

## Rich are different: Credit crunch affects Palm Beach lifestyle, portfolios

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Rebel Cook took stock of the country's financial crisis on Tuesday and wondered whether she'd prefer a hurricane. Both disasters are devastating, but one has a predictable end, said the president of the Economic Forum of Palm Beach County. If it was a hurricane, it would blow through and it would be gone," she said.

Last week, the stock market's tumble cost about \$2.4 trillion in shareholder wealth and brought the Dow Jones Industrial Average to its lowest level since April 2003, according to the Associated Press. After notching its biggest point gain ever - 936 points - on Monday, the Dow was down again on Wednesday by 733 points after sliding 76 points on Tuesday. But relief could be on the way. On Tuesday, President Bush announced a \$250 billion cash infusion into the nation's banks to stabilize the economy and encourage banks to begin lending again.

Even in Palm Beach, where millionaires routinely plunk down cash to buy their next mansion, liquidity in lending and good credit are still important when lending guidelines are so strict, Cook said. "If you have good credit, and you have a good employment history, you're going to get a loan, but you may not get as much money as you want," Cook said. For an island business owner, that could mean delaying shop improvements or retail expansion until banks become freer with lending, Cook said.

One bank that already has agreed to sell shares to the Treasury in exchange for government money is Merrill Lynch. Brad Smithy, director of Merrill's Palm Beach complex, says the government's money will have a trickle-down effect that will eventually encourage banks to lend money to themselves and to customers. Although it's difficult to gauge until the season begins, the nation's economic problems seem to be having more of a "lifestyle effect than a survival effect" on Palm Beachers, such as when a favorite restaurant or shop is forced to close, Smithy said. And although many locals don't need credit to make investments, the portfolios they might dip into instead are steadily evaporating along with everyone else's, Smithy said. Smithy offered an extreme example of the credit crunch cutting into the investment opportunities of a wealthy Palm Beacher: A Merrill client had eight figures worth of equity in his home and recently sought to access that equity with a loan from another bank to buy an investment property. The answer was no, not until the economy improves, he said.

On a positive note, however, both Cook and Smithy said the current market offers great opportunities to invest in stocks and real estate - if the investor has excess capital to tie up for the long term. "I wouldn't invest any money that you may need in three years," Smithy said. No one knows, after all, when the eye of the storm will pass.