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By:

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WELCOME!

You are in for a treat! Thank you for requesting this Free Report.

We believe you'll get a lot of great information from it to help you in your own financial situation, and learn how to help navigate this current debt crisis.

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Now, Enjoy!

# The Principal Protected Low Cost New Generation Annuity

We are going to discuss the advantages and benefits of a principal protected low cost new generation annuity and for those of you in retirement, for those of you that are 50 and older headed into retirement and for those of you that are retired and want to help stay retired safe smart and secure.

Why is a principal protected low cost new generation annuity better than a high risk high fee variable annuity?

In a variable annuity there is no principal protection, the fact that it's called variable means your account value fluctuates on a day to day basis, based on the volatile stock markets. Whether you're making money or you're losing money the fees range anywhere between 3 to 5%. Not only for living benefits but there may be some death benefits. So it's a very high fee structure.

What I like about the principal protected low cost new generation annuity is obviously the fact your principal is protected from the fluctuating stock market.

Secondly, it has a very low cost fee structure. The fees range between 0.9 to 1.1 % annually. If you compare that to 3 – 5% annually that you might pay on a variable annuity you will see it's significantly lower. In most cases, what I have seen as an investment advisor representative is that these low cost principal protected new generation annuities have superior benefits on a very low fee structure.

The second type of annuity that you really heard a lot about is a hybrid annuity.

In a hybrid annuity you've got two buckets. You've got your account value and you've got your income account value. Your account value grows linked to an index and when that index goes up your account value goes up to a certain cap maybe 4 or 5 % but when that index goes down you do not lose. Your principal, bonus if any, and gains are protected. Your income account value is separate from the account value and regardless of what the index does, your income account value in a hybrid annuity will roll up at either 6% or 7% that you can use for lifetime income only. When you pass away, that income account value cannot be taken as a death benefit by your surviving spouse or heirs in most cases. The fees on these hybrid annuities also range anywhere from .95% to maybe 1 and a quarter % annually.

Where the low cost principal protected new generation annuity is revolutionary, is a part from the account value, where you have principal protection, it is linked to an index where when the index goes up, your account value goes up to a certain cap, could be 4, could be 5, could be 6%, but your income account value grows at 6%, 6.25%, depending on the program that you qualify for.

But what is nice about the new generation annuity is that your income account value can be paid and taken as a death benefit by your surviving spouse and/or heirs and that is a critical feature. The insurance company does not keep the income account value as we see in most hybrid annuities. In the principal protected low cost new generation annuity, it creates a third bucket called the death benefit bucket, where your income account, any withdrawals that you take, less withdrawals, whatever money is left in your income account value IAV, is transferred to your surviving spouse or heirs as a death benefit paid over 5 years or longer to reduce the impact of taxes.

One of the other features that is really not talked about that much for those of you out there that are concerned about the cost of nursing home or home help care or respite care or adult day care center, these new generation annuities, the ones that we represent have a special enhanced income option where if you could not do 2 out of 6 activities of daily living, the annuity will enhance and pay higher benefits to offset some of those costs and it's called a special enhanced option.

So in essence not only are you getting one, two, three, but you are getting 4 buckets of 4 different scenarios that could impact your financial future.

**Principal Protected Low Cost New Generation Annuity**

		BUCKET 1	BUCKET 2	BUCKET 3	BUCKET 4		
Clients Name	Valued Client	Age of Client	Contract Anniversary	Principal Protected Account	Income Account Total	Death Benefit Paid Over 5 Years	Special Enhanced Annual LIO
Principal	\$100,000.00						
Clients Age	65						
IAV Bonus	8.00%						
GLIR Roll-Up Rate	6.00%						
GLIR Annual Fee	0.90%						
		66	Year 1	\$100,000.00	\$114,480.00	\$114,480.00	N/A
		67	Year 2	\$100,000.00	\$121,348.80	\$121,348.80	N/A
		68	Year 3	\$100,000.00	\$128,629.73	\$128,629.73	N/A
		69	Year 4	\$100,000.00	\$136,347.51	\$136,347.51	N/A
		70	Year 5	\$100,000.00	\$144,528.36	\$144,528.36	\$10,839.63
		71	Year 6	\$100,000.00	\$153,200.06	\$153,200.06	\$11,643.20
		72	Year 7	\$100,000.00	\$162,392.07	\$162,392.07	\$12,504.19
		73	Year 8	\$100,000.00	\$172,135.59	\$172,135.59	\$13,426.58
		74	Year 9	\$100,000.00	\$182,463.73	\$182,463.73	\$14,414.63
		75	Year 10	\$100,000.00	\$193,411.55	\$193,411.55	\$15,472.92
		76	Year 11	\$100,000.00	\$205,016.24	\$205,016.24	\$16,606.32
		77	Year 12	\$100,000.00	\$217,317.22	\$217,317.22	\$17,820.01
		78	Year 13	\$100,000.00	\$230,356.25	\$230,356.25	\$19,119.57
		79	Year 14	\$100,000.00	\$244,177.63	\$244,177.63	\$20,510.92
		80	Year 15	\$100,000.00	\$258,828.28	\$258,828.28	\$22,000.40
		81	Year 16	\$100,000.00	\$274,357.98	\$274,357.98	\$23,594.79
		82	Year 17	\$100,000.00	\$290,819.46	\$290,819.46	\$25,301.29
		83	Year 18	\$100,000.00	\$308,268.63	\$308,268.63	\$27,127.64
		84	Year 19	\$100,000.00	\$326,764.75	\$326,764.75	\$29,082.06
		85	Year 20	\$100,000.00	\$346,370.63	\$346,370.63	\$31,173.36

This example is for illustrative purposes only and is not intended to project the performance of specific investment. Any insurance products are guaranteed by the claims paying ability of the issuer. Certain limitations and expenses may apply. May not be suitable for all investors.

And as I take a step back the question is very simple: in your retirement years what are we looking for?

**Potential Safety, Security and Guarantees!**

In retirement, what are we looking for: protection of our account value, the ability of lifetime income, making sure that the fee that we have paid for these benefits, our spouses and our heirs can enjoy the ability of the death benefit, and in the event we cannot do 2 out of 6 activities of daily living and we need extra cash to help offset for some of those costs, the special enhanced option which we can

technically create a fourth bucket called the special enhanced LIO which addresses the needs if you could not do 2 out of 6 activities of daily living. So as you can see, there is a very compelling case as to why the principal protected low cost new generation annuity with its low fee structure, principal protection of your account value, the ability to grow your income account value at 6% or 6.25% compounded, and the ability of this income account value to be paid as a death benefit makes it a lot more appealing in many cases than the hybrid annuities and the variable annuities.

So give us a call, 800-957-5604 x200, speak to Lee Marshall, but what I would like to do is really talk about 4 key questions in this segment. How many of you agree with me that you would be winning by not losing? What am I saying with that? How much did you lose during the last down turn? Was it a lot? How about understanding and recognizing and knowing strategies to help make sure that that does not happen again?

Our firm has information that we truly believe can have a positive impact on your financial future and in your family's financial future, and we certainly hope that by setting up the complementary consultation then we can be proactive and not reactive to the debt crisis and the volatile markets that we face, and wouldn't it be nice just once in our lives to know about something bad that was about to happen before it happened, financially?

