

# Glaze Capital Insight

Quarterly Newsletter for Successful Investors

*Helping Busy Successful People Organize Their Financial Affairs and Plan for the Future*  
[www.glazecapital.com](http://www.glazecapital.com)

## Note to Clients



Atif Siddiqi, Rebecca Stroth-Pickens, Rick Glaze

Our portfolios benefited in the 2nd quarter by diversification in International Emerging Markets, Natural Resources, and Small and Mid-size company funds, all of which outperformed the broad index. Our diversification strategy has served us well over the years with the exception of last Fall, when all assets succumbed to the collapse of the financial system. Much of the damage done from that event has begun to recede with strong reports from banking

and manufacturing. One notable survey suggests that global industry will recover one-third of that lost by the end of the year. Manufacturing's retreat left inventories in big-ticket items like washing machines and cars at very low levels. Any pickup in consumer demand may jump-start that sector. The debate over the pace of economic growth is still ongoing, but many analysts think the worst of the decline is behind us. Consum-

ers are saving more than in recent years. The savings rate is around 7 percent making it the highest since 1993. Job losses are continuing and if consistent with history, will not pick up until after the recovery is well underway.

- *Job Growth Lags*
- *Industry Recovering*
- *Savings Rate Up*

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## State Budget Crisis

We are very disappointed with the fiscal management of California. We find ourselves at the end of a decade of continuous over-spending by our elected officials. Candidates who have run on platforms of responsible government have been summarily defeated. Voters have allowed themselves to be cajoled into believing that minor issues like hands-free cell phones are more important than financial responsibility. At \$65,466 per

year, the average government salary is the highest in the nation (2007). Teacher's salaries are the highest in the nation, and at 3.23% of the population, the number of welfare recipients is also the highest. According to the Tax Foundation, property taxes were 3.4% of homeowner income compared to the national average of 2.9%, and business and income taxes are among the highest in the nation. From

1998 to 2008 our legislature grew the budget from \$72 billion to \$145 billion. There is a seemingly never-ending compulsion to spend. The problem in California is not solved by more revenue, but by less spending.

# California

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*“Nobody can make you feel inferior without your consent.”*  
Eleanor Roosevelt

### *Interesting Quotes*


“Success is a state of mind. If you want success, start thinking of yourself as a success.”  
Joyce Brothers, psychologist.

“If you had to select one quality, one personal characteristic that I regard as being most highly correlated with success, whatever the field, I would pick the trait of persistence.”  
Richard DeVos, Amway co-founder..

“In reading the lives of great men, I found that the first victory they won was over themselves. ..Self discipline with all of them came first.” Harry Truman, 33rd U.S. President.

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### *Baby Boomers and Echo Boomers*



Baby Boomers are used to competing for everything. Their first grade class was the largest in history making teacher attention-getting a competitive sport. Securing a coveted slot on the high school football team or the cheerleading squad was an all-out sprint. And, what about that first job? The waiting room was full of qualified applicants. Advancing in a large corporation was a contact sport with all that competition. But the beat goes on. When “junior” was born the best school was mandatory. A well-rounded afterschool agenda was no less than soccer, ballet, band, orchestra, drama class, football, swim team and...well you get the picture. This post-war swell in the birth rate (it sounds so impersonal) had its benefits, too. A cornucopia of buyers of everything from houses to golf clubs to TV sets, flooded the economy. From the 1940’s to now, the economic base has

gone from manufacturing to consumer spending, accounting for 70 percent of today’s economic activity. A robust economy resulted in job flexibility, career changing options, and opportunities for prosperity and growth for an entire generation. Those who were energetic and astute found success and a better lifestyle than most of their parents could have imagined.

Members of the Boomer generation drove expansion in the work force by its sheer numbers resulting in economic growth that lifted our nation to an unprecedented standard of living. As Boomers are beginning to retire and leave the work place, what is the encore, you might ask? Who will buy the flat screens, the new Chevy and the latest and greatest digital, GPS-compatible golf clubs? While not directly in line behind us, the Echo Boomers are thought to be 120 million strong.

There is a noticeable gap in time, but this group will eventually drive housing growth and auto sales, key components of consumer demand. Well meaning and somewhat pampered, the Echo generation will inherit a digital, instantly-communicating economy. They will also be the reluctant recipients of their parent’s spending spree. To get the country out of the Great Depression and World War II, total government debt peaked at over 100 percent of Gross Domestic Product (GDP), but decreased to just over 20 percent by the 1970’s. Currently around 40 percent the total debt is projected to possibly double with the proposed spending plan before Congress. My Dad used to use the phrase, “you’re like a kid in the candy store.” He meant my eyes were wide and I wanted to buy everything. But there’s not enough money to buy it all.

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International investing involves special risks including country, currency, and geo-political risk, as well as, increased volatility of foreign securities and differences in accounting practices.

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