

The Road to Prosperity

What We Need to Do

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COGENT
STRATEGIES

Asa Beck, Data, and Actions to Take

- **CPA, Consultant, Contract CFO**
- **BS Accounting, MS Finance, taught university level finance**
- **Member Financial Executives International**
- **Here to inform and motivate to Action**
- **Goal is to show you how to be prosperous and improve the economy for everyone**
- **I am here to tell you what actions will do that**

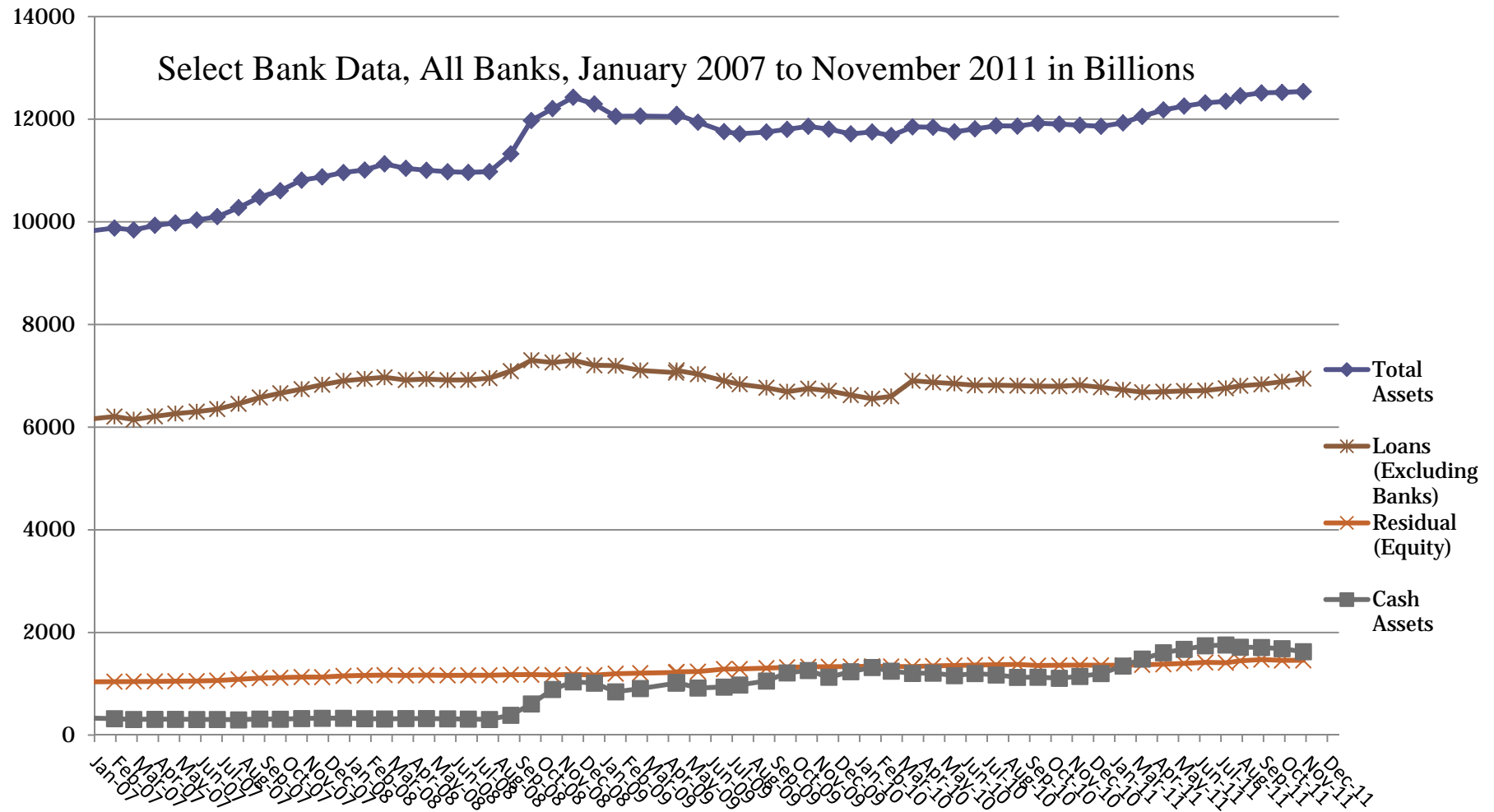
What is Happening in the Economy?

- **The economy is in a slow uneven recovery**
- **Banks are improving, but many struggle**
- **Full time employment is growing slowly**
- **There will be low growth this quarter**
- **The trade deficit is rising again**
- **The federal deficit is out of control**
- **The dollar is better than Euro, but weak**
- **Interest rates must rise soon**
- **We can take steps to return to prosperity**

Five Things to Remember!

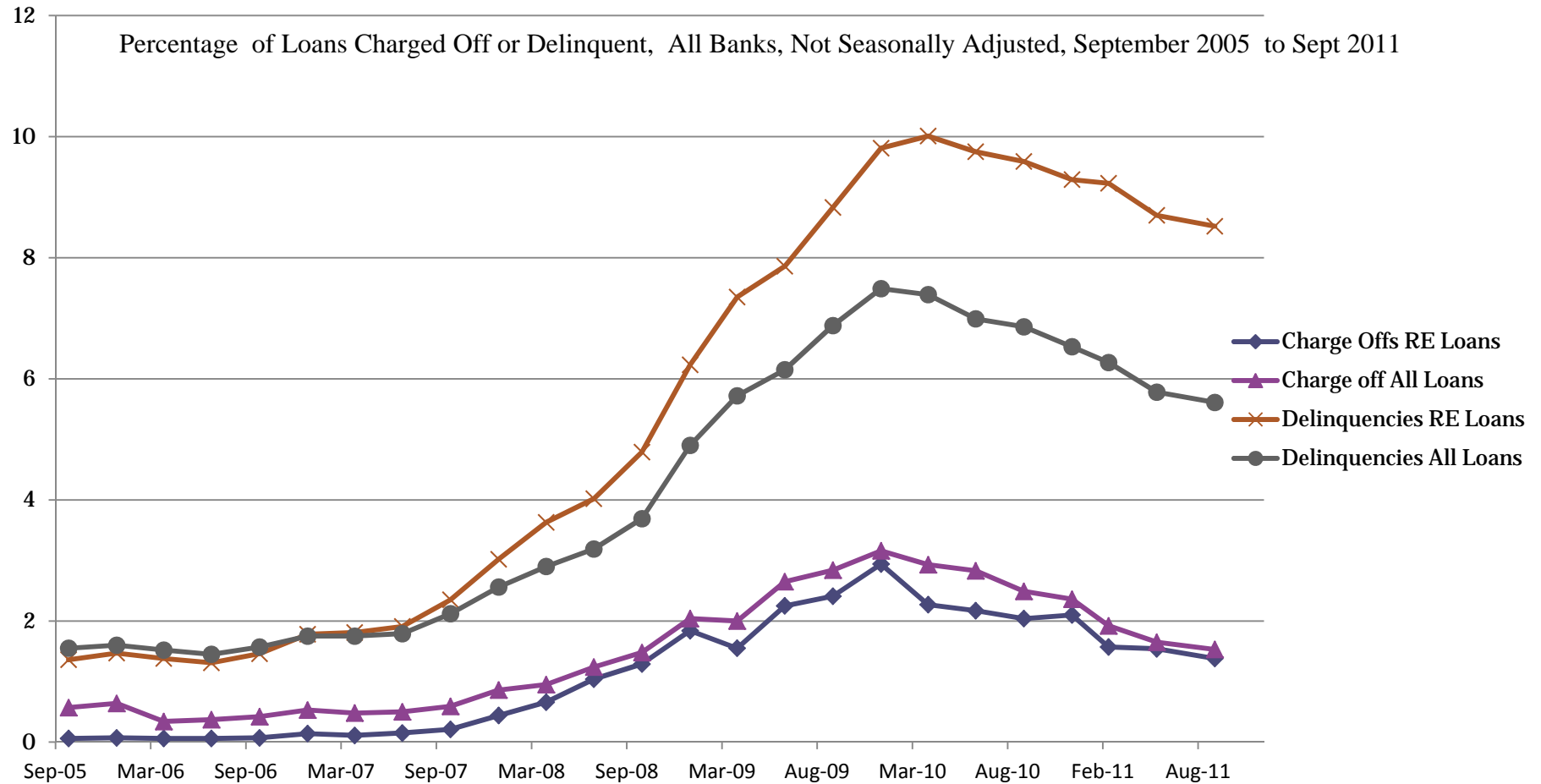
- **Have or create a cash reserve**
- **Be cash flow positive**
- **Spend your money close to home, very close**
- **Federal spending must be fixed quickly**
- **It is all about the industrial base improving to create jobs and fund government**

The Banking System



Data is from the Federal Reserve <http://www.federalreserve.gov/releases/h8/data.htm>

