

Give Risk (Management) A Chance

I continue to be flabbergasted at the complete disregard of risk in the financial services industry. What's truly ironic is that risk management is one of the fundamental pillars - at least it's supposed to be for a bank to be healthy.

I never thought we'd see the day where a broad-based appeal for financial executives to get back to something so basic as risk management (it's kinda like what water is to the ocean) would be necessary. And here we are. We should demand this...call your senator, call your congressman or congresswoman and share your outrage.

It's not that I am naive. Banks, along with other financial firms, clearly have a bottom line profit motive.

But that they would employ methods that effectively make their organizations implode is beyond me. You see, financial executives forgot about sustained solvency. You know, staying in business is kinda important. And these guys were clearly not thinking ahead. Instead, they were busy creating a doomsday...a preventable doomsday.

I think Thomas Friedman has a great point by suggesting that the Weapons of Mass Destruction (WMDs) are right in our backyard created by the financial industry.

These WMDs are those exotic financial investments that effectively divorced risk from reality. And now we have a bunch of stinkers, the size of which noone, at least in a generation, has ever seen.

What to do?

First, focus on your own backyard. Review your life priorities. Pay attention to the things that are in your control. Try not to freak out with every news report you hear or see. Better yet, take a holiday from the TV, newspapers and online news services.

Second, do some personal scenario planning. What if this down cycle lasts another two years. How will you handle things? What does your family need most? Where are there opportunities now?

Third, look for bargains. Sell what you don't need. Get back in touch with simpler pleasures and know that this too shall pass...

One more thing. Check out the latest from Floyd Norris' blog about the Fed's latest move to bail out the banks:

<http://norris.blogs.nytimes.com/2008/11/24/bailout-version-3/>