And before you answer, wouldn't it be good to be positioned, to actually take advantage in these volatile markets once we are done with the correction? If and when it does occur.

The last question, how many of you want to be rich? But the most important question is how many of you out there want to help insure that you will not be poor?

What if I could show you that even if you ran out of money you would not run out of income? Would you like to know how to do that?

**Give us a call 800-957-5604 x200, speak to Lee Marshall.**

**The call is free. The information, priceless.**

Based on the claims paying ability of the issuer. Certain limitations and expenses may apply. May not be suitable for all investors.

**“How to Survive & Prosper in the Debt Crisis”**

**From a LIVE Presentation by:**

**Harry Dent Jr.,**

**Ben Stein and**

**David Walker in 2012**

## Do you know who *Harry Dent* is?



"While being one of the most bullish and accurate forecasters for 20 years, Dent has always been warning that this great boom would end around 2008-2009. He now sees a bigger crash ahead and a deflationary environment that could ravage your portfolio. His warnings and predictions are well worth reading and taking seriously."

David Bach, #1 New York Times bestselling author of *Start Late, Finish Rich* and *The Automatic Millionaire*

"Harry Dent is the reigning expert in applying sophisticated demographic analysis to economic forecasting. His past record of getting it right speaks for itself. I hope he's wrong this time. I hope we don't have a great depression by 2010. But given his track record, I won't be betting against him."

Robert D. McTeer: Distinguished Fellow, National Center for Policy Analysis, & Former President of the Federal Reserve Bank of Dallas, 2008

Harry S. Dent, Jr. is the President of the H.S. Dent Foundation whose mission is "Helping People Understand Change." He is the founder of HS Dent, which publishes the HS Dent Forecast and oversees the HS Dent Financial Advisors Network. In his book *The Great Boom Ahead*, published in 1992, Mr. Dent stood virtually alone in accurately forecasting the unanticipated "boom" of the 1990s. A Harvard MBA, Fortune 100 consultant, new venture Investor, and noted speaker, Mr. Dent is a highly respected figure in his field.

### **Harry Dent Speech:**

"We are on the precipice of the biggest financial crisis of our lifetime; the only other one comparable happening in the early 1930s. Watching CNBC just to keep up with quotes and trends, the things that are reported are unbelievable. People are in denial about this. We've seen the greatest credit and debt bubble in history. I've studied hundreds of years of history, and I can't find anything comparable to the magnitude of this. The government deficit is bad. And in private debt alone, the debt is high and getting higher. We went from 20 trillion to 42 trillion in private debt in eight years, under a republican president. 22 trillion dollars! That's how you create money. The Federal Reserve does not create money. Banks create money. Governments create money when they borrow. Anybody borrows who creates money."

“Bubbles always burst. I’ve studied history, there’s no exception to this. They can burst a little slower and they can burst more rapidly, like in the Great Depression. Japan’s an example of doing it slowly. Japan’s stock market has been suffering for years. It reached its peak in late 1989, early 1990. 21-22 years later, it is down 75-80%. Real estate, despite the belief that it never declines in worth, has also gone down. It is down 60% 21 years after the peak in 1991, and it has never bounced back. What do most financial advisors tell their clients? “Oh, don’t worry, stocks are going through a tough time, they always come back.” And they do - in booms. They always came back between 1983 and 2007, but not now. They didn’t come back after late 1968; they didn’t come back after 1929.”

“Another thing people don’t understand is that economists refuse to look at demographics. I don’t know why, because it’s the only predictable scientific thing in the economics field. 92 million baby boomers are done. They are finished spending, borrowing, and buying homes. No amount of stimulus will persuade these aging people to buy stuff, because old people don’t spend money. They go on cruise ships, they bribe their grandchildren, but they don’t buy houses. Older people do not drive as much as they did when they were younger and driving their children around. So, the Feds and economists, since they don’t understand demographics, think that if we could just stimulate enough, we could get this economy back to 4% broke. That is not going to happen. And because demographics are slow, the Fed is not going to be able to be successful over time in this stimulus program, and if they are not successful, guess what we get? Another meltdown, like in late 2008 and early 2009, except, as Peter Schiff would warn, much worse. When the Fed threw trillions of dollars to stop the last one, it didn’t stop it, it just slowed the meltdown, but it didn’t bring back our robust economy.”

“In fact, the only people spending money are the more affluent households. Why? The Fed basically doubled stocks and pushed up commodities. They tend to control and dominate all the investments. 1% of the people control almost 50% of the wealth, especially at a time like this. What I try to do is to help people think like the 1%. Financial advisors, investors, business people, because the 1% of people see reality as it is and act. Everybody else waits to see if it’s ok. The longer you wait, the less you get paid. So the 1% looks below the surface. This is just like

an iceberg in theory. 20% of it is above the surface, and that is what everyone is looking at. But no one is looking at the 80% of it that is below the water, and the ship gets stuck. People look at the 15 trillion in government debt, which is huge, and likely to grow to 25 trillion within the next decade, but they don’t see the 42 trillion under. And the 66 trillion in unfunded entitled health care, Medicaid, and social security. You can’t make good decisions unless you look under the surface. Any good psychologist knows that what people think consciously makes no difference. The subconscious drives what people do, 80-90% of the time. You have to look below the surface. You have to understand what really drives our economy.”

“Our government does not drive our economy long term. Short term, yes, with all their stimulus, etc., sure they can affect it. Long term, we predicted the boom in the 90s and this decade, before Bill Clinton ever got in office. He claims he created that boom, but he had almost nothing to do with it. The baby boomers created that boom. Personal computers and the internet created that boom. And now that boom is done. Not for forever, though. There was a boom from 1942-1968 and then a bust in 1982. This happens every 40 years.

The question is, what really causes this? The answer is people. Demographics. The one thing economists don't study. So what economists will tell you is that nobody can predict the future, and not to listen to anybody that predicts the future past the next political cycle, because economists rely heavily on politics for predictions. I say you can predict all the key economic trends. You can see all the trends, today. They can impact your life, your business and your investments over the rest of your lifetime. That's what I say. We understand how to forecast and we look below the surface and see what really drives economy instead of looking up at the tip of the iceberg. Government policies, interest rates, exchange rates, and money supply – these are not the causes of growth. Economists are notoriously bad at predicting economic trends. You would do well to remember only this: Whatever economists will say and agree on as a majority is going to be wrong. It is that simple.”

“You can either be shocked by the financial meltdown or be at peace with change. The 1% of people don't look at other people for validation. They see something new. They see something important. They act on it. They see change as their friend. Change means opportunity. When things are changing an entrepreneur can take advantage of that, but a big corporation moves a little too slow.

Traders love volatility. I say this to economists who say they can't predict the future past the next election: 46 year lag on the birth index of the United States. I am referring to the peak in spending of the average American household. Parents, whose children have moved out of the house and graduated college, no longer spend as much as they did when they had children under their care. They don't have kids to spend money on anymore, so they retire and they save their money. They can take all the cruises they want and never come close to what it took to raise a kid and send him to college. It is the stock market adjusting for inflation. Not a perfect correlation, but it does catch the long-term trend pretty precisely. It is important to remember there is volatility in the short term; the short term is hard to predict.