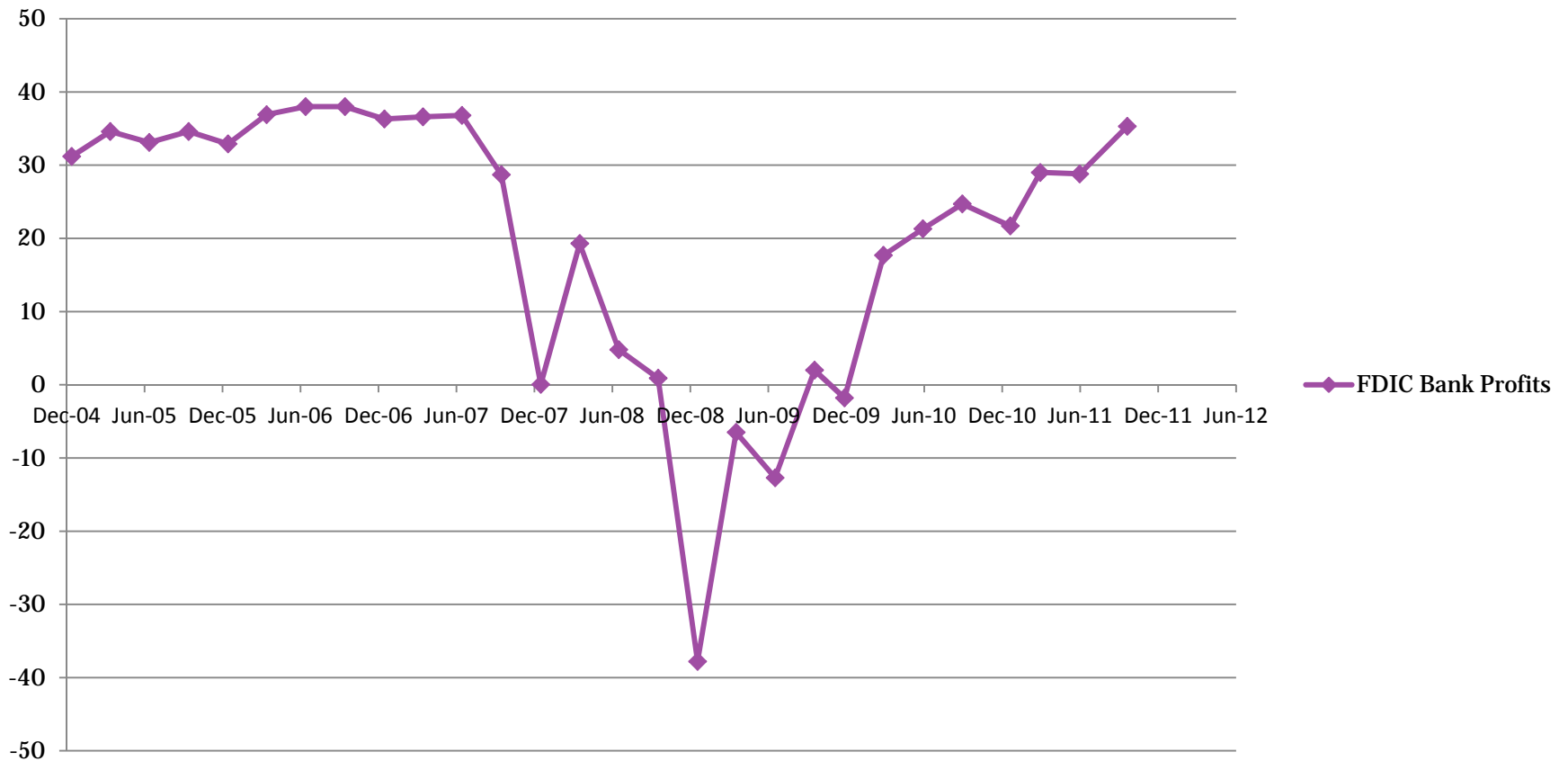
Condition of Creditors Improves



Charge offs total 1.53% and Delinquencies are 5.61% overall. Data is from the Federal Reserve <http://www.federalreserve.gov/releases/chargeoff/>

FDIC Bank Profits

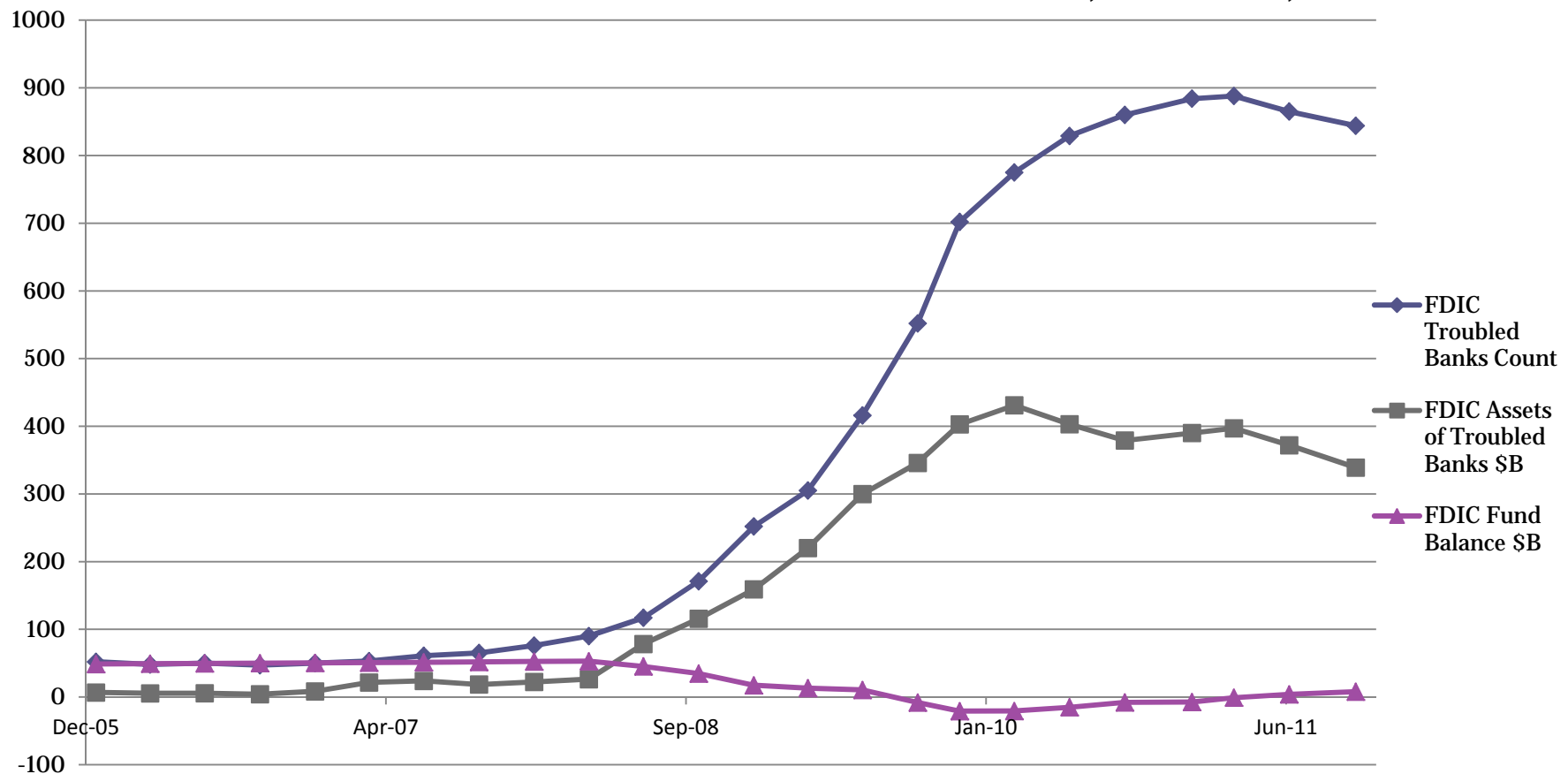
FDIC Bank Profits in Billions of Dollars



