Your Money Back

A very interesting story is told about the famous humorist Will Rogers. It seems that Will purchased a few investments over a period of time that all seemed to "go south". Each of them had a compelling story, complete with visions of large gains from the investment. At some point, after several disappointments, he was presented with yet another investment opportunity promising a very large "return on investment". This is when Will purportedly delivered the line oft attributed to him, "I'm not so much interested in the return <u>on</u> my money, as I am the return <u>of</u> my money". While we might chuckle a bit at Will's quip (he was gifted in helping people laugh) we all recognize the underlying wisdom of protecting the money you invest.

Fast Forward

Moving forward a hundred years or so, there is a real life example for us to consider. It is the story of General Motors and what happened to various people and entities that had invested in or loaned money to the company. You see large companies need money, sometimes called "capital", to build and operate the company. So, a company will offer different groups different interests in the company, for different portions of their capital. When GM went bankrupt, some interests were protected and some were not. The stockholders lost all of their investment. The unsecured bondholders were given new stock in the reorganized company, which represented a small fraction of what the bonds had originally been worth. Those who had made "senior secured loans" to GM fared far better.

Assets Make A Difference

What is it that caused the loan holders to do better? You might like to think of this like being in line for standing room only tickets. Once the tickets run out, that's it. In the bankruptcy proceeding, the first claim on the value of all the assets of the company went to the holders of senior secured loans. Their claims were "senior" to that of others and were secured by the value of the property or assets owned by the company. In the end, the loan holders saw a "return <u>of</u> their money".

Unusual and Uncertain Times

We have been seeing an increased interest in alternatives to bonds and bank deposits. Since interest rates have fallen to close to historic lows, this only makes sense. Most of the commentators I listen to or read are saying that they expect these rates, especially short term interest rates, to remain low for quite some time to come. One of the alternatives that seems to make sense is the variety of ways to access investments in loans that are secured and have a senior claim to the assets of an enterprise. In these uncertain times, it seems like a reasonable way to address the return on and the return of your money.

Getting to Specifics

Communications with the public are carefully guarded by regulations to protect investors, as they should be. Since this newsletter goes out to a broad spectrum of people, there is not space to meet the requirements of providing specific suggestions, as much as I might like to do so. You are, however, welcome to touch base with me and I'd be happy to discuss with you some of the tools that are available to help you with this asset class, as well as how appropriate this might be as an addition to your mix of investments.

Bottom Line

All of us need to make sure our saving and investment dollars are working hard for us. What we try to do in our office is consider protecting someone's capital first and then consider how to grow that capital. In recent years this has caused us to reach for some alternatives to more standard bond investments. We know that people need to make money on their investments, but they most definitely want their money back too.

Your Feedback

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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