But the long term is a piece of cake. It is the short term, and with it, all the political volatility and government actions and investors overbuying stocks and then over-panicking, that causes short-term volatility. This boom was driven from 1983 till 2007 and then it ended. It is the 46 year lag. From 1937 till 1961, and it's that simple. Not only is it long-term predicable, it is very simple. It is driven by simple fundamental factors.”

“2008-2020, fewer people will be spending money buying homes, and the economy will go down. How do you make up for the spending of 92 million baby boomers? The answer is you can't. It would take tens of trillions of dollars of stimulus, not trillions. I don't think the Fed can stimulate that much without the bond market pulling the plug like they already have done in southern Europe. Note that there are two reasons Japan has not recovered 20 years later. First, they never let their debt deleverage. They stimulated, stimulated, stimulated. The second reason is the generation following is much smaller for the first time in history. Looking at the echo boom, you'll see that it is not as large as most European countries. It never came back to the height. It is the first generation to be smaller than the one before it. So we will not see it, nor will our children see a boom like we've just seen from 1983 until 2007. But there will be one, from 2023 on, but not like this. Generations of this magnitude only come about every 250 years and when they do come they see revolutions like the American and Industrial revolution, 250 years ago. People will be shocked by what happens over the next 10 years. This system will break

down and cause people to wake up, get clear and realize that we need to restructure our debt and our whole system. It isn't working, and until we restructure it, we will be just like Japan, muddling along, muddling along, more and more stimulus. Japan came into their crisis different than we did. They had trade surpluses and budget surpluses. They had their baby boom meltdown, and their real estate bubble burst at a time when the rest of the world was booming so their export industries were still kicking, 120%. However, they have high savings right now. People in Japan actually save money, can you imagine that? They can afford to stimulate. We've got a worldwide crisis and we've been in debt so long, and I think we're running out of bullets. I think this crisis is going to hit between 2012 and 2014. I think it will start sooner rather than later, possibly in the next few months. This is the time to have the right investments, protect your capital and be worried less about how much money you make than how much you avoid losing. Keep in mind that in 2008-2009 we saw something that never happened before. Everything went down - Real estate, oil, commodities, gold, silver, stocks here, stocks in China (even though they didn't experience a recession), and stocks in Australia (they weren't in a recession either)."

"In 1989 I found this indicator: labor force growth on a 2 ½ year lag. It's all about monetary policy. Food crisis, energy crisis, economic boom and bust, exchange rates, import prices – all create a very complex phenomenon, but think about this: one factor stands out, and look at how closely this correlates to short term. Why would the labor force growth cause inflation? Two words: young people. Young people cause inflation. We find that people drive all the key trends in modern society. I wouldn't have said this 200 years ago. Young people cost everything and produce nothing. That is inflation. It costs \$250,000 for the average household to raise the average kid. The government spends a ton of money on educating them as well, and businesses, when they enter the workforce, have to train them, give them an office, a computer, and buy equipment. It takes 2 ½ years for these people to enter the workforce and start to create more than they cost. Old people are deflationary. They are downsizing their houses, they're driving their cars less, they're spending less, they're saving more, and at some point they're spending down their savings. That's deflation. The number of young people, who are entering the workforce where old people are exiting, creates inflation. This creates the 2 ½ year lag. The government is trying to inflate and they are inflating. The real trend we will see is that deflation will start in the next few years, and we can predict farther out, the number of 20 year olds that will enter the workforce on average, and the number of 63 year olds that will exit, and retire. This indicator taught us, 20 years ago, that we were going to see a deflationary period between 2010 and 2023, because baby boomers were going to start retiring faster than the echo boomers' enter. A shrinking workforce means we're not investing in the future. We are not investing in as many young people, especially businesses.

"But there are other reasons for deflation: Debt deleveraging always causes deflation, when it finally happens. It doesn't happen while the government is fighting it with the kitchen sink, but once government fails, you get deflation. Workforce growth is another one. I am so sick of politicians, republican and democrat saying,

"We're going to create zillions of jobs". Democrats, of course, just want to give away free money to create them, and republicans are going to cut taxes to create them. They are wrong. People create jobs. Young people get a job sooner or later after they are out of college or high school. Older people de-create jobs. Mitt Romney says his plan in 4 years is to create 11 million jobs. I would take 100 to 1 bet against him on that. We've been creating fewer jobs since the 1970s, so how has our economy done

better? Because these young people enter the workforce, get more productive, earn more money, spend more money, buy more money, buy houses, send their kids to college, they become more productive, up to a point. Look at this correlation over time. 20 year in advance we can predict how many jobs we will create or not, and there is a lot of short-term volatility with the ups and downs in economy, government policy, etc., but look at the trend. Long term is easy, short term is much more difficult.”

“When working on my newsletter, I spend 70% of my time tracking short term trends, and I’m lucky to get it right 2 out of 3 times. I’d be a genius to get it right 2 out of 3 times. Long term is not hit or miss. It is a lot like the climate. We know when the next ice age is going to occur. We said 20 years ago there would be a depression from 2008 to 2023 – depression with deflation.”

“So what is important to remember? The key elements to remember are demographics, debt and deflation, with the most important aspect being deflation. Deflation changes investments. We can have a downturn with inflation like in the 70s with totally different investments booming or busting. In deflation, the secret is that everything goes down. So if you don’t have safe investments, principal-protected investments, etc., diversification does no good. Now, this only happens once in a lifetime so most people don’t know what deflation is because we’ve seen nothing but inflation our whole lifetime. The Japanese have seen some deflation, but we haven’t. So, part one is demographics. People do predictable things as they age, which means you can project trends not years, but decades in advance. I don’t watch one bit of news without thinking, “Oh, it’s not that reason. Demographics have to do with that. Or debt has to do with that.”

“This is the spending cycle of the average family. They enter the workforce their 20s, like I said earlier, part of those are 22 year olds out of college and 18 year olds out of high school, so that is age 20 on average. It is a very steep spending curve, leveraged by borrowing. This economy will never get back to normal, unless housing comes back, because housing is the most leveraged purchase we make. Not going to the movies, not buying something at a department store, but housing. We leverage 3, 4, 5, to 1, sometimes 100%. Remember these numbers.”

“Spending peaks at age 46, plateaus into 50, then declines for the rest of the household’s life. This is the average for everybody. Remember these numbers, because I will refer to them later. Think of the baby boomers as having hit the peak numbers, hitting 46 in 2007, they’ve been in this plateau through this year, 2011 and 2012 or so, and they start to really decline in spending. They really start saving for retirement. In fact, the peak number of echo boomers born in 1990 will be fully out of college by May 2012. That is a huge expenditure their parents don’t have to put out anymore, supporting them and their college tuition. And again, why the peak? Because kids are getting out of high school or college.

Now many people say the baby boomers are going to stay at work for as long as they want. Yes, they might, they might have to. It takes time to find a job and people are living longer. This doesn’t change the peak of spending though. People spend less and save more, while spending out of their savings. We have been monitoring this every year for the past 20 years for the U.S. government and it hasn’t changed. This is what drives the economy. Until this changes it means generations will be going up this curve in greater and greater number, peak in their spending, then go down this curve until the next generation has enough mass and momentum to create the next boom. It’s that simple. That’s the 46 year lag on the birth index. So what are we saying? Babies are the key to the future.”