Data is from FDIC <http://www.fdic.gov/news/news/press>

FDIC Troubled Banks and Fund Balance

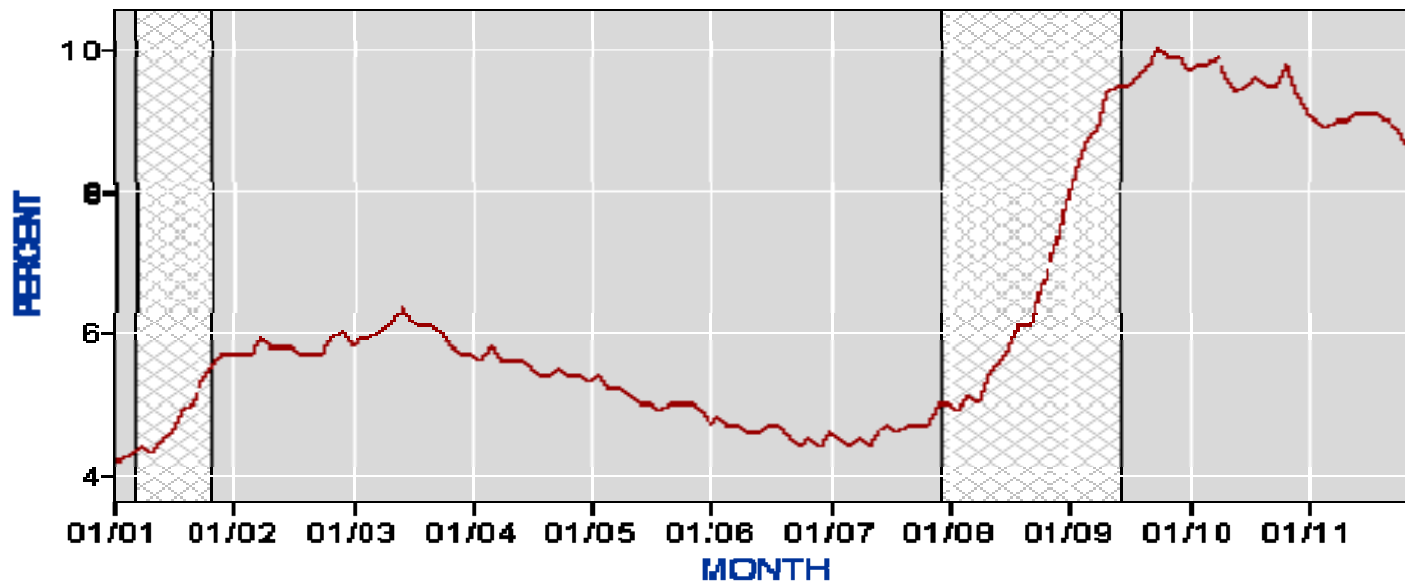
The Trouble With FDIC and the Institutions Insured, Total of 7,437



Data is from FDIC <http://www2.fdic.gov/qbp/qbpSelect.asp?menuItem=QBP>

Economic Factors

Unemployment rate (seasonally adjusted)



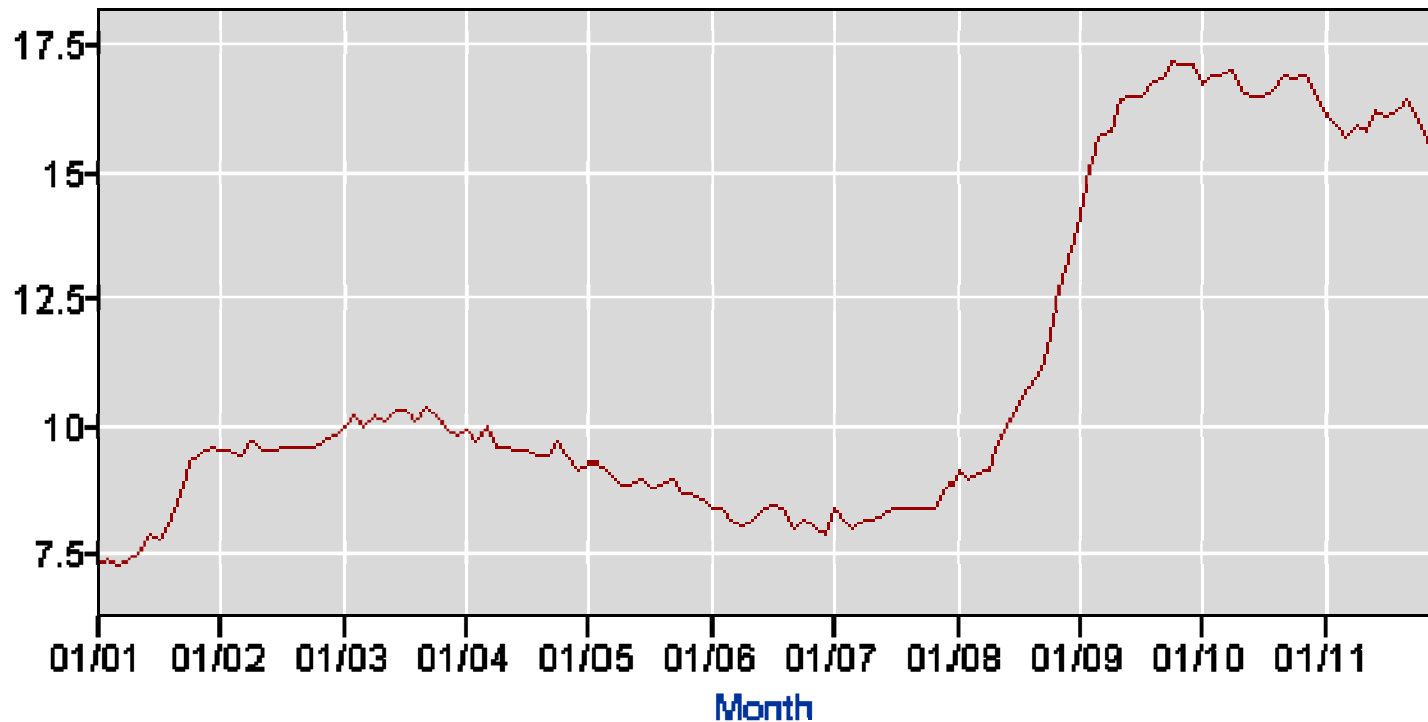
Note: Cross-hatched area represents recession.

Source : Bureau of Labor Statistics, Current Population Survey

•http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?request_action=wh&graph_name=LN_cpsbref3

Unemployment is a lagging indicator it is currently 8.5%

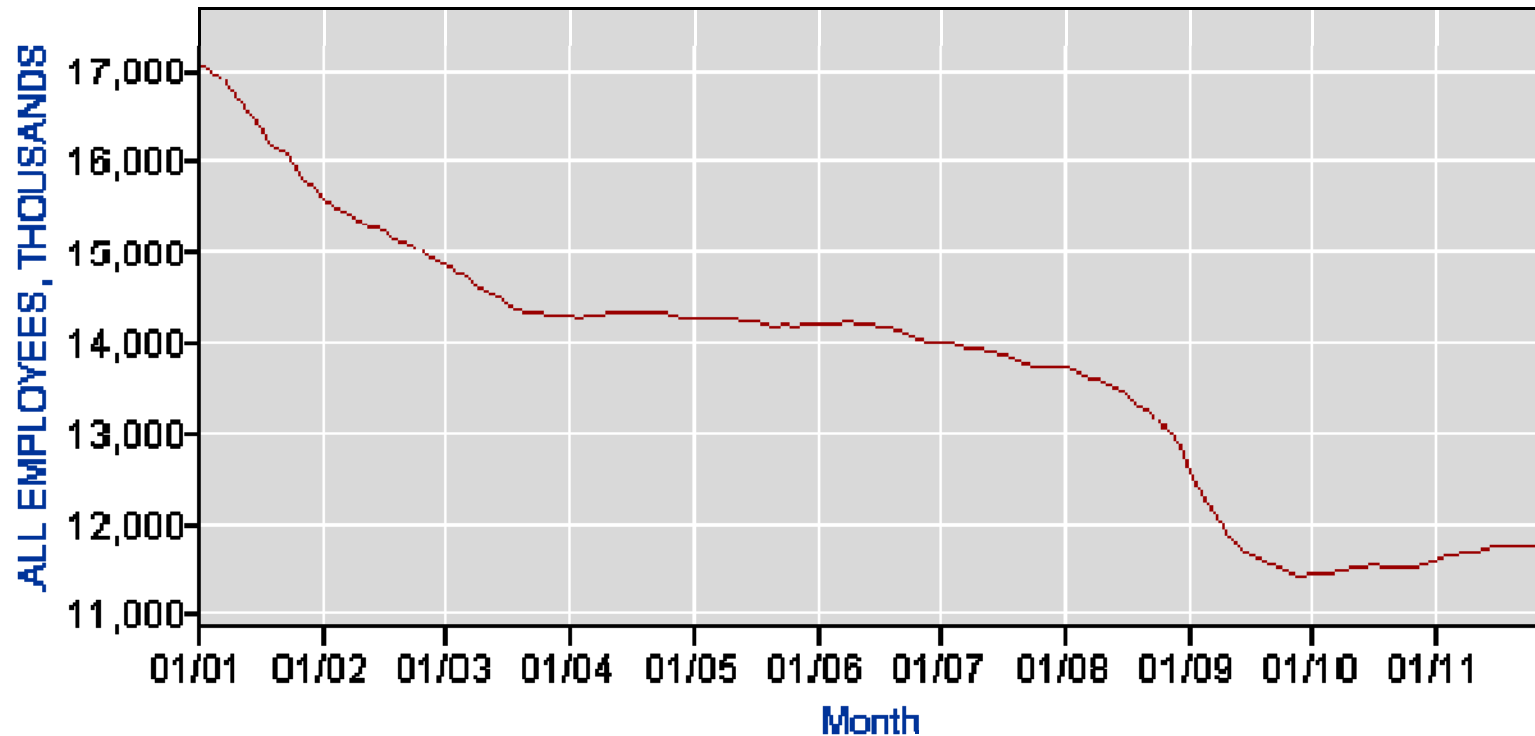
Economic Factors - U6 Unemployment



Source : Bureau of Labor Statistics <http://www.bls.gov/webapps/legacy/cpsatab15.htm>

