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MENTOR
C A P I T A L

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Mentor Monthly Missive

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Gang of Six to the rescue

Some really smart people are running our government. MBAs, PHDs, economists and accountants. They're so smart, they must have pins and needles sticking out of their heads. They give advice to the President of the United States.

It's amazing, then, that with all the brains bubbling and boiling in Washington, D.C. and Springfield, Ill., no one seems to get it that they can't go on forever spending more than they take in. It's the most basic concept in cash-flow management.

We knew a man who liked to spend next year's salary this year. He was forever "catching up." He wanted a boat, a cabin and a Rolex watch now, and because the banks and credit card companies were willing to accommodate him, he got his boat, his cabin and his Rolex watch. But when he couldn't make the payments, he lost his boat, his cabin and his Rolex watch, along with his good credit.

Are we Americans and Illinoisans in danger of losing our boats and watches? We may be closer than we want to believe. Illinois is trying to borrow its way out of a \$78 billion pension shortfall. It owes \$4.5 billion to service providers. The U.S. Treasury is so deeply in debt that Standard and Poor's lowered its outlook for U.S. credit to "negative."

We're cynical about whether a democratic government can succeed when the political climate is as toxic as it is now. But there's a bright spot, on the national level at least, and it's being called the Gang of Six. We are enthusiastic about prospects for this bipartisan committee of three Republican and three Democratic senators who have taken on the task of figuring out how to reduce the federal deficit. So far they've focused on solving the problem and refrained from blaming everything on George Bush and Bill Clinton.

If the Gang of Six can come up with a plan to cut spending and boost tax revenue in a fair manner, one that's palatable to the rank and file members of the House and Senate, the problem can be solved. If Congress resorts to grandstanding or digging in its heels, we're in for trouble.

We're less enthusiastic about Illinois' prospects. Our legislators already raised the income tax rate 60 percent and borrowed \$3.5 billion to shore up the state's pensions. That's less than a drop in the bucket. Drastic measures are necessary to solve drastic problems. Illinois needs its own Gang of Six.



Intern joins Mentor Capital

Michael W. Howlett of Elmhurst has begun an internship with Mentor Capital Management Inc.

Michael has just finished his junior year at Purdue University, West Lafayette, Ind., where he is a financial

counseling/planning major. He will remain with Mentor Capital until he returns to school in August.

Company President John S. Davis said he hopes to give Michael basic exposure to every facet of the financial planning and investment advisory business, from compliance with securities regulations to managing investment portfolios. The goal of the internship program is primarily educational.

It is expected that Mentor Capital will offer an internship every summer to a qualified college student who has an interest in financial planning as a career.



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