

# Shirt Sleeves to Shirt Sleeves in Three Generations

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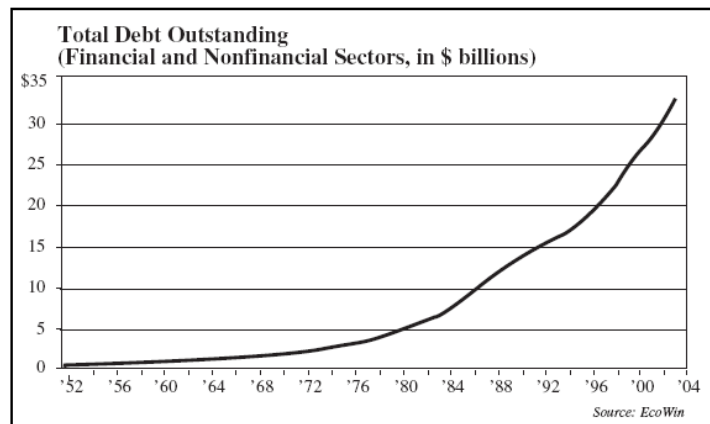
One of the very first things to be learned when investing money for clients of a trust company is the above “saying.” The grandfather worked long hours, took great risks, spent little money, saved, and reinvested. His wife and children had the essentials, but no frills.

The second generation, at least some of them, took up the challenge of the old man and attempted to add on to the family fortune using pretty much the same M.O., but not quite. Many luxuries became necessities and the thought was that their offspring should not have to scrape, save, and do without as did they growing up. The seeds of economic and maybe even social destruction were then being sewn.

Then, along came the third generation – and the odds seemed to be stacked against their adding to the economic pie. “Idle hands are the devil’s workshop” is what my mother pounded into me as a young man – oh by the way, many of my ancestors were tenet farmers at worst and farm owners at best. We never got out of the first shirt sleeves state. Absolutely no regrets, however.

All of the above was my experience at Bank IV in Wichita (now Bank of America). This scene was played over and over again with many of the prominent families in our community. The notable exception was the Anshutz clan. We were fortunate to work with Fred, the father of Phil the Denver entrepreneur who as you knows has done very well for himself. The same has been true with the Kock family. We did some investing for them, but when Fred Koch started the company (another Fred) we assisted in their auditing function.

Why are we even talking about such things? What does that have to do with the economy? Look at the following charts:





No one is saving everyone is spending by borrowing – we my friends, are in the third generation of this economy. What is going on today is somewhat akin to the “roaring 20’s.” How will it turn out? When will the music stop? We are not sure, but it will and those who have joined the crowd by investing their funds in junk bonds and low quality common stocks are in for a ride that best should not have been taken. 2003 will go down as the year of the speculator both in bonds and stocks. Our view is it’s quality, quality, quality in 2004 and possibly beyond.