This measure includes those who have not looked for work in last four weeks and those that have part time jobs for economic reasons Dec. 2011 15.2%
 Measured as it was in 1994 the U6 would be 22% www.shadowstats.com

Economic Factors - Manuf. Employment

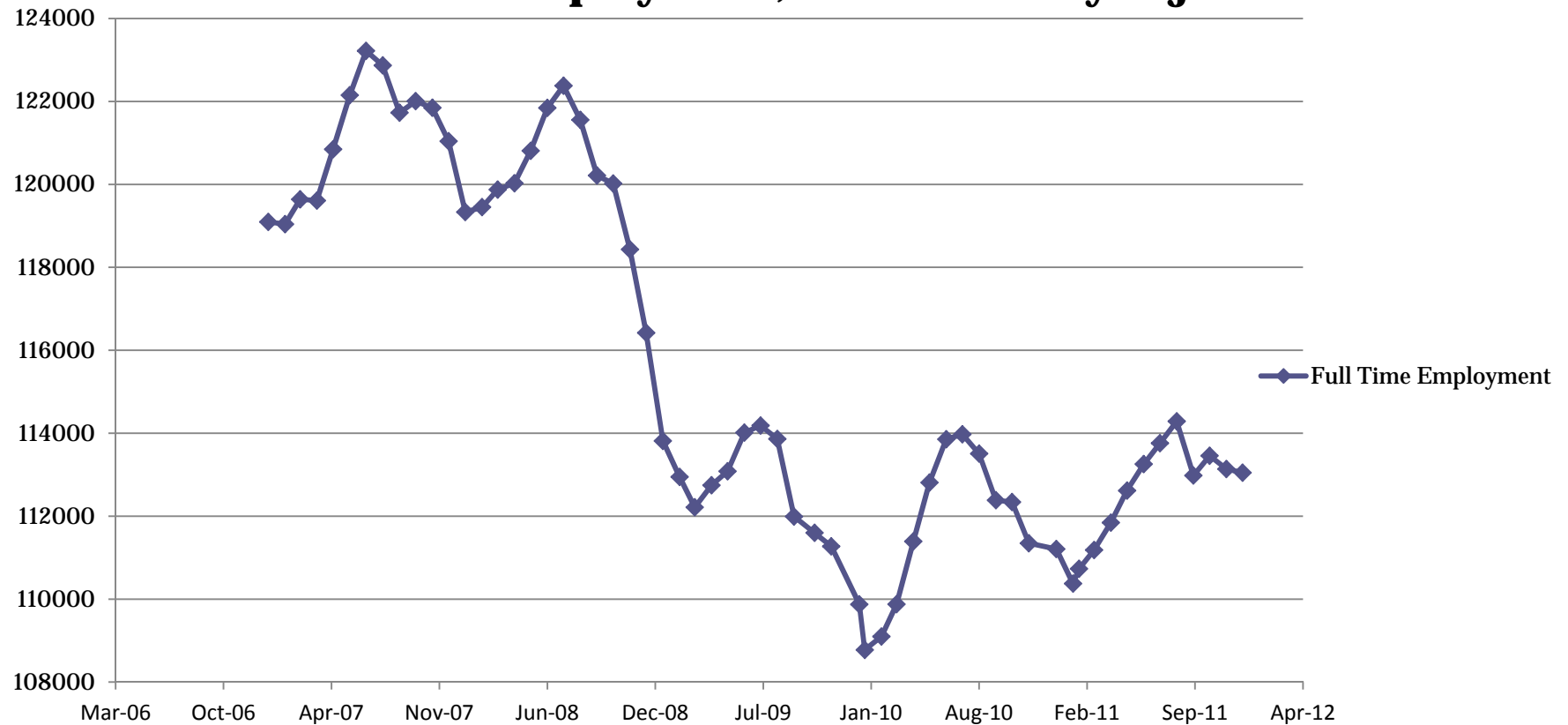


Source : Bureau of Labor Statistics <http://www.bls.gov/iag/tgs/iag31-33.htm>

Manufacturing employment has fallen 5.325M jobs in 11 years, but is beginning to rise. The total is 11,790,000 at the end of December

Economic Factors - Total Employment

Full Time Employment, not seasonally adjusted



Source : Bureau of Labor Statistics <http://www.bls.gov/webapps/legacy/cpsatab9.htm>

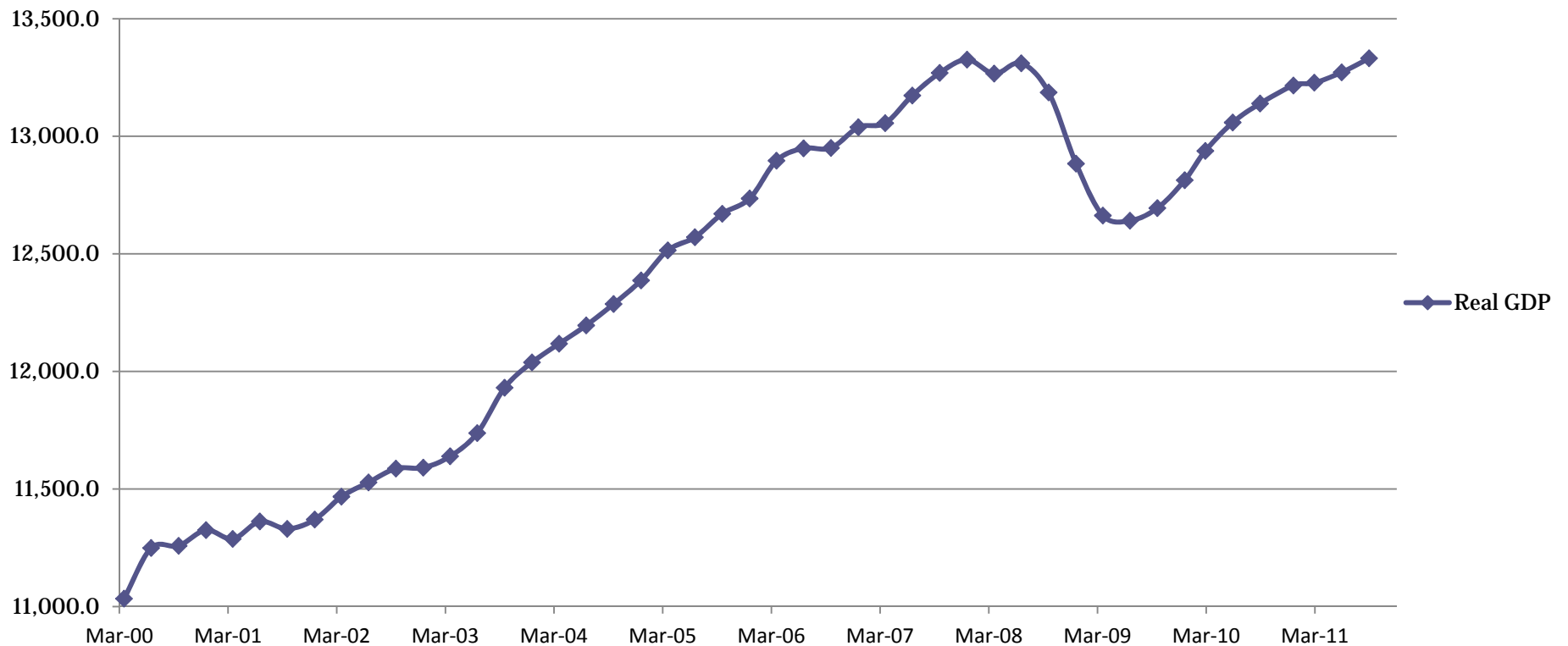
Total full time employment has not gone down as much this winter as last

Economic Factors - How Many Jobs

- 7.992 M full time jobs lost since Dec of 2007
- Not all jobs are equal
- Manufacturing Jobs tend to pay better
- They also create two support jobs for each one
- Replacing the 5.325 M manufacturing jobs lost would create 15.925 M
- This replaces the jobs lost and more
- Restoring the United States industrial base is the Road to Prosperity