“You know what they said in 1989? Japan was going to surpass the U.S. economy by 2010. How are they doing with that? They’re a third of our economy, they never even got close. We knew demographically that it was an impossibility unless the Japanese were going to make three times our salaries. They don’t even make our salaries on average. They never have. They make about 80% of what we make. Economists just extrapolate trends. So here is our leading indicator. Not just for economy, for everything. Inflation peaks 20 years after, people get married, about the age of 26, they have their kids about age 28 on average, then buy their first home about age 31, trade up their homes at about 37 to 42, buy a big mansion, furnish that home, get their kids into college. At age 46 they are spending the most money, and they save the most when? Age 54 – that’s the best time. People continue to save into 64, increase their net worth which peaks one year after they retire at age 63. When do you think they borrow the most money? When they bought that big house. The mortgage debt peaks at age 41 for the average household, and then declines for the rest of their lives.”

“Are you starting to understand why the government could be throwing a bunch of money in the banking system and nobody is borrowing it? Banks don’t want to lend when they can take free money and invest in higher yield assets, sometimes at a high leverage. Why would they want to lend money in a difficult economy? Why would baby boomers want to buy a bigger house right now? Their kids are leaving the nest and they need a small house, if anything. The point is, from cradle to grave, we know what people do. We could have known this 20-30 years ago. Demographic research was accelerating in the late 70s and early 80s, just when I was becoming a consultant and starting to see it as a valuable business tool. It’s only years later that I saw it as an economic tool. So, people do all these predictable things as they age - borrow, spend, housing invest, save, so we can predict all these things. Why wouldn’t economy be predictable decades in advance? The answer is, it is! So before they do all these things, what has to happen? Somebody has to get born, right?”

“U.S. government does something unique that I have not seen too many other governments do around the world. They survey thousands of households, ever year, in about 600 categories. It has been down

to things like potato chips. So here's what we see: kids gobbling down their potato chips. What I see is that potato chip spending peaks at age 42 – not 41, not 43, but 42. Why is it exactly 42? When did I saw the average kids were born in the average household? Age 28. When does calorie intake peak? It is a scientific fact that it is age 14. 28 plus 14 is 42. If you were in the grocery store business, you could tell in any ZIP code in the country where there's going to be people growing into that age or declining. You'd want to put your grocery store ahead of that curve, because that is the calorie cycle you are investing in there.

Motorcycles: When males have their midlife crisis, age 45 to 49. I wouldn't have to be a psychologist to tell you that, sports cars, boats. Harley Davidson was one of the top stocks. It even beat technology stocks into the 2000 bubble. We said they are going to continue to grow like crazy until toward the end of this last decade and then they are going to bust. They already busted.

So what is an example of something that would boom as baby boomers age? Drugs are an example. Pharmaceuticals pharmacies' growth peaks at the end of life. At age 81 women die on average. I think men die on average at age 76, and the average life expectancy is something like 77.8. Actually, life insurance actuaries are good forecasters. That was the first course I took in finance and economics where I said, "Here's some people who know how to predict the future." They don't lose money because they mis-forecast life expectancies. They lose money when they mis-invest their money.

Most things peak between ages 42 when people buy their biggest house and age 54, when they are traveling and furnishing. When the kids leave, people start fixing up the kitchen and bathroom and stuff and start entertaining, traveling."

"Here's a quick explanation of the real estate cycle, cradle to grave: elementary school, age 6, high school, junior high, age 12, college, age 18. At 20 – 21 people enter the workforce. Apartments and shopping centers are built the fastest when new households are forming, when they get married at age 26, starter homes peak from ages 29-33, 31 on average. They trade up homes, buy vacation homes, travel in their late 40s, then they either go on cruises or they buy a vacation retirement home near their grandchildren."

"The best decade for commercial real estate, offices, and retail establishments was the 1970s. We had the highest mortgage rates in history and a bad economy with growing unemployment. Why? Because baby boomers were entering the workforce at the fastest rate in history. So the echo boomers need rental homes now, and starter homes soon. If I were buying real estate foreclosures, I'd be buying nice, small starter homes. I wouldn't be buying big mansions now, because the next generation is not going to get to that age range for a long time and I would be buying vacation homes or retirement homes after they crashed, because they're the ones that bubble the most."

"Now, the summarized demographics: This is our most important overall model in the cycle. It's extremely simple. Every two generations, we get a four stage, four season cycle in our economy. This is repeated throughout history. It used to be 50-60 years, when the commodities cycles drove our economy, as they still do a lot in emerging countries. Now its generation cycles. Two generations: a boom from 1942 to 1968, which was a 44 year lag on the birth index, for the Bob Hope generation, because they got married a little early. Then there was a bust from 1969 to 1982, season 2, a bigger

boom with a bigger generation from 1983 to 2007, then a bust from 2008 to roughly 2023. Two booms, two busts. Two different booms, two different busts. Why? Inflation. New technologies, and demographic cycles shape inflation, not governments. I mean what government would say in the 1970s, “we want to create massive inflation, so we are just going to blow off the money supply just to screw everything up?” Baby boomers created inflation, because they were terribly expensive, they were costing a lot of money and they weren’t producing anything. We had the lowest productivity in the last century in the 1970s. At that time, the largest generation was in college.

Computers started in the 1940s, at the end of the last winter season. The Bob Hope generation of World War II brought us out of that winter season. That means they come from very low prices and low interest rates, the treasury bomb was under 2% back then, by the way. This brings inflation back up to a normal level like 2% because the generations’ getting more productive, economy’s growing and then it’s the generation that’s the most productive at the top of the cycle. Inflation slows a bit, and then the generation stops spending. When the Bob Hope generation stops spending after spring, we enter summer. Baby boomers entered in massive numbers and inflation rose incredibly. Economists didn’t know why back then. They just called it stag inflation and they blamed it on the Fed. That is summer: high inflation, increasing recession, economy, it’s like summer; it’s so hot you just can’t move. We came out of that with the greatest boom in history.

If you tell an economist, “look, I’m telling you in advance, God told me that economy is going to grow the fastest in history in the next decade, what would the economist assume? That we are going to get hot for higher inflation. They have no clue of what drives our economy. The productivity of that generation, the new technology, they brought with them, the microcomputers, and then the internet and everything, brought productivity up, inflation, down, so you have a boom, a bubble boom in fall, with falling inflation.”

“Now there are two reasons we get bubbles. New technologies, and if you go back 80 years, you will find the same thing. 1914-1929, automobiles, electrical appliances, phones, radios, were moving up an S-curve into the mainstream of society at a rapid rate. New growth industries, these technologies, increase productivity, so you get bubbles. This time, it is internet, broadband, cell phones moving mainstream. And the bubble booms. When a generation runs out of spending power, when the banks lend all the money they can, because they see things will never go down, the bubbles burst. And here’s the secret: when the bubbles burst, these asset prices that got pushed up, for things like housing, fall, destroying wealth rapidly. The debt that’s rung up to borrow all this stuff, to buy more homes than people can afford, etc., deleverages and get written off, which is what happened in the 1930s. We went from 200% debt to GDP ratio 50% in 3 years. We eliminated massive amounts of debt because the Fed didn’t throw debt to debt, trying to cure debt.”

