



## Lodestar

Scott Miller and Randall Manley

[info@lodestarpam.com](mailto:info@lodestarpam.com)

3201 Danville Blvd

Suite 275

Alamo, CA 94507

P. 925-838-1234

F. 925-838-1964

### Randall Manley

Principal

(925)838-1234

### Scott Miller

Principal

(925)838-1234

### Kevin Gray

Associate Principal

(925)838-1234

### Steve Werth

Associate Principal

(925)838-1234

[Visit Our Website](#)

## Our Fiduciary Pledge

Our firm is committed to the general principles of honesty, integrity and professionalism, and of putting the interests of our clients first. We will not take inappropriate advantage of our position of trust. We will hold the identity of the security holdings and financial circumstances of our clients to be confidential, maintain our independence in the investment recommendations and decisions on behalf of our clients, and will handle all personal securities transactions so as to avoid conflicts of interest.

[← BACK TO FRONT PAGE](#)

[PRINT THIS ARTICLE](#)

[SHARE](#)

## Chicken Little Does Not Like Playing Chicken

During this time of seemingly non-stop headlines sensationalizing the U.S. debt debate and its resulting political theater, we suggest that investors take a step back, catch their breath, and gain some perspective on the situation. The sky may be gray or even black, but it's not falling.

The Treasury Department established August 2nd as the date the Federal government would need to begin borrowing additional money in order to assure timely payment of all outstanding bills. This may or may not happen given current cash flows, but the normally routine act of approving the nation's debt-ceiling increase has evolved into an ideological battle between hardened political factions.

We are happy to leave it to the political pundits to predict how the current mud-wrestling match in Washington will be resolved, but as investment advisors, we want to convey our thoughts on the potential financial impact of this political debacle.

We believe that, in spite of forecasted doom and gloom, it is likely that the debt ceiling will eventually be increased by some method in order to avoid a potentially calamitous default on our current obligations. We see a very low risk of actual default. However, considering the heightened state of partisanship, it appears unlikely that any real progress will be made at this time to address the long-term threat created by habitual deficit spending. This is the bigger issue facing our country. The U.S. may avoid default in the short-term, but without meaningful legislative action, it will still face an eventual downgrade on its Treasury securities from the highest rating of AAA.

Obviously, the preferred route is for Congress to demonstrate that it has the courage, skill and resolve to put this nation on a more sound fiscal path. But since this seems unlikely over the next few weeks at least, investment markets are jittery. While a rating downgrade would be an historic and traumatic event, markets should adjust fairly quickly, and any shift in interest rates would likely be moderate. In fact, given the debt problems in Europe and the rest of the developed world, U.S. Treasuries would likely retain their position as the preferred "flight-to-safety" vehicle.

### **How is Lodestar protecting my portfolio against this uncertainty?**

Lodestar's focus is on building each client's long-term wealth, consistent with his or her risk tolerance. This is explicitly described in each client's Investment Policy Statement. We do not profess to know what the stock and bond markets will do in the short-term, and we can't sidestep every market downturn or remove all risk from client portfolios. We have, however, incorporated sound investment strategies that can help reduce risks that could prove especially damaging or upsetting. Some examples of these risk-reduction efforts are listed below:

- Dynamic Cash-flow Reserve Strategy - a proprietary strategy designed to provide a cash buffer against market volatility for clients in the "distribution phase";
- Dollar Cost Averaging - a technique used - where/when appropriate - to smooth the flow of new investment dollars into certain investments, especially in volatile market climates,

with the objective of securing a better average cost;

- Tactical Allocation Strategy - we monitor the markets in an effort to identify and assess the arising risks and opportunities, and we regularly realign individual client portfolios to a sound, efficient mix of 15 asset classes;
- Alternative Investments - we utilize investment vehicles that are expected to perform differently than the stock and bond markets, with the hope and intention that they deliver relative safety when the market declines.

If you would like to learn more details about any of the abovementioned strategies, we would welcome the opportunity to elaborate further at your convenience.

[← BACK TO FRONT PAGE](#)

---

#### [Unsubscribe](#)

This e-mail may be considered an advertisement or solicitation. If you do not desire to receive further e-mails from Lodestar Private Asset Management LLC, please reply to this e-mail and ask to be removed from our mailing list.

This newsletter is provided by the above listed firm which is a registered investment adviser ("RIA"), qualifies for an exemption or exclusion from registration requirements, or does not fall within the definition of an RIA under the Investment Advisers Act of 1940 (the "Act") or any applicable state laws. Any subsequent, direct communication by the firm with a prospective client shall be conducted by a representative that is registered, qualifies for an exemption or exclusion from registration in the state where the prospective client resides, or is not defined as an investment adviser representative under the Act or any applicable state laws. This newsletter contains general information that is not suitable for everyone. The information contained herein should not be construed as personalized investment advice. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Investing in financial markets involves gains and losses and may not be suitable for all investors. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security.

POWERED BY **hnw**