



Investing in Real Estate: *The Urban Myth 'Busted'*

The level of volatility in the world's stock markets over the past six months has not been seen since the Great Tech Collapse of 2000-2002. It is at times like this that clients hit me with the familiar refrain, "If only the stock market were like the real estate market! Let's sell everything and just buy more real estate." My response to this wishful thinking goes something like this:

Why is it that, for some reason, losses in real estate, like we have seen over the past two years (between 10-40% depending on location), seem to be expected and accepted because they are 'long term' investments, but stock market fluctuations give investors heart palpitations? Why the double standard?

Now, don't get me wrong—I'm a big believer in diversification and I don't like losing money in the stock market. But what would it feel like to get a

monthly investment performance report reflecting your real estate holdings as you do with your investment portfolio? Or how would you feel if you checked the value of your home every hour on the hour online? How would that picture look over the past two years? Pretty dreadful!

"I'm not worried," the client says, "Real estate is a long-term holding".

Stocks and commodities have been doing well over the past two years, I answer.

"Yes, but, David, from 2000 to 2006, we didn't make any money in the stock market! That's six years!"

Well, my friends, had you bought real estate in 1990, you probably wouldn't have been able to sell it for the amount you paid until 1996—another six year time frame.

The stock market has much more liquidity and no clos-

ing costs upon sale. Is the stock market more volatile? Yes. It takes a long time to build wealth, and it can be taken away extremely quickly.

Is the real estate market liquid? Not these days! Just try to sell a piece of real estate in a market with no liquidity, no credit, and many people waiting for prices to decrease.

What does this mean to you? Diversify and invest for total return.

Warren Buffet never asked for instant gratification—but these days, we want it all, and right now. As Comedienne Fran Drescher said, "Instant gratification takes too long!"

The moral of the story: **manage the short-term, but always keep your broad, long-term, investment horizon.** Wealth is made over time.



Thirsty Horses Community Connection

Thirsty Horses Group is a proud supporter of the 2007-2008 season of San Francisco Choral Artists, a 24 voice chamber choir. Since 1984, San Francisco Choral Artists has thrilled Bay Area audiences with its perfectly

balanced blend of voices, innovative programming, and elegant presentation of both choral classics and vibrant new music by contemporary composers. Under the artistic direction of Dr. Magen Solomon, the San Francisco

Choral Artists celebrate choral masterpieces of the past while fostering the future of choral music.

For more information about the San Francisco Choral Artists, visit www.sfca.org

The Thirsty Horses Group ADV Disclosure Statement is available for viewing. To receive a copy, contact Susan at 415-464-0800 or susan@thirstyhorsesgroup.com



THIRSTY HORSES GROUP, INC.

80 E Sir Francis Drake Blvd
Suite 3A
Larkspur, CA 94939

415-464-0800 p
415-449-6690 f

www.thirstyhorsesgroup.com
info@thirstyhorsesgroup.com

David Gantsweg, President & CEO
Jeff Thornton, Financial Planner
Susan Pierce, Operations Manager



Happy Anniversary, Thirsty Horses!

We are celebrating this month at Thirsty Horses Group. Why? It's our first anniversary! It is difficult to believe that one year has passed since we've ventured out on our own. We are proud of what we have accomplished, and have many more exciting things in store for 2008.

Thanks for standing by us, and giving us your trust and whole-hearted support. Working with friends like you makes our job that much more enjoyable!

Credit Crunch Surprise

We hear about the current credit crisis on almost a daily basis, and read about it in seemingly endless news reports and magazine articles, creating havoc for banks, mortgage companies, real estate brokerages, builders, and many others.

Lenders of all stripes, from banks to credit card companies, are looking for ways to reduce losses and manage risk in their lending portfolios, much like individuals. One surprising by-product of this move by banks is that individuals, even those with great credit scores who have been meticulous in managing on time payments, have had their home equity lines of credit and credit card limits reduced by the banks without warning. This is all legal, and in the fine print in consumers' contracts.

It seems unfair for a company to penalize their good customers along with those

who deserve such censure, but who said the financial arena is fair?

There are different strategies in use to combat this action by banks and credit card companies. One of these strategies is to take the maximum credit allowable out of a home equity line of credit, deposit it in a brokerage account, and have it earn at least as much in interest and dividends as is owed in interest on the loan. Long term, it may be possible to earn more than the interest owed as interest rates continue to decline. Note that this strategy may not be appropriate or suitable for all clients, and it is not possible to guarantee returns.

However, this strategy makes good financial planning sense for the right client with the appropriate risk tolerance. The 'Big Boys' call this strategy arbitrage; we call it 'keeping access to your credit lines

open'. Without acting, it is possible that lenders may take your credit away from you without even asking you first.

To find out if this strategy might be appropriate for you, or to discuss other strategies to help you deal with the 'credit crunch', contact Thirsty Horses Group and talk to your Financial Advisor.



This newsletter contains general information that is not suitable for everyone. The information contained herein should not be construed as a personalized investment advice. Past performance is no guarantee of future results. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Investing in the stock market involves gains and losses and many not be suitable for all investors. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security.

Thirsty Horses Group, Inc. ("Thirsty Horses") is an SEC registered investment advisor with its principal place of business in the State of California. Thirsty Horses and its representatives are in compliance with the current notice filing requirements imposed upon registered investment advisors by those states in which Thirsty Horses maintains clients. Thirsty Horses may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements. This brochure is limited to the dissemination of general information pertaining to its investment advisor services. Any subsequent, direct communication by Thirsty Horses with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of Thirsty Horses, please contact