“People say bubbles are bad. I say, no, they are not. They are bad if you let them get to extremes. Bubbles are a natural part of nature and the universe. Everything has grown exponentially since the beginning of time. And bubbles always occur once in a lifetime, typically in modern times. Bubbles happen when these new technologies are moving mainstream, and that doesn’t just create growth industries, it changes business models, and the way we work and design businesses. Governments don’t know what those changes are, big corporations never know. So a lot of crazy entrepreneurs try crazy

things and in the bubble you can make easy capital, everybody can get an appeal, any type of cover, and low interest rates to borrow. It allows us to try thousands of things. And guess what? Many of them fail. They make it 1 out of 11. More than 90% fail or are just mediocre. That's the only way economy knows to innovate. The bubble fills up, and then when the bubble bursts, you quickly clear out all that debt and excess capital, and clear out all the asset prices that went up.

Why would we want home prices to be ten times the income in California or Sydney, Australia? How can our kids in the future have a standard of living if they have to buy a house at ten times their income? What country would want the highest real estate prices in the world so their businesses have to pay twice as much for employees so they can afford this ridiculous real estate? Why would we want to carry 42 trillion dollars in private debt in the future when the truth is it should be 20 trillion to support real assets and prices? So winter has its own logic. Winter is not here by accident. Everything I've studied in history has four seasons. Everything - people have four seasons of their life - and then there are business cycles, innovation, growth booms, shakeout, maturity, on and on. So, 20 years ago, we were able to start to predict some very simple things. In 1989 our first book to the 90s and early 2000, our greatest boom ever, the DOW rose to 10,000. Do you know how stupid people thought we were back then? Economists were predicting that America was falling and that Japan was going to take over the world and buy all our real estate. Those economists were just extrapolating trends."

"In the early 90s, next book - we'd had the biggest government downsize in history, books like bankruptcy in 1995, were selling off the charts. We said the deficits will disappear and we'll have a balanced budget or surplus by 1998 to 2000.

The next great depression will be from 2008 - 2023. No amount of government stimulus will prevent it. We have yet to prove that we will go into the second phase of depression. I'm convinced. And we've yet to prove that the government stimulus will fail. To me, it has already failed. With this much stimulus, we ought to have 20% inflation and an economy that's flying like a kite. That is not happening.

What happens in the winter season? Taxes go up, and they go down in fall. Governments have good finances, economy's growing, and there are lower social expenditures. They say they won't raise taxes, but they'll have to raise taxes. That's my argument as a republican. You're going to come in and cut taxes? Now let me give you a little education here. Companies have trillions and trillions of dollars on their balance sheet, and they're not spending it, they're not borrowing from banks, at the lowest interest rates in history, either. So you think you are going to cut taxes and say, "Oh now we'll build some taxes." They're not doing it because they don't see the demand. Because the truth is, it is not there. Baby boomers are done. Dead. The greatest real estate bubble in modern history, not just in the last century, was fueled by the greatest credit bubble in history.

In the 1930s, John Maynard Keynes came up with a new theory: economy goes up and down, the private sector always booms and busts, so the government should run surpluses when things are good and then use those surpluses to run deficit when things are bad to smooth out the cycle. It's not a bad theory, but it didn't work.

Debt is a drug. We got addicted to the drug. In the 70s, yes, we started stimulating, but continued to do

it and boom. Here's our government deficit and surplus. There have only been a couple of years that we have had a surplus since 1970. We ran a deficit in the 70s and then it just got bigger and bigger and bigger. We didn't run surpluses in a boom. That's why the Fed is running out of bullets. We didn't come into this with surpluses to cushion the downturn. We were already massively in debt. Trade bounce – that's another way to borrow money. Buy more from people than you sell them. A few little surpluses here, but basically increasing trade since 1970.

We reached the top of the debt bubble in 2008. The government reached 10 trillion, and state and local reached 2.8 trillion. But that was nothing compared to the financial sector. There were the Fannie Mae, Freddie Mac, and Wall Street mortgage fiascos. This has never happened before. They came into Wall Street saying, "why should banks lend against deposits? How old fashioned! We can borrow to lend!" Banks used to lend against deposits and just have to keep about a 10% reserve. Now when they make a loan, they sell it to Fannie Mae or Freddie Mac. Borrowers lend their money for the mortgage or Wall Street raises the money for the riskier assets. Borrow to lend.

We didn't have this debt at the end of the 1920s bubble, but now we have almost 57 trillion dollars in total debt now, private and government. 42 trillion of that is from the private sector. That is the 80% of the iceberg that nobody is talking about. Our system was not melting down because of private debt in 2008. It was the financial institutions and consumer mortgages melting down, deleveraging. If the government had not thrown trillions of dollars at it, it would have kept deleveraging. We would have been under a depression so fast. Republicans say the stimulus didn't work. I tell them, "Wake up! We would be in a depression right now if it didn't work!" In fact, the best thing the government could do was think like chapter 11 and help restructure this debt. Give them money when they write down a consumer or business loan. Let's say they take a dollar here, and the government gives them 30 cents so they just don't totally fail. They're giving advance money for doing the same stuff. Leverage investing. Creating another bubble."

"But that's not all the debt. There are the unfunded entitlements. Companies have to declare their unfunded pensions. The treasury says we have 46 trillion in unfunded entitlements. We've always said it has to be closer to 60-70 trillion. Marion Meeker came out with a study that said it is 66 trillion. The difference is 42 trillion in private debt can meltdown very rapidly. That is the short-term meltdown. The 66 trillion is over decades. It is a longer term problem.

We are going to have to restructure this debt, either forced by the economy like in the 1930s when the government stimulus failed. Or we are going to have to go in and actively restructure it in some more civilized way. Obama shouldn't have come in and changed healthcare first. The first thing you do is deal with debt.

Somewhere over the next several years, we will have to restructure this. We cannot even come close to affording the entitlements everyone has been promised. When the entitlements started in the 30s and 40s, people didn't live much past 65, and it wasn't expected to be a long-term welfare program. You can't work 40 years and then goof off for 24 years. You just can't do it. The average person retires at 63 and is going to live to be 86 or 87 today. You can't do that. We are in total denial. Of course nobody wants to wake up to this. You just can't do it. So, we really do have 122 trillion in debt, give or

take, which is 8 times our GDP. The Fed doesn't have a chance at beating this. They have a fire hose into a tidal wave. They do not have a chance. This game was over before it started."

"The government projects that its revenues will double by 2020. With demographic trends pointing down? In the 1930s and the 1990s in Japan, a decade after the crisis, the government revenues only got back to where they were at the top of the last boom, the same with GDP and stock. Even with that assumption, they have a 1.3 trillion dollar deficit in good times, 10 years from now, with the doubling of the revenues. If we take that assumption out and take a more realistic assumption, we are looking at a 3 trillion deficit in good times. Government deficit and finances are not sustainable, nor are entitlements. 42 trillion of private debt has to deleverage one way or the other, slowly or quickly."

