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## FROM THE CEO

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# Seasons OF change

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A CULTURE ABLE TO ADAPT  
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# Safe and sound

How business owners can protect their investments **Interviewed by Matt McClellan**

**T**he market decline has many business owners wondering which tactics to trust to protect their investment portfolio.

“In the past, we’ve recommended proper asset allocation, diversification and portfolio rebalancing to reduce a portfolio’s risk,” says Gene Lee, vice president with Peachtree Planning Corporation. “With what we’ve gone through the past six months, I don’t know that these practices have made much of a difference because almost everything has been down. Clients view every investment as riskier than it used to be.”

With this business climate, a business owner needs to take extra care in deciding how and where to invest his or her capital. Picking the right financial institution and the right adviser can be as important to your success as keeping your operations and cash flow running smoothly and efficiently.

*Smart Business* spoke with Lee about the importance of cash flow and how to determine whether a financial institution is a safe place for your money.

## With all of these changes, how do you know whom to trust with your money?

We’ve seen some financial giants, companies that people had great confidence in just a short while ago, close their doors. Obviously, there is a need for greater due diligence on our part as advisers to look at the companies with whom we are dealing. The same is true for the average investor.

We want to know how long the institution has been around. More importantly, what is the institution investing in? Where is my money going? Understand the nature of their business to see how much risk is involved. Globally, look at where your money would be going and what types of markets it will be in.

Certainly, the companies that were insuring some of these subprime mortgages were more exposed to losses than companies that were more restricted in the types of things in which they were investing. In the past, people didn’t think about what those companies were doing or what they were involved in. Now, we need to make sure we know.



**Gene Lee**  
Vice President  
Peachtree Planning Corporation

## How can you tell if a financial institution is safe?

The rating agencies give us some indication. They have come under fire a bit in the last few months because some of the companies they said were very sound were found to have cracks in them. But still, Moody’s and Standard & Poor’s have been around a long time; they have been right more times than not. They should be a starting point. It is up to us to do our own due diligence, to read the financial statements and ask the tough questions.

## Should business owners worry more about paying off debt, saving or keeping a larger amount of money on hand to ensure sufficient cash flow?

Cash is still king. Right now, whether it’s real estate or the stock market, prices are at historic lows. People who are sitting on cash right now are in the driver’s seat. They can pick and choose what they want to buy or own going forward. For example, if you are a small business owner and you are looking at buying equipment, you are probably in a good

position right now if you’ve got cash.

The amount of debt you can carry and the ability to secure debt is a very big problem today. For many companies, the ability to use leverage has been a big part of their success. Its cost and availability is a major factor in their profitability. Many lenders have left the market and made it difficult to get loans for businesses to operate. So keeping debt at a manageable level is crucial. On the flip side of that, building cash reserves and having money someplace you can get to it quickly can be even more important.

## What should business owners do today if they have lost a great deal of their savings?

I’ve heard almost on a daily basis from business owners who are realizing they can run their business more efficiently than they could before. When times are good, we tend to not pay attention to the details as much. We tend to coast a little bit more than we probably should. But in times like this, we look at where we are spending money, where we could cut costs, where we could be more efficient. The best way to recoup some of those savings you’ve lost is to run more efficiently going forward.

The tendency is to take on more risk to recover your losses when really the answer may lie in being more careful with your money in the future. If we can get through this and get to the other side of it, hopefully, in those days of the rebound, we will be much more efficient and much more profitable. We’ll still have the memory of losing the savings, but we will be in a position where we can recover from that and do a better job going forward. <<

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# Answers in Uncertain Times

In 2008, we witnessed unprecedented events in the world economy, and unprecedented actions to address the situation. Given this environment, you may understandably have questions regarding your financial plan and who you should trust.

Put your trust with a financial representative that has earned it. Visit [www.peachtreeplanning.com](http://www.peachtreeplanning.com) for a copy of our Frequently Asked Questions.



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