



## Generational Transfer



**William Smead**  
Chief Executive Officer  
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Dear Clients and Prospective Clients:

Baby Boomer's kids are coming of age. While boomers are enjoying 50<sup>th</sup> and 60<sup>th</sup> birthday party celebrations in abundance, their children are getting married and having children. What is this massive reset of our real estate markets and stock market doing in relation to these large population groups?

### **Boomer Kids**

- 1) Homes are affordable again.
- 2) First-time homebuyer tax credit is \$8000.
- 3) Low mortgage rates around 5%.
- 4) Stocks are the cheapest they've been in 27 years for buying in 401K's.

### **Boomers**

- 1) Don't have to loan the kids the money to buy a house
- 2) Don't have to have the kids live with you.
- 3) Get to baby sit grandkids and they are more fun anyway.
- 4) Lower property taxes in the future.
- 5) Way above average stock market probabilities over the next ten years.
- 6) Bargain retirement homes in sunshine states.
- 7) Vacation deals everywhere you turn.
- 8) Cheap Motorhomes for sale.

Here are the thoughts of fellow portfolio manager, Jim O'Shaughnessy, in his column titled "A Generational Opportunity" on March 17<sup>th</sup>:

"I recently had dinner with a client who told me that stocks had not performed well over the last 40 years. At first I suspected that she was generalizing from the recent pummeling equity markets have experienced -- after all, this is a time frame that included two of the biggest bull markets in history! Yet, when I went to the data, I found out that she

was absolutely right. The 40 years ending February 2009 were the *second worst 40-year period for equities since 1900, with only the 40 years ending December 1941 doing worse!*

Let's put this into perspective. The 40 years ending in 1941 included the stock market panic of 1907, which drove down the Dow Jones Industrial Average nearly 38 percent; the World War I Era, where the period between 1910 and 1919 was one of the worst ever for stocks; AND, oh yes, the Great Depression. Finally, icing on the 40-year cake, the Japanese bombed Pearl Harbor on December 7, 1941. How could these last 40 years even begin to match that? Alas, they did."

In other words, we are getting the same kind of buying opportunity in common stocks as you had in late 1941. This is when the stock market was not only depressed, but we were losing a huge two-front World War and considering whether to learn German or Japanese to get by.

Which media outlet is covering this story?

Best Wishes,



William Smead

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