"Japan had the first real estate bubble. Most bubbles go exponential for 5 or 6 years before they just die of their own 'exponentialness'. Our real estate bubble didn't crack because the economy went back. Instead, the real estate bubble cracked first and helped the economy go back. From 1986 – 1991, the real estate crisis in Japan goes up 2 point 6 times in 5 to 6 years. Does that make sense? Does it make sense for a bank to lend against that? 90% of the time, when bubbles burst, they go back to where they started or a little lower. That is what we have learned. It is ok to borrow money against a house, if you are going to live in it for 20-30 years. It is not okay to own three houses. So where would real estate in the United States have to go down just to get back to where the bubble started in 2000? 55%. You've probably already felt that. The nation is dying. The banks are dead. We said in 2005 this problem looks like it is peaking, and the banks are already dead. Game over."

"What fueled this? This is astounding. This should be against the law. In the beginning of 2000, when the bubble really started going exponential in housing, the average person was able to borrow 3.3 times their pre-tax income. At the top of the bubble in early 2006, it was 9.2 times. The borrowing capacity in 5 to 6 years went up almost 3 times. This is crazy. Now, why did this happen? The Fed wanted everybody to get a house, and they encouraged them. The Fed lowers interest rates to stimulate more and more drug every time the economy goes down, because, God forbid, we have a slowdown, and correct things, and restructure.

And people like to say, "real estate never goes down". Somebody who says that has not studied history. That is not what history says. Real estate goes up and down like a yo-yo all throughout history. This is an illusion. Now, why is real estate so different in places like Miami or Phoenix, from places like Omaha or Dallas? One hint: Omaha and Dallas are boring. You only live there if you have a huge incentive to live there. But there's another reason. Miami is a great example. Miami has an ocean, swamps, and Everglades. It is a small strip of land, literally 10 miles, and everybody is moving there from the Northeast, the Midwest, Latin America, and Europe. So, demographics, immigration, limited land, and prices just go up and the buildings go straight up. There is nothing but condos there. You can hardly find a house anywhere near the beach in Miami. What is the difference with Dallas? Dallas has grown just as fast in the last several decades. Dallas has endless flat lands for development. You can't bubble up when you can always do a new development just down the road. There is plenty of land, sewer, and plenty of rainfall. It's not like California, Florida, New York, Sydney, Australia or Vancouver. Here's the point in real estate where people just totally miss it: The people in the bubbled areas think, "we can never go down, because we're so special. Everybody wants to live here". That's

what causes bubbles and bubbles. And we eventually get to where the young people who actually buy real estate, between age 26 and 42 to be precise, can no longer afford it. The old people are sitting in it and then it crashes.”

“Deflation - the most important topic. This is the hardest thing for me to convince anybody. But history is clear on this. Every major debt and credit massive bubble in history has been followed by deflation. The 1930s after the ‘20s bubble, the 1870s after the railroad bubble, the 1830s and ‘40s after the massive land bubble moving westward in the United States. The deleveraging of the credit bubble always leads to deflation not inflation. You can have inflation at first when the government’s fighting it, but it always ends up in deflation, because it is the restructuring of massive credit and asset prices that end up outweighing the government stimulus.

The government does go into more debt in a crisis; they have to, both to stimulate, but also because their deficits rise, because their revenues fall. But who has more debt? The government or the private sector? In 2008 at the top of the bubble, it was 42 to 10, private debt versus federal government debt. Four times as much debt! People look at the monetary base and the Fed policies, but the Fed is only controlling 2.8 trillion dollars in total money created right now, compared to all the masses. They’re stimulating more than any time in history, even the Great Depression and World War II, so people think it has to cause inflation. This makes sense on the surface. The government is creating money. What about the velocity of money? Is it being spent or lent? No, it is not being lent, and not being spent. So the velocity of money has dropped like a rock, especially in the last few years. That is why we don’t have massive inflation. We just have a nice 2% core inflation, maybe 4% with food and energy, etc., but with this type of stimulus, like I said earlier, we ought to have 20% inflation.

What is a couple of trillion in stimulus compared to how much money disappeared in assets for households? 18 trillion was lost in the last crash. 18 trillion dollars! So the Fed throws 2 trillion and then another trillion here and there. Does that offset? This wealth disappears. By the time the crisis is over we predict at least 26 trillion will be lost in assets and real wealth (or seemingly real wealth), and 20 trillion in bogus debt that was created in 8 years - disappeared.”

“When you destroy assets and wealth, or when you destroy credit and debt, you’re destroying money. Destroying money means less money chasing the same goods, which means deflation. Now again, the government is inflating. The government has added 5 trillion to their debt since this crisis started. But we are going to eventually deleverage 20 trillion or more in private debt and 26 trillion or more in private wealth.

As I said earlier, debt is like a drug. For every dollar in debt we’ve added since the late 1960s, we get less and less GDP growth. A drug takes more and more until it kills, it’s exactly like a drug. What can you do when you’re addicted to something like a drug? You can go cold turkey, or you can do what most civilized doctors would have you do - you can come down a little more slowly so you don’t shake and shiver while withdrawing. If you are hooked on heroine, the doctor will start substituting methadone because methadone’s a little less addictive, a little less toxic and you can come down slowly, that’s the more civilized way.”

“That is what Japan did. But they got addicted to the methadone. Who has the highest debt in the world

today? Japan. They had just continued to stimulate because they can borrow 1 to 1 ½ percent, because their citizens save so much money, but they're about to run out of their savings. Now they're aging and with age they spend out of their savings. In the next decade, Japan will have to start borrowing from foreigners like we do. They're not going to borrow at 1-1 ½ percent or they're going to be bankrupt overnight - 230% debt to GDP, the government alone. They never left their private sector debt. Households pay down their mortgages dutifully but corporations were never forced to detox their debt."

"China. Everybody says China's the secret. China's not only seeing its demographics peak in 2050, and declining much faster than the United States, but they've been building homes like crazy. The government is 50% of their economy. Their government is just spending, spending, spending, building infrastructures, building railroads, building roads, building houses, building apartments, and they have cities with a million houses built but nobody living in them. How do you go from nobody in a city to somebody? Who is going to move into a city with no neighbors or stores? China has the most expensive real estate in the world. More than Sydney and Vancouver, at ten times the income. Some of the most expensive cities compared to income around the world are Shanghai, Shenzhen, Hong Kong, Beijing, and even Mumbai is more expensive, compared to the income in New York City or San Francisco. So this real estate bubble happened around the world, most extremely in China. China, when Europe and the U.S. slowed down 35% of their economy's exports, and 50% of it government's spending, they are going to have a hard landing. If China had not over invested and stimulated in the boom, they would have ammunition to deal with the bust, but they're like the United States, they're coming in, already out of bullets."

"Europe's crisis. If we had unfunded liabilities and everything else, Greece has got the most. Next are the UK, France, Portugal, U.S., and then Ireland. Italy and Spain have the worst government debt, but they do not have nearly as high consumer debt. People in Italy are simple. They want to retire at age 50. They don't buy big houses and SUVs. They just eat really good food. That is where they spend their money. So again, you have to look at total debt. If we go through a downturn, these countries are going to be in trouble. It won't be Spain or Italy. It is going to be Greece, France, Portugal, the U.S., Ireland and the UK. The UK has higher private debt than even the U.S. Japan does too. Japan has the highest private government debt in the world."

