

## Small business takes advantage of low interest rates

By FRANK PAGANI



**Mike Bliss of Westport Resources.**

Business Journal photo by Douglas Healey

Behind every cloud is a silver lining. That just about sums up what small business owners faced during 2002 as they hunkered down to ride out the sluggish economy.

Although revenues and profits may not have reached their expectations, they found one comforting ray of hope — the low interest rates that commercial banks were offering for new business loans and refinancings.

According to Keith Leggett, senior economist for the American Bankers Association in Washington, D.C., as of June 2002, small business lending totaled \$250 billion compared to \$243 billion in June 2001. (The Federal Reserve makes these figures available on its Web site, [www.federalreserve.gov](http://www.federalreserve.gov).) “This activity suggests that small business owners are confident about the future and they have been taking advantage of low interest rates to build their businesses,” he said.

But, Leggett said, middle market lending — companies with revenues of \$10 million to \$250 million — had declined, reflecting that this market had pulled back in capital spending during the economic downturn, unlike small business owners.

During the tumble in the stock market this summer, the banks also experienced a very strong demand for certificates of deposits as investors shifted some of their assets into these safe but low interest bearing financial instruments. According to the Federal Reserve, as of November 2002, certificates of deposit and money market accounts climbed to \$3.9 trillion compared to \$3.6 trillion in November 2001.

### Cautiously optimistic

Stock brokers, financial planners and asset managers found their phones ringing off the hooks this past summer during the steepest decline in the stock market. Investors, high net worth individuals and business owners were clamoring for help as they saw their investment portfolios decline in value. “It was truly a difficult time. Clients looked to us for answers,” said Mike Bliss, director of managed accounts for Westport-based Westport Resources,

which has been managing the wealth of individuals since 1987.

“We took a number of steps to stabilize the portfolios and to protect our clients’ principal wherever possible,” Bliss said. “We put an emphasis on good dividend yielding stocks to maximize current returns. In addition, we gravitated toward government bonds and higher grade corporate bonds as well as real estate investment trusts.”

Looking to the future, Bliss is cautiously optimistic the stock market bottomed out this year. He said that while there will still be some volatility in the market, the market should make some modest gains.

Bliss said that in comparison with past stock market declines, the current one is the deepest and most sustained, worse than in the early 1990s. He said that this is the first time since 1940 that the stock market has declined for three years in a row. He is quick to add that for the average investor who has invested wisely through both the good and bad times, the stock market has produced a “good return on their investments.”

### **Positive indicators**

The year was also notable for increased estate planning activity. “Once again, our estate and trust practice grew significantly,” said Peter Giuliani, executive director of Stamford-based Cummings & Lockwood. A key factor in the growing demand for estate planning is the changes in the federal state tax law that is intended to phase out estate taxes altogether by the end of the decade.

Michael Funck, president and chief executive officer of U.S. Trust Company of Connecticut, said that 9/11 and the deep sense of uncertainty that has ensued explains why high net worth individuals “who are coming to us are a bit younger than they before 9/11.”

What’s in store for the economy in 2003?

“We see positive indicators that the business environment is starting to turn and that the economy will probably gain momentum next year,” American Bankers Association’s Leggett said. “We think the middle market will start to invest in capital spending to replace equipment that has depreciated, for example, and that means they will be coming to the banks for loans. In so doing, the renewed confidence in the middle markets will also help bolster the small business sector.”

Next year will also see increased empowerment of the investor with the launch of a portal that will enable individuals buy and sell bonds over the Internet. Right now, investors can purchase but not sell bonds over the Internet, according to George Williams, director of research for MEK Securities L.L.C. in Stamford. “We have been developing this portal for the past five years and have obtained all of the necessary SEC regulatory approvals to go live with this enterprise as early as the first quarter of 2003,” said Williams. The URL will be [www.bondtradingnetwork.com](http://www.bondtradingnetwork.com).