

## What Next?

Spring is in the air, and naturally our thoughts turn toward growth. In nature, we look forward to the budding of the trees and flowers, and the greening of the lawns. And, after a “long, cold” recession, we anticipate the announcement of statistics and indicators that declare a return to healthy growth. Just as spring follows winter, so too do economic recoveries follow recessions.

Unfortunately, economic cycles do not stick to the calendar, but rather to their own peculiar, and unpredictable, paths. Typically, the path is not straight but is rather in a general direction with twists and turns, fits and starts. As we anticipate a return to a more normal economy, we thought it would be helpful to identify a couple of unusual sprouts. “Are they weeds, or are they flowers?”.

Unemployment has been quite high for several quarters now. This is obviously a function of people losing their jobs. However, the government statistic that measures unemployment takes into account not only how many workers are unemployed, but also how many workers are in the labor force (employed or actively seeking employment).

As discouraged workers leave the workforce, the unemployment rate stays lower. For instance, the unemployment rate in December 2009 was just under 10 percent. However, had the labor force not decreased by 661,000 that month, the jobless rate would have been 10.4 percent according to some estimates. The number of discouraged workers, those not looking for work because they believe none is available, climbed to 929,000 at the end of last year, the most since records began in 1994.

On the flip side, as more jobs become available, sentiment improves and more of the unemployed re-enter the labor force. This often causes a paradox at the beginning of economic expansion; net new jobs being created and filled – while the unemployment rate remains steady, or even rises.

Also, while we eagerly await Gross Domestic Product (GDP) increases as an indicator that the economy is growing again, it might be the case for 2010 that some of the growth we would like to see is being siphoned off. As families improve their household balance sheets (i.e. pay off credit card and other consumer debt) at the expense of purchasing more goods and services, the GDP growth might remain lower than expected. In other words, the economy will seem to be stagnant or growing more slowly than anticipated, as consumers buy less and save more.

Neither of these “anomalies” is a good or bad thing unto themselves, but simply a recognition that the numbers don’t always accurately reflect what is going on underneath the surface. Think of each of these situations as an example of roots growing stronger in order to support a healthier, more beautiful flower in the future.

We hope that these thoughts help you to remain grounded (pun intended) and optimistic, and not to become too wrapped up in each economic report as a sign of growing or withering.

We want to applaud Howard and his wife, Roslyn, for being honored by the Hyman Brand Hebrew Academy as the recipients of the 2010 Civic Service Award. They will be recognized and feted at a ceremony in downtown Kansas City on May 2<sup>nd</sup>. This award is well deserved, and a wonderful recognition of their tireless efforts in the Kansas City community. Please join us in congratulating Howard and Ro when you get the opportunity.

Thank you for choosing Paragon as your investment management partner. As always, we are actively seeking new clients, so feel free to pass our names on to anyone who you feel might benefit from our services.

Regards,

*Howard, Ward, Elizabeth, Ethel & Craig*

*A copy of our SEC Form ADV Part II is available to you at any time. This document describes who we are, what we do, and how we do it. If you would like to have a copy sent to you please contact Becca at the phone number, or e-mail, listed below. Also, our Proxy voting policy is available to you at any time. If you would like to receive a copy of the policy, or inquire as to how your shares have been voted, please contact Becca at the phone number, or e-mail, listed below.*

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