"It is a worldwide debt crisis and a worldwide real estate bubble. It is going to burst. I think sooner rather than later, because of Europe's debt crisis and recession. Europe is already moving into a recession. Many countries have been in a recession for a while. Italy's now moving into a recession, the UK looks close, and then comes France. Germany exports all their products to France. Germany has terrible demographics. It is their exports that are keeping them alive. If they go into a recession, it backs up into us in a lot of ways, our banking exposure and exports but most importantly, it backs up into China. The biggest trading partner for China is Europe.

Why is this happening? Most countries over there don't have a printing press so they can't do what the Fed is doing, so the bond market has said that you have slow growth economy, high deficits, and we're raising your interest rates. But it is also because of Germany, the one sound country over there. Germany is not stupid. Germany would rather have short-term pain than long-term insolvency. So they are doing the right thing from my point of view. But these other countries keep going into austerity,

when the economy's already weakened and then they are going to go into a recession. It is going to get deeper and deeper and their debt is going to deleverage and they're going to be in trouble."

"Something most people don't see is foreclosures. There are 2 million homes already in foreclosure that haven't been sold and another 2 million in the pipeline with serious defaults over 90 days. That's 4 million homes. They're selling off 80,000 foreclosures monthly so it takes 5 years to work off at this rate. Banks have been holding back on dumping foreclosures. Why? Number one: they don't want to kill an already dead real estate market which they're already heavily invested in. Number 2: they're under the delusion that the Fed's going to eventually turn around this economy, and home prices are going to go back to normal, so they don't have to write off all these loans and be insolvent. But what happens? Home prices are still falling. Even with the lowest mortgage rates in history, even with the greatest stimulus plan in history, what if we tip into a recession? How fast do you think homes would fall? When banks start to see it's a losing game to hold foreclosures it'll turn into a game of whoever dumps the fastest gets the best prices. Now I don't think there's a QE3 who can stop that.

Why isn't the Fed coming out with a QE3? Because QE2 is finally working. People don't get it that any stimulus program, particularly those like QE1 hit on about a 3/4 - 4/4 lag. It is the same with QE2. It's just hitting. Our indicators told us the 4<sup>th</sup> quarter's going to be stronger than people expected. It's going to fizzle out and note that the Fed has not been doing QE since June 2011, by the 2<sup>nd</sup> quarter of this year it's going to fizzle. This economy, because of the debt deleveraging, the demographic trends, without stimulus, it immediately falls over. So I think by the time the Fed can justify the stimulus, they're not doing QE3 now because the economy's pretty good and inflation's pushing 4%. They're going to have to wait for Europe to get into a deep recession or wait for the US to start the fall. That could be 2<sup>nd</sup> quarter or later; I think it's too late without hitting 8-10 months later. I think the economy could melt down in the middle of this year because there is a pause in federal spending. Banks start dumping foreclosures more rapidly, killing the real estate market and Europe falls deeper into recession which hits the United States and China. And when China goes down, what happens? All the merging countries - who are they selling all their goods, materials and energy to? Everybody's selling to China, and they go down. We have a worldwide bust."

"So we are seeing three bubbles. The Fed is simply creating a third and final bubble, pushing money into the bank system, it doesn't get lent, it just gets reinvested often at a higher leverage, into a higher yield asset, that pushes up commodities, junk bonds, corporate bonds, stocks at the same time. Have you ever seen these things all go up together for a couple of years in a row? Never ever - artificial. Without going to deeply into it, there is a heads and shoulders pattern, something that we do short term and long term that suggests we will break out of this bubble and break below this neckline. This will probably happen next year or so.

We're going to ultimately see something like a target of 3300 on the Dow, as a rough estimate. What do we say about bubbles? They go back to where they start or a little lower. The stock bubble started in late 1994 when the Dow was at 3800, so we've always been looking for a 3000-4000 range. When stocks get there, then I'll tell you, you can buy stocks again longer term. Even junk bonds are in a bubble. Commodities, gold, silver, oil, everything has bubbled, because the Fed is pushing everything up.

Bubbles burst. Here's a comparison to the last time the generation peaked. The Dow Jones adjusted for inflation, it peaked in 1968 on the red line with the Bob Hope generation, there was a first stock crash and a first recession that most people don't remember at the end of 1970, then there was a Fed stimulated bounce at the end of 1992 and then 1973 to 1974 bigger crash, lower prices. Guess what this points to? About 3000 - if we follow this pattern, because short terms are hard to predict. This is our best assumption. If something like this happens, then the next few years we'll go into a deeper crash and you'll see stocks down 3000-4000 on the Dow. And people thought 2008 was bad! Then real estate falls down 55 to 65% instead of 34%. – ouch!

Here's a comparison to the 2007 top and correction, at first didn't look that bad, and it corrected, and then everything started falling apart when all this debt started coming out of all these bad loans that nobody knew about. This would say just the next move down would probably take us back near the lows of 2012, 64-40. Just the next move in this longer crash is probably going to last into 2013 or 2014. I think this crisis from all points of view is going to happen between 2012 and 2014. It's just a question of whether it happens sooner or later, faster or slower. I think it's going to happen sooner."

"So I would say, just a rough guess, we've been expecting this Santa Claus rally with peaks a little bit higher, and then it will start to go down early this year, crash more into the summer, bounce, and then eventually bottom out maybe somewhere in mid to late 2013. There will be some response by the government, but it may be too late into the elections, but sooner or later, I would guess 2013 as most likely, real estate will bottom out. If your kids are thinking of buying real estate tell them to wait 2 to 3 years. If you're thinking of buying a vacation home or dream home, wait 2-3 years, maybe more, and you will get a better deal. People love it but if I took gold off this chart, would you think that's a bubble? It looks like a bubble, doesn't it? The last time silver went to \$50 was in 1980. It went from \$6 to \$50 in 2 years, went back to \$5-\$6 in 2 years. So people feel safe holding silver, it's probably the most bubbly asset of all. What happens if we go from inflation to deflation? I think gold and silver would go down. Now this is the hardest thing to call and the biggest question mark because the government has always manipulated gold and either confiscated or fixed the price or outlawed it or something so it's hard to tell in history. I think commodities definitely go down at deflation, and I think gold and silver go down.

I think it's better to be invested in the US *dollar*. In 2008, when everything crashed, when everything went down, what were the two things that went up? US treasury bonds and even more so, the US dollar bounced 27%. Gold was down, silver was down, oil absolutely crashed, real estate crashed, stocks around the world crashed. The Fed has been throwing buckets of crap at the dollar. And guess what, it's still trending up. Deflation is the trend, governments are fighting deflation, deflation benefits the dollar, and we debased the dollar in the boom, that's the secret.

The government is debasing in the bust but we debased in the private sectors and the boom by creating 42 trillion dollars of debt 3 times the rate of the growth of the economy, creating more debt than any country in the world, so our dollar went down and most currencies went up. Our dollar has devalued almost 60% since Ronald Reagan."

“We say be in safe, protected investments. A lot of the advisors in our network use insurance-based products for that reason. It’s that simple. We can protect principle, we can protect returns, and insurance companies have ways of doing this because they know how to manage risk.