Economic Factors - GDP

Real GDP, Seasonally Adjusted 1st Q 2000 to 3rd Q 2011

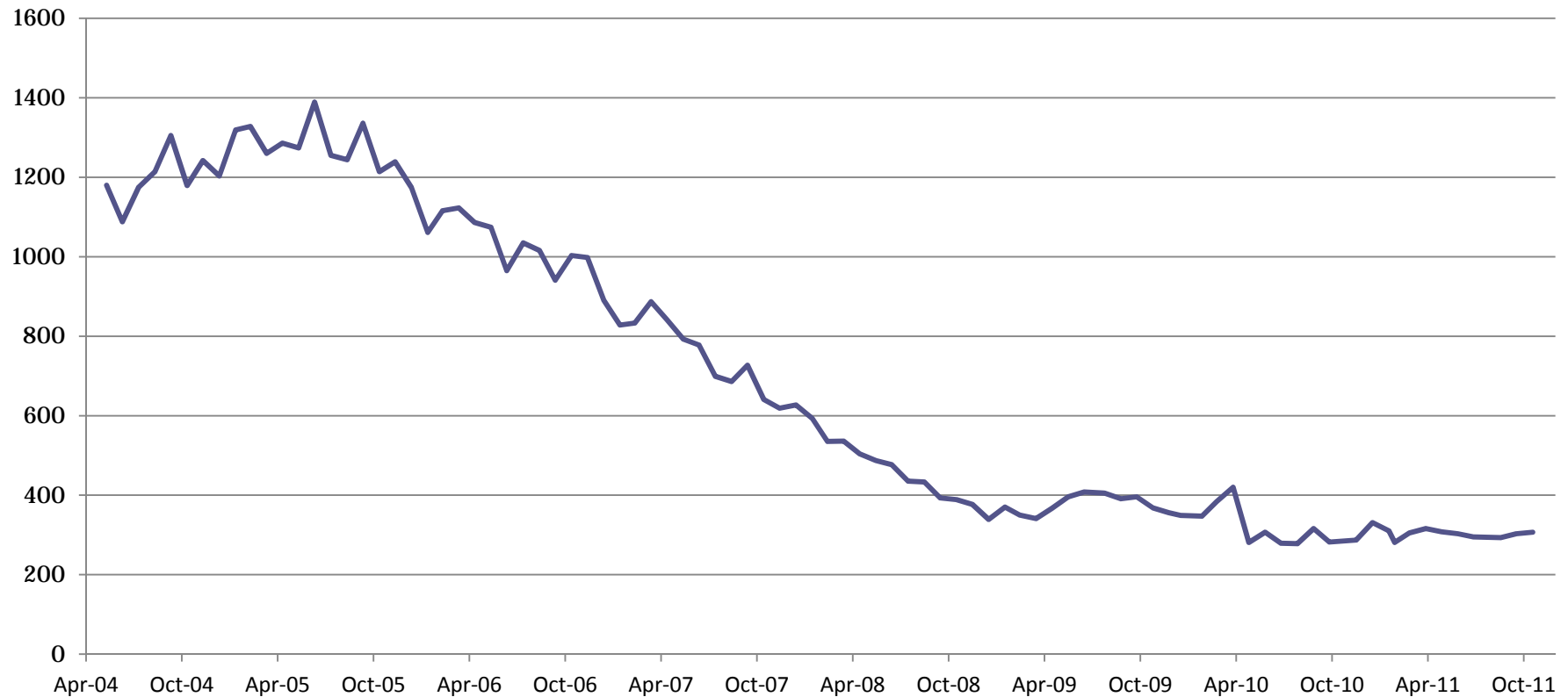


• Source : Bureau of Economic Analysis <http://www.bea.gov/national/index.htm#gdp>

GDP is finally higher than it was at the start of the recession

Economic Factors - New Home Sales

Seasonally Adjusted New Home Sales Annual Rate of Sale

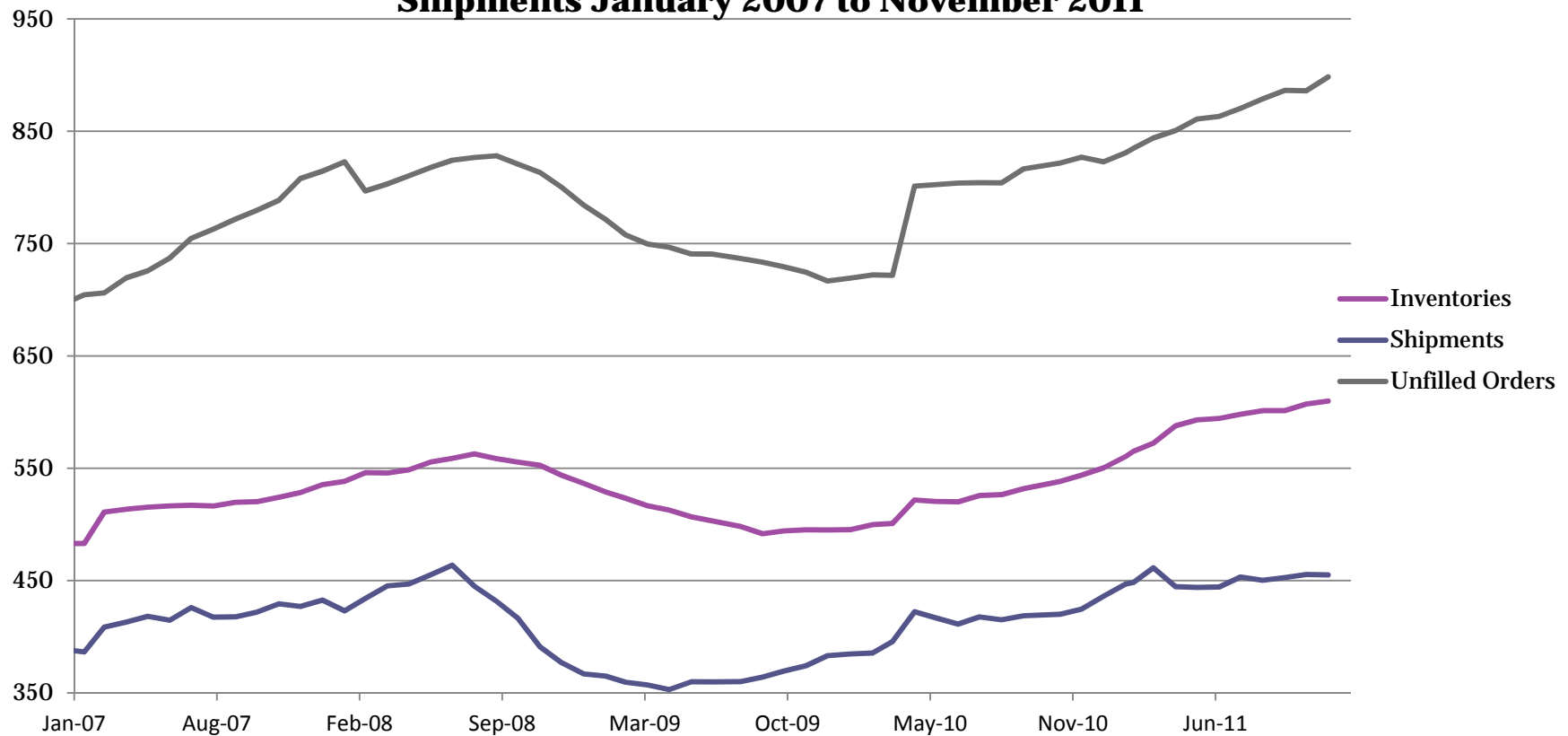


New home sales are at near record low levels

•Source : US Census Bureau <http://www.census.gov/const/soldreg.pdf>

Economic Factors - Manufacturing

Census Bureau Data on Manufacturers' Orders, Inventories, and Shipments January 2007 to November 2011



Source : US Census Bureau <http://www.census.gov/cgi-bin/briefroom/BriefRm>

Manufacturing is recovering and it underpins the improvement

What Can We Do - Cash and Profits

- Have a cash reserve
- If you don't have one, create one
- Hold cash for when interest rates rise
- Conserve capital and contain costs
- Your business needs to be positive cash flow
- Be sure you make a profit
- You have survived now prosper

So What Can We Do - Measure

Understand your business.

- Assess what your customers truly value
- Make a new plan based on today's reality
- How are you better than your competition
- Have Key Performance Indicators (KPIs)
- Measure & adjust, then do it again

