down and saw that the rest of the park was inhabited by tiny creatures who were either ants or fellow humans who were dangerously far below, and I had just enough time to consider the implications of this and work up a good anticipatory fear when our car crested the top, and fell straight down and--this is the truly scary, fiendishly clever part--WE COULDN'T SEE ANY BOTTOM. The designers had created a fall where the bottom was invisible to us until we actually splashed into the water.

The park had an automatic camera which took pictures of the people in the cars on the way down, and the expression on my face closely resembled that of a heart attack victim, except for the greenish skin tone. My kids looked overjoyed.

After the concerned woman from in a park uniform had helped me into a seat and asked me if I thought I needed medical attention, I remember thinking that, in retrospect, it was obvious that there WAS a bottom, and that I would survive, and that nobody had reported a large pile of blood and bones that was the remnant of others who had experienced this particular ride. So why was I so scared? Couldn't I have told myself that I would survive, that everybody else who had ever gone into this particular fee-fall had survived, and simply enjoyed the trip?

No, I couldn't--and I think that's what I'm remembering now. As soon as the roller coaster car crested the top of the tracks and I looked down, the lizard-like part of the back of my brain took over total control of my thought processes, and it screamed, against all logic and against many things I knew to be true, that I and my children were about to die, and it sent a surge of adrenalin and signals of dread into my system so strongly and thoroughly that it was a few minutes before I could stand up, shakily, and go pet the sting rays.



This, of course, is what virtually all investors are feeling right now as we ride the roller coaster that is the investment markets, and whoever designed this particular free-fall was even better than the designers of that Sea World ride. I know that there is a bottom somewhere in front of me, and I know that the relentless tide of bad news will end and I know that at some point in the not-too-distant future, I will look at a graph of the markets and see a blip that started last Fall and ends somewhere, hopefully soon, and it will look as inconsequential and trivial as the October 1987 crash looks today, or the little jiggles that represent the 1930s, and I will wonder why we were all so damn worried.

And I will have forgotten--because we always forget this--that the lizard-like base of our brains sometimes decide to take control, and all our knowledge and all our intelligence is neutralized by a little lump of tissue that has no understanding at all of what's going on, no perspective, nothing except an "on" switch which, when triggered, activates a complex, instantly powerful native algorithm which screams into our brains and throughout our bodies that there is a saber-toothed tiger right behind us and we should be running for our lives.

This, of course, is the voice in the ears of investors all over the world today and, to some extent, for the last several months. All of us know, in the cortical part of our minds, that we signed on for a roller coaster ride and that we will not die as a result of taking this ride down. But for most of your clients, for many investors, the game has suddenly gotten too tough, and their lizard's shout is winning the contest against your calm, reasonable, measured tones, your facts and figures, your perspective and experience.

The hell of it is that we, ourselves, design these roller coasters; they are a product of mass psychology. When the lizard's shout finally drowns out the last bit of reasonable perspective, the markets hit bottom because that is precisely when there is the maximum fear--by definition.

Then, again by definition, the markets begin to rally into what may be the next bull market or may be a sucker's rally opportunity to sell a little bit at a little less of a loss in hopes of recognizing the next bull. The lizard's shout becomes less loud, people become hopeful, they



buy back in at a higher price than they sold, the market moves upward until either the lizard screams again in panic or--the sure sign of a bull market--it starts tickling peoples' minds with a kind of panic that **MAYBE THEY'LL GET IN TOO LATE** as the roller coaster climbs again.

This, too, is our own creation, more tracks created by more mass psychology, aided and doubtless magnified by the echo chamber of the financial media and a thousand pundits who know no more than the lizard about where the markets will go tomorrow or next week.

I'm one of those financial media types, and also a pundit on occasion, and I can tell you that I can hear the lizard's scream echoing across the financial landscape, so loudly that it's hard to remember that stocks are on a fire sale now and they are certainly a hell of a lot less risky than they were last August, and that these rides are seldom fatal to those who stay in their seats, and they are usually at least harmful to those who panic, unhook their seatbelts and jump over the side toward the distant anthill below.

I can hardly wait to look back on those charts and wonder what the hell we were thinking getting so panicky about a blip, and I know at that time that the lizard will be giving me a different message: that *if only I'd had the sense to buy when everybody else was selling...*

This too shall pass, and 99% of your brain knows it. The market belongs to the lizard now, and I am ashamed to admit that I, the pundit, the media guru, still feel that sense of panic on the way down, irrational as I know it is. I feel it so much that sometimes I can barely hear the rational part of my mind over the screaming that echoes that are calling up from a deeper part of my consciousness. I would curse the designer of this roller coaster, as I did the fiend who put that damn thing up at Sea World, but I'm afraid this time it is us, collectively, who designed our own fear machine.

And this is the moment, here and now, when the picture is taken.