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Managing wealth today

Faced with uncertain times, clients are looking to 'traditional' investments

From the recession to scandalous "bad apples" in the wealth industry, investors are shaken by events of the past year. Houston-area wealth management experts say it is still too early to determine the full effects of the maelstrom of 2009, but that clients are most often looking for safe, traditional havens for their money. Here, local experts answer some of the questions they are most frequently asked.

Q Is it still too early to determine the effects on the economy of the federal stimulus package?

John Goott
Principal, Investec Advisory Group LP

Massive government intervention and collapsing tax revenues are exploding the current deficit. Entitlements like health care represent a growing share of the budget, a long-term trend that will accelerate in the years to come.

In 1968, Medicare, Medicaid and Social Security were 17 percent of federal spending. In 2008, their share had grown to 41 percent. Factoring in the president's budget, the Congressional Budget Office projects that our national debt will double from the end of fiscal 2008 to fiscal 2018, when it will push 80 percent of gross domestic product.

Higher-than-expected economic growth or better management of government spending could mitigate the problem but, realistically, it is hard to be optimistic about either. Higher taxes seem inevitable in dealing with the deficit, but this too can have economic consequences. Interest rates will likely be driven higher — and the dollar weaker — as investors demand a higher return to fund our huge borrowing need and the government resorts to the printing press to help it pay its debts. At some point, foreign governments may resist owning so much of their reserves in U.S. debt. Already the Chinese, the largest holder of U.S. Treasuries, are expressing concerns.

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> **John Goott**
> Investec Advisory Group LP