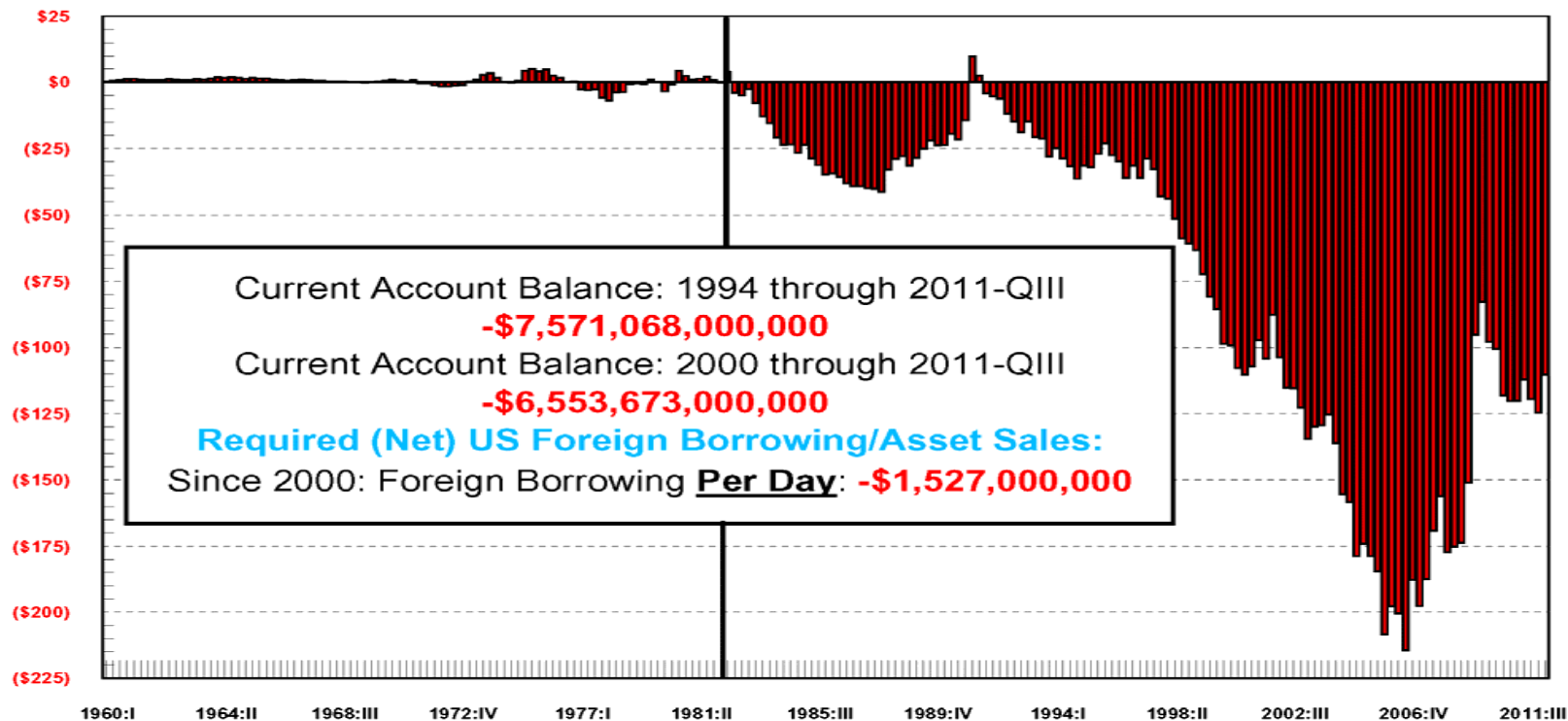
Improve your team

- “Do what you should have been doing all along”
- Be sure you hold on to your best people
 - Train or coach those who are good
 - Consolidate positions or replace others
- Perform for the short-term, plan for the long-term
- **Be part of the recovery**

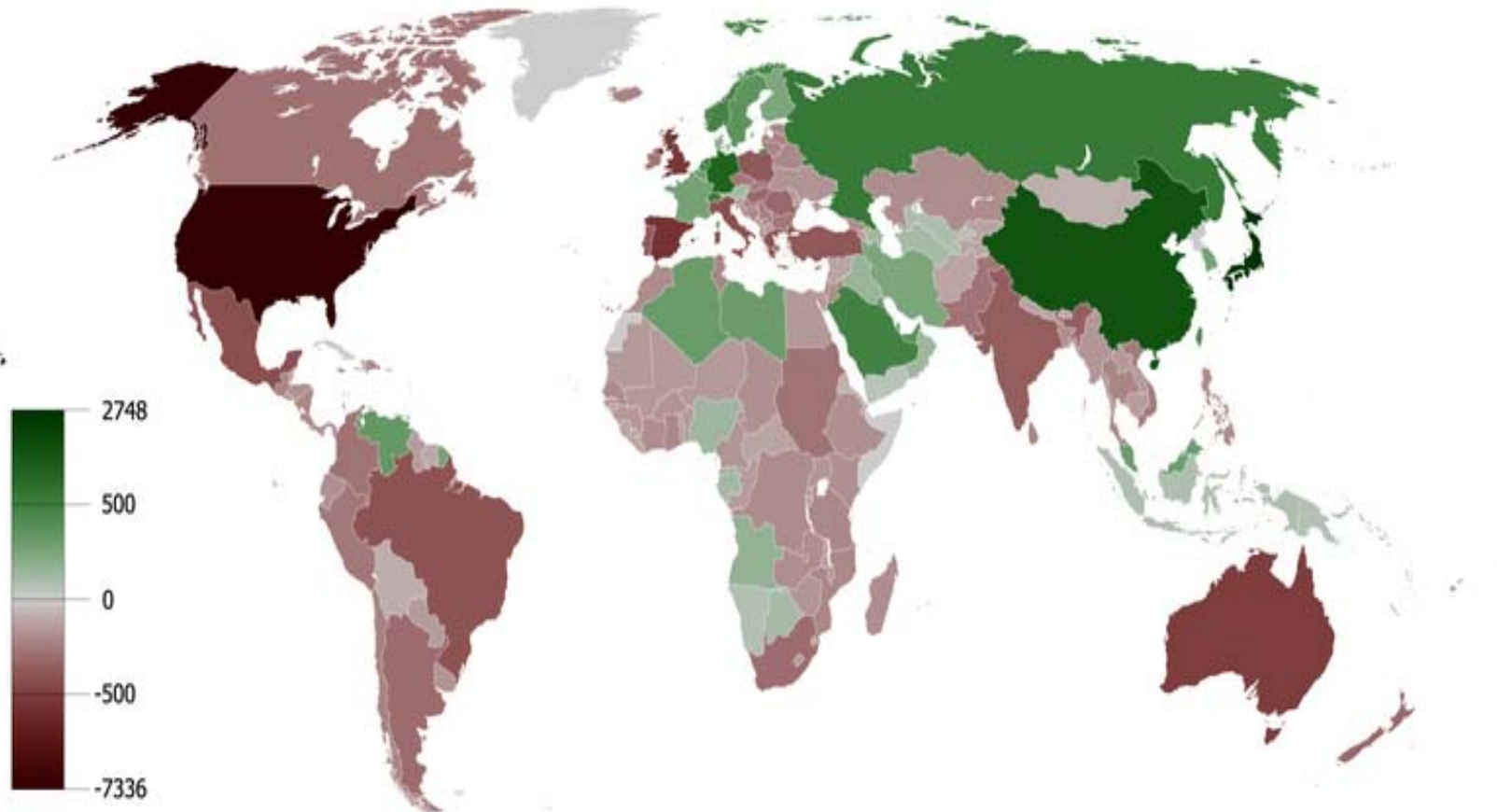
Trade and Industrial Base are Key

-\$6.55 Trillion in US Global Losses/Borrowing Since 2000

\$ Billion: US Quarterly Balances in All Global Current Accounts



We Must Make More of What We Use



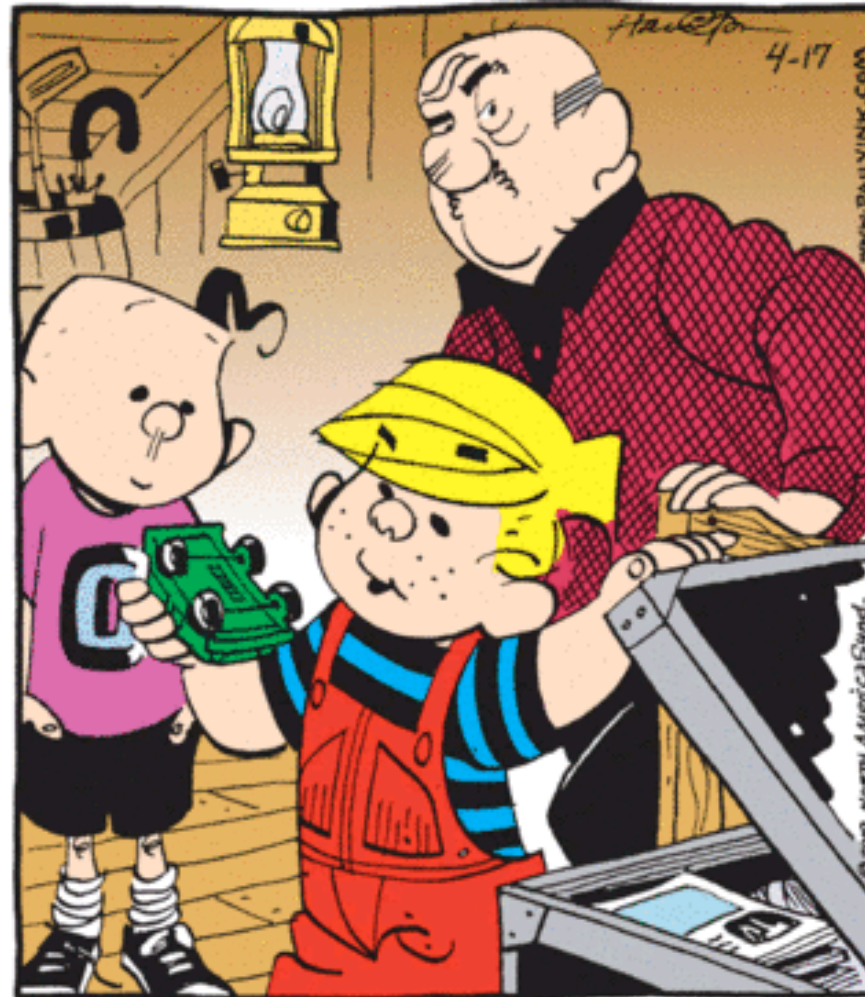
From international Monetary fund 1980 to 2008 http://en.wikipedia.org/wiki/File:Cumulative_Current_Account_Balance.png

