From the desk of Jeanne M. Kerkstra, Esq., CPA

Viewpoint

Emergency Response for Financial Catastrophe

Within the span on one year, the stock market lost 50% of its value, which is equal to over $7.4 trillion. Charitable foundations have been obliterated. State pension funds have been crippled. The man on the street who sought to manage his own retirement fund and invest in the stock market has been left stunned and his financial health a shadow of its former self.

Some would like to point their finger to those sub-prime borrowers and say that they caused this catastrophe. However, it is important to note that of the trillions of dollars lost, only about $500 billion, ***or less than** 7%,* is attributed to the sub-prime losses themselves. So for certain, it wasn't a conspiracy by sub-prime borrowers to take down the market. It runs much deeper than that. Because greed was allowed to run unchecked, it brought down a global economy.

Who aided and abetted this greed? In large part, the answers are found in information that we are not being given. For example, AIG has received *hundreds of billions of dollars* in several bailouts from the federal government. There is a shroud of secrecy as to whom AIG paid out monies. It is only recently that the New York Attorney General has been attempting to make it public. We have been told that the big players (known as counterparties) received big payouts from AIG. For example, those entities that received tens of billions of dollars from AIG include Goldman Sachs, Merrill Lynch, JPMorgan Chase and others. This is ***on top*** of the bailouts that these companies received directly from the federal government as TARP recipients.

But, taking a step back, how did this all happen? Somebody came up with the idea to take something that is similar to damaged goods such as the sub-prime loans and package it with something good ~ thereby tainting it all ~ and then the system fed on itself. Companies have been charged with creating fictitious trading markets amongst themselves. And, how can you have independent review when the rating agencies themselves are paid fees by the very same firms that they are rating? Also, it has been alleged that the SEC failed to uncover conflicts and irregularities. The powerhouse accounting firms also share in the blame. Satyam, the mammoth Indian outsourcing firm, earlier this year plunged the Indian stock market into financial chaos when it was uncovered that they had at least 54,000 ***less*** employees than were listed on their books and had committed a ***billion dollar*** fraud. How does something like this escape its "independent" auditors?

Bottom Line: What are you to do? Preserve evidence. Look around your house and locate all those statements - all the information that you received from your trusted advisors. These very well may come into play in the near future. It is important what statements were made as well as sometimes more importantly what was *not* stated. Undisclosed conflicts of interest may be difficult to find, but there is usually a payment trail that can be uncovered with some digging. Both domestic and off-shore bank accounts will be scrutinized as well as payments to "outside vendors". All contractual relationships will be investigated to determine whether it involves a truly arms-length relationship, simply the same party or other undisclosed conflicts of interests.

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