

PLANNING FOR THE UNKNOWN

REAL MONEY column for The Santa Fe New Mexican

By Rob Rikoon

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It's easy to forget what is going on in the Gulf of Mexico. Our awareness of the suffering of many species, both known and unknown depends on how many images we take in of the catastrophe. However, because it has not affected our daily lives, even in the cost of gasoline at the pump, it somehow still seems distant. The availability of shrimp, our most common contact with the output of that area, has yet to diminish.

The people who live and work along the Gulf Coast (and those who vacation there) are in shock. Their lives have changed over the past few months as 60,000 barrels of oil a day are released into the deep ocean. Something similar in scope could happen anywhere. In New Mexico, it could be a forest fire fanned by extreme winds that engulfs Los Alamos or Sandia National Labs, therefore releasing clouds of radioactive waste. In California, an earthquake could suddenly cut off water supplies for an extended period of time. All of us could see our normal economic and social lives face massive disruption from causes totally outside our control.

One could say that the deep ocean oil blowout in the Gulf could have been prevented, but increased demand for domestic petroleum combined with sophisticated new technology has created a potent and ongoing opportunity for mishaps. One could say if BP, Transocean, or the U.S. government had been doing their job properly, or had taken the correct precautions, this wouldn't have happened. This begs the point that mistakes happen in every sphere of human activity, from the space shuttle, to coal mining, to personal conduct in our own lives.

If risk cannot be avoided through regulation, legislation, policies and procedures, technology, human effort of any kind, how can one protect oneself and the fruits of one's past labors? As a professional investment advisor to many families around the country, I love to look at the public securities markets and ask the question: do they supply ample diversification against these kinds of risks? The pensioners, stock, and bond holders of BP Amoco don't think so at the moment, as their previously secure dividends may have gone away permanently, like those of GM, Citigroup, Enron, and a host of others. Does real estate provide security in the form of vacation rentals, well located retail spaces, homes in historic districts, or commercial offices? If economic activity is pushed elsewhere by a combination of natural disaster and nonfunctioning infrastructure, how can holdings in real estate anywhere be insulated from occurrences like the Gulf oil spill?

This financial planning conundrum doesn't get solved by anything other than a robust and radical backup plan. For families, it may mean cooperating with neighbors and communicating with trusted ones who live in different parts of the country. For individuals, it may mean having alternative livelihoods. For investors, it means not

relying on one company, one industry, or one market for either income or growth. For example: 401K investors don't realize that mutual funds can refuse to honor transfers or liquidation requests for up to one week; that market makers on stock exchanges can disappear without notice which makes selling stocks nearly impossible if they are going down rapidly. Bond issuers, even governments, don't have to pay their debts.

Creative preparation for the unknown is what will allow people to successfully navigate the economic twists and turns surely to come. Pay attention to what goes on elsewhere on the planet and learn some lessons from the misfortune unfolding in the Gulf. In the deep sea waters that we physically can't see into there are lessons for all of us on the planet about the long term damage to the environment which occurs when individual and corporate profit trump the good of the commons.

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