Spend Money Domestically

With Weakening Dollar Buy Close to Home

- It is not easy, but usually you can
- Think of your spending like votes
- Japan, Germany, & UK Manufacture, why
- Citizens buy in their own self interest
 - Food, meat, produce, and dairy
 - Automobiles, computers, & yard equipment
- As dollar weakens, imports will cost more
- **The challenge, 90% of spending on USA**

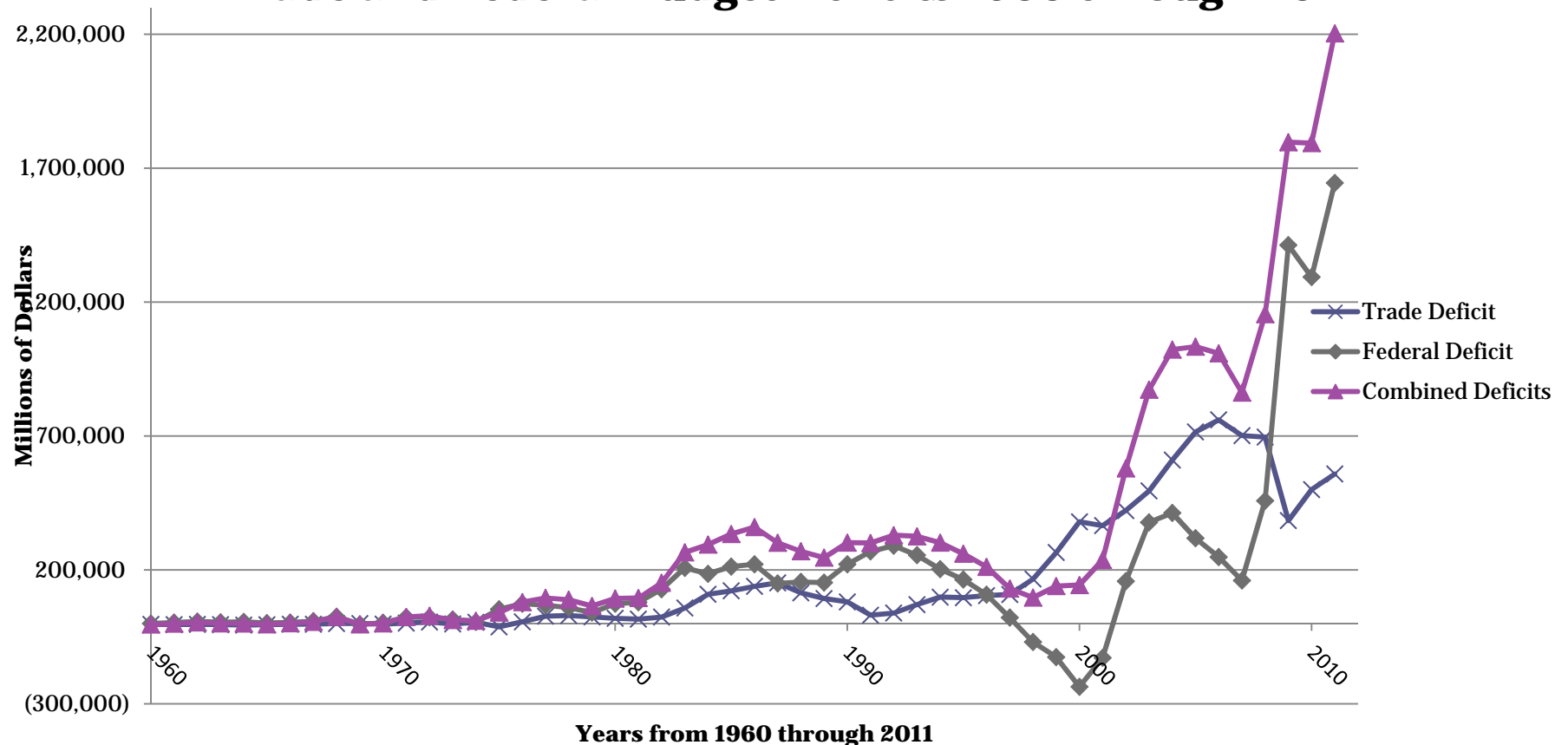
A Humorous Note



°THIS IS REALLY OLD! IT SAYS 'MADE IN U.S.A.'"

Our Borrowing is Out of Control

Trade and Federal Budget Deficits 1960 through 2011

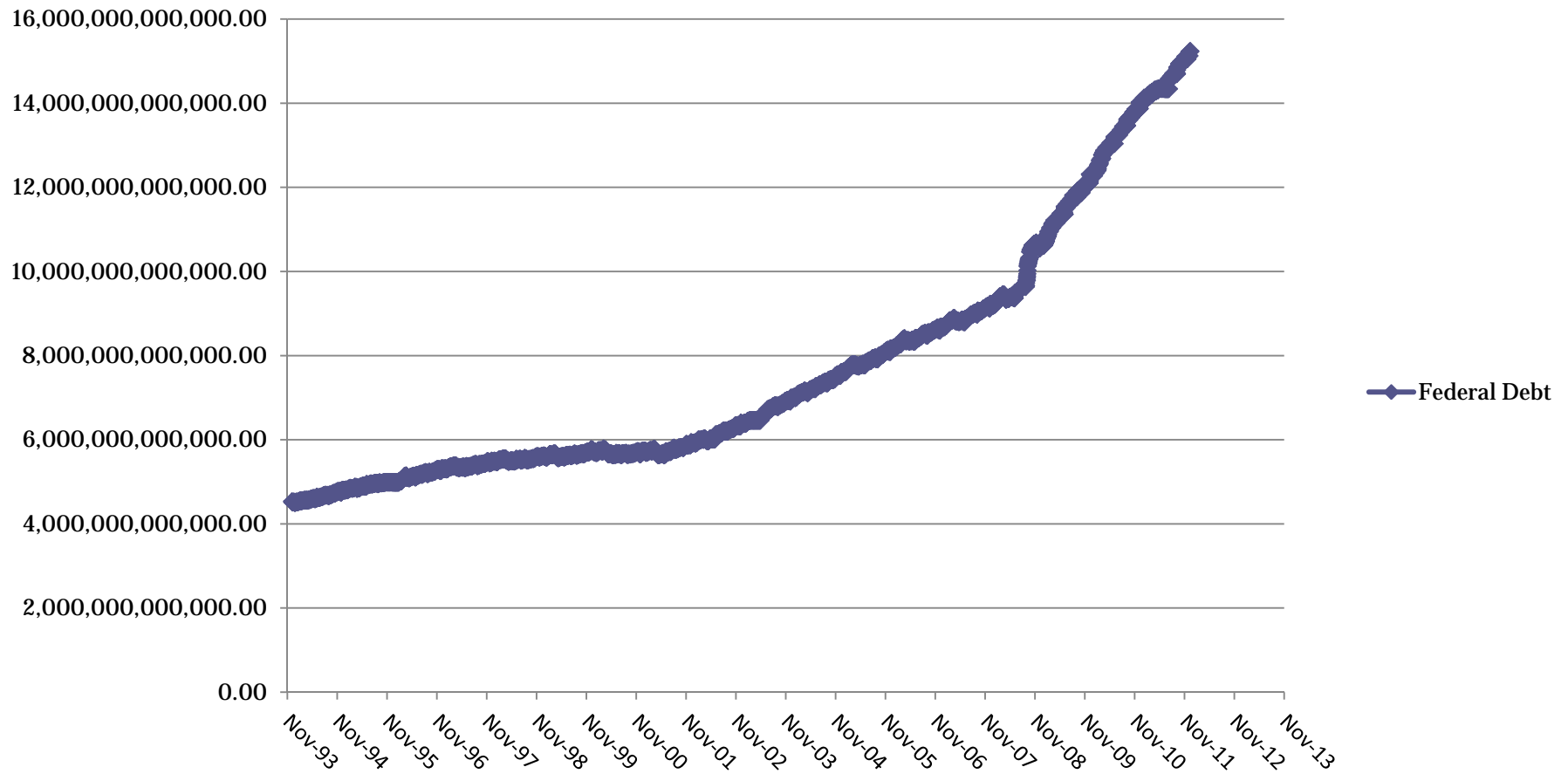


Estimates for 2011 are from the Office of Management and Budget

Source : White House Office of Management and Budget <http://www.whitehouse.gov/omb/budget/Historicals/>
 US Census Bureau, Foreign Trade Division <http://www.census.gov/foreign-trade/statistics/historical/gands.txt>

