

WHY WE WON'T SEE AN ECONOMIC DEPRESSION IN 2009

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Is a Great Depression awaiting us in the New Year?

Anyone who has picked up a newspaper or watched a television knows that there has been speculation by the media recently that the current financial crisis could turn into another Depression. In fact, a recent CNN poll found that an astounding 60 percent of those interviewed felt that an economic depression was likely. Not just possible – but “likely”!

The truth is that the current situation is nowhere near that bad. And the downside of unfounded media-fueled speculation about the likelihood of another Depression is that it inhibits investor confidence in the markets. In fact, it becomes something of a dangerous and self-fulfilling prophecy that may unduly inhibit the economic recovery.

Here's why Savant Capital thinks that another Depression is very unlikely to unfold in the near term:

- **Government reaction time.** The U.S. government was very slow to acknowledge the onset of the Great Depression. In the face of the current recession, a rescue plan was quickly passed and put into place.
- **Federal Reserve.** When the Depression set in, the Fed failed to lower rates quickly. This time around, the Federal Reserve acted swiftly to lower rates, injected more liquidity into the system and also signaled that additional rate cuts may occur.
- **FDIC insurance.** This government safety net for bank customers did not exist in 1929. In the face of current concern about banks, Congress raised the ceiling in 2008 on FDIC protections from \$100,000 per account to \$250,000.
- **Corporate earnings.** The Great Depression saw a broad-based decline in earnings. In 2008, corporate profits are still relatively high, with the exception of the financial and auto sectors.
- **Lending.** Another big difference here: In 1929, banks were over-leveraged in stocks that were worthless or nearly worthless. In 2008, banks found themselves overleveraged by investments in mortgages backed by houses, which are tangible assets and still retain about three quarters of their value.
- **Mortgages.** In the Great Depression, a record 44 percent of all first mortgages were in default. In 2008, just 6.4 percent of all mortgages were at least one payment behind as of recent reports.
- **World trade.** In 1929, intense protectionism prevented countries from working together to trade freely and respond to the economic crisis. In 2008, nations around the globe are working together in an unprecedented fashion to address the financial downturn.

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In 2007, Savant was recognized by Financial Advisor magazine as the nation's 12th-fastest growing wealth managers with in excess of \$1 billion in assets under management. For the past seven years, Savant has earned a place on Bloomberg Wealth Manager's Top Wealth Managers List. Savant also has been recognized as one of the nation's top 100 financial advisors by Worth magazine each year since 1997. Since 2004, Savant has been selected by Medical Economics magazine as one of the "Top 150 Financial Advisors for Doctors" in the nation.

Brent R. Brodeski, managing director and financial advisor with Savant Capital Management, Inc., was named in 2007 by Barron's magazine as one of the 100 best independent financial advisors in the United States. He was also recently named the #1 independent advisor in Chicagoland by magazine.

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NOTE: A digital photograph of Adam W. Larson is available upon request.