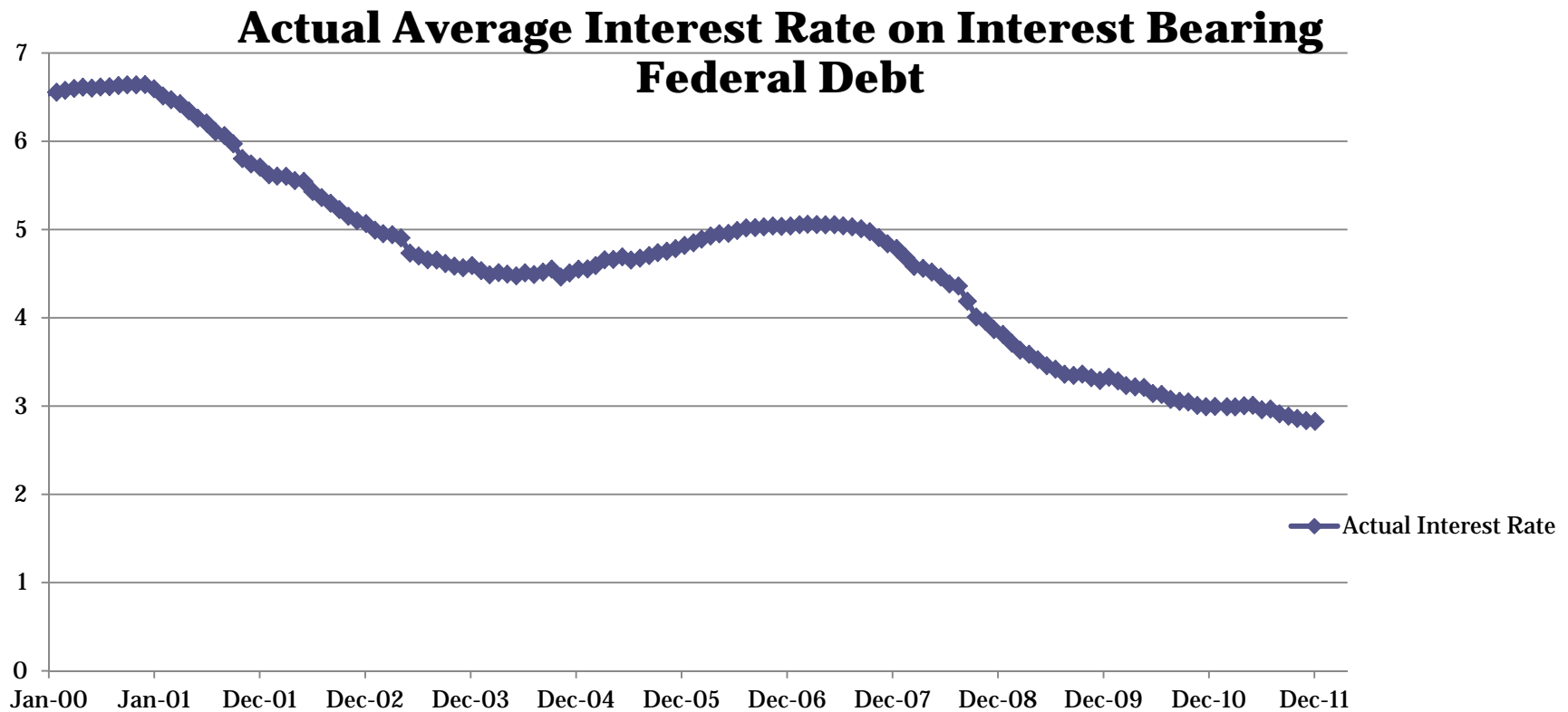
Our Federal Debt is Greater than GDP

Federal Debt



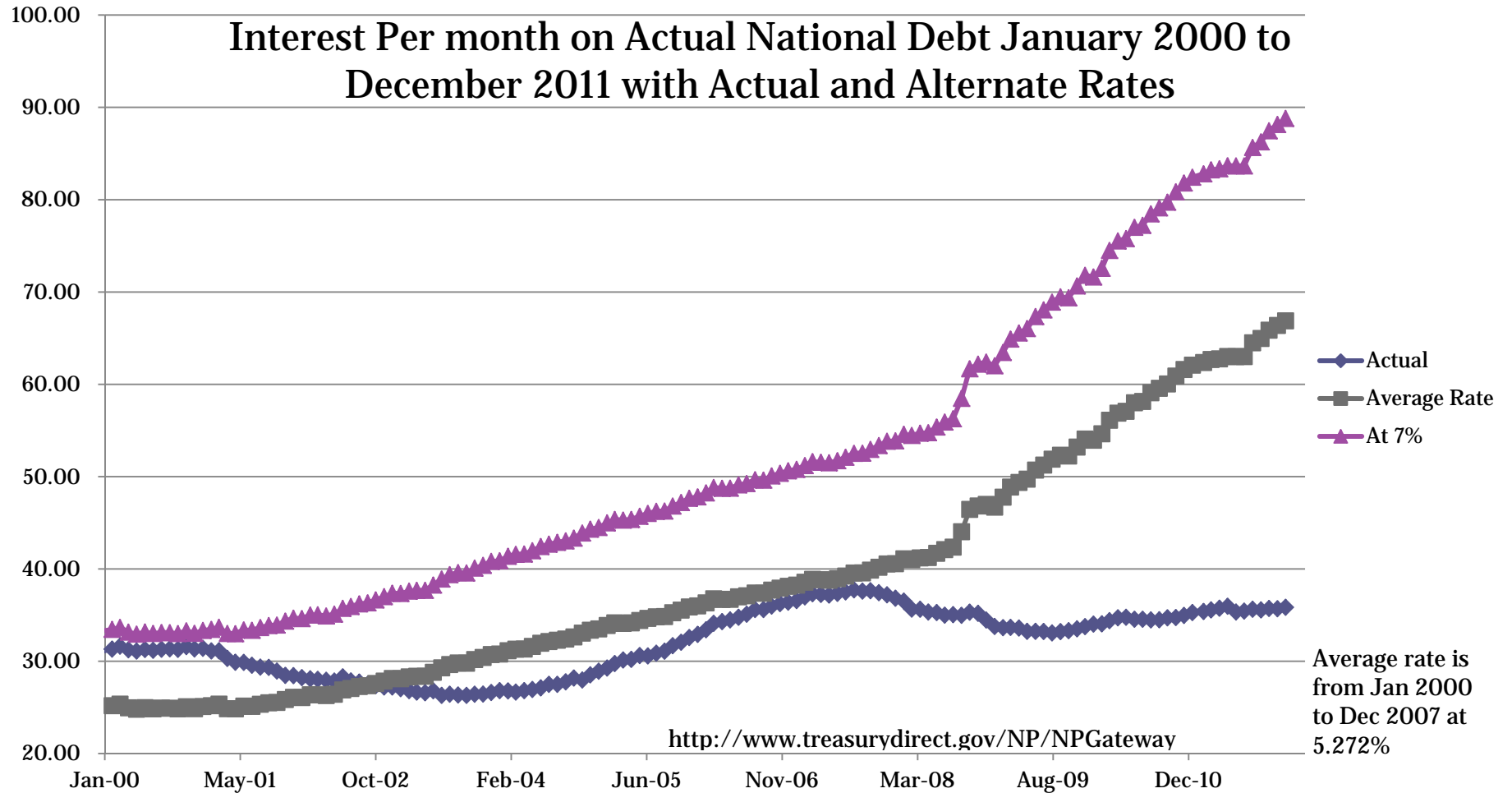
Total debt is from the US Treasury <http://www.treasurydirect.gov/accessibility.htm>

Federal Reserve Manipulation



Total debt is from the US Treasury <http://www.treasurydirect.gov/accessibility.htm>

Interest Expense is Artificially Low



Total debt is from the US Treasury <http://www.treasurydirect.gov/accessibility.htm>

Government Policies Impacting Economy

- Demand 90% of our tax money be spent here
- Be active and help drive change
- Countries continue to manipulate their currencies, seek correction HR 639
- Border adjustable Value Added Taxes add to the challenge and can be fixed
- Imports need to be held to same standards of quality and safety as domestic companies
- Push back on anything that will raise expenses or increase debt

US Dollar Will Continue to Weaken

Broad Foreign Exchange Rate, Trade Weighted August 2000 to December 2011



The value of the US Dollar will continue to fall in relation to other currencies due to are large deficits making imports more expensive and domestic products more competitive over time. This helps domestic producers Only the hard fall of the Euro has helped this over the last few months.

Source : US Federal Reserve <http://www.federalreserve.gov/releases/h10/Summary/>

Dollar Weakening Requires Change

- Find a domestic source for products
- If they are too expensive buy a little now
- Bring any off shoring of jobs back home
- Labor is more than just rate it is units too
- Getting ahead on labor while unemployment is high will be viewed later as a smart move
- Buy from a US company if you can, but at least buy US made products

Summary

- Have or create a cash reserve
- Be cash flow positive
- Spend your money close to home, very close
- **The challenge 90% of spending on USA**
- Federal spending must be fixed quickly
- Be vocal with your representatives
- It is all about the industrial base improving to create jobs and fund government
- Help me spread the word to others

- Questions and Answers
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