Wall Street obviously doesn’t know how to manage risk or we wouldn’t have gotten into this mess. They said derivatives were going to reduce risk. This is ridiculous. So, be safe, in a few years there’s going to be a whole lot of things that start to emerge, and we just have to let the crash happen. Let everything go down, we’ll see if gold and silver go down, but my bet is they go down.

So if I want to make money I’d rather bet on stocks going down, right? I’d rather be in the US dollar. But let the crash happen slowly or quickly and when we get back to pre-bubble levels, then I’ll come back in and say, “hey, now your kids can go buy real estate, now you can invest more in stocks and things like that, if you want better returns long term, invest where I’m going to tell you to invest, like in merging countries such as India. Not China.” Most developed countries are never going to see a boom and a lot of Europe goes down.

So, again, thanks for being a good audience, I enjoyed it, hope I didn’t scare you too much, but there are times when you have to be real. Thanks again!

## Do you Know Who Ben Stein Is?

*Author: "Moneypower: How to Make Inflation Make you Rich"  
As Seen on Cavuto on Business on FOX News*



Ben Stein is a big believer in Fixed Annuities with a Lifetime Income Guarantee. He prefers Fixed Annuities for folks over the age of 50. He does *not* recommend **Variable Annuities** for folks over the age of 50.

### **Ben Stein Speech:**

“Like the previous speakers have said, we have suffered through a cruel recession, and it’s still going on, as far as I can tell, despite the headlines in the Arizona Republic this morning. I think it happened because of the terrible government policy mistakes, and unlike the previous speakers, I think that all the banks should have been bailed out; it’s a terrible mistake to allow a bank to fail on an economic downturn. It was probably a bigger mistake to allow the banks to become casinos and betting parlors in the first place, but the failure of a large bank during the recession is a very, very serious policy mistake and should not have been allowed to happen.

But since the failure of Lehman, since TARP, since Merrill Lynch has been bought by Bank of America, there has been some modicum of stability. Anyway, it seems to me little by little we are getting into

recovery and the longer prognosis is difficult, but I would argue it has a lot to do with demographics and bad, bad, bad, attitudes of certain groups in the country than anything to do with the government policy. But we do see better for the short term. We do see better numbers in employment, better numbers in retail sales, better numbers in foreclosures, and the slightest, faintest, most microscopic recovery in housing.

But we have seen some very scary stuff. We've seen some incredibly incompetent people running things in the government. We've seen the head of Goldman Sachs and he knew absolutely nothing about how to run the Department of the Treasury, we saw Mr. Geithner, who's out at the New York Fed and knows absolutely nothing about how to run monetary policy.

Presidents know absolutely nothing about economics; a president is elected because he is the coolest kid in class not because he knows a thing about economics. My father was a quite well-known economist in Washington since the Great Depression; he died, I'm sorry to say about 15 years ago. But he knew a lot about policy and Washington and he used to say that even President Kennedy, whom we all considered terribly smart and terribly well-informed, could only remember that the Federal Reserve was in charge of monetary policy because the head of the Federal Reserve was William McChesney Martin and both "Martin" and "monetary" began with an "M".

And that was Kennedy, who we all generally consider to be very smart. There's a lot we don't know, even with the best and smartest people on board, and Mr. Obama had some incredibly smart people there when he first started such as Paul Volcker and Larry Summers. But we really don't know a lot about how government policy affects economy. We don't know if higher taxes hurt or help. We don't know how the deficit affects the economy in the long run.

We know we are going to be at fault, I totally agree with my friend who presented, Mr. Schiff, there's just no way around this massive, massive inflation to get rid of this mammoth debt.

And, by the way, we've done this before. Right after World War II we inflated our way out of a colossal debt problem, and it didn't really hurt us that much, but people understood that, because that debt was run up during wartime. This one is less excusable."

"Default is inevitable at some point, one way or the other. We know very well that supply side has not worked, couldn't work. Lowering taxes did not and could not have produced enough supply, to offset the tax cut's effect on the deficit. That was a scam to begin with. We also know a couple of other things which I think are relevant to the men and women in this room, both in the front part of the room and the back part of the room. We know that despite all the problems in this country, there are a lot of people in this country who don't want to work and want everything given to them for free, by people who do work. Some of us have those people in our families.

But we also know, and this is the key part for the men and women in the front of the room and the back of the room: we know there are also a lot of people that do work, who do start businesses, work hard, have a lot of entrepreneurial and creative spirit and they have the ability to make money and to save

money.

We know that in general, they will grow older and will want to retire and they face a grim truth about the future. Despite our greatest and finest wishes, we do not know the future and we will never know the future, at least as far as the economy and stock market goes. Man is not given to know the future. But we still crave some certainty and that certainty is a much, much to be desired gift.”

“How can we give it to them? It’s funny. As I got off the plane yesterday in Sky Harbor I was lugging my heavy, heavy suitcase, I was pulling it on wheels and I thought, “gosh, it is much better that I have this thing on wheels”, and then I saw a cart dispenser and I rented a cart for \$4 and that made it just paradise. It was actually a pleasure to go through the airport pushing my luggage on that cart.

What is the equivalent in the financial world of a wheel? And I thought the equivalent of a wheel in terms of people who are thinking that they’ll have to retire, which is everybody, is the annuity - the fixed, secure annuity.

An annuity is what everybody really wants and needs to make sure that when the day comes when you have to stop working or want to stop working, you will get a stream of money which at least at the bottom end is fixed. It might have a top which can move but the bottom end is fixed and unlike stocks, unlike bonds, unlike real estate, annuities can provide stability and security in a deeply uncertain world. It is a product that goes to the very essence of the human spirit - wanting to have peace deep within.

**Annuities are again, like the wheel, they are a saver of the human spirit.**

They’re the key financial product for human beings and I must say, as a person who owns a lot of animals, eight cats and four dogs; I think animals would buy annuities if they could buy them too. There’s just an amazing value in having certainty.

I tell you in my own fat, old, pathetic person’s life, I have all different ranges of assets. And I look at them and they go up, they go down. I have a lot of real estate, it’s pretty much a liquid, I have lots of stocks and one day they’re up a lot and one day they’re down a lot.

But I have an annuity. The annuity’s just wonderful. I started getting it when I was 65 and every month it pays me. Not a huge amount, but enough to keep the wolf from the door if terrible things happen. And that is a blessing from on high for me. **I love, love, love annuities.**

**The government can do terrible things, and if you have the right annuity you’ll sail through it.** The world economy can crash, if you have annuities, you’ll sail through it. If there’s a crisis in Greece or Ireland or Portugal or France or Italy or anywhere you want, if you have the right kind of annuity you can sail through it. The beauty of the annuity is that it takes the uncertainty and transfers it from you to an insurance company or some other large financial entity that knows how to deal with uncertainty. I’ve studied annuities. I used to be the spokesman for the National Association for Variable Annuities.

As I was listening to the speakers Mr. Dent and Mr. Schiff, the thing I was thinking to myself was what way should I kill myself tonight. I was thinking that I don’t think I’ll kill myself because I still have these annuities and at least I can live on them for a while, until things go terribly wrong.”

“I know that certain people spoke for a very long time so I’m going to break my speech very short and say: I’ve known you guys for several years and it’s been an uplifting experience, because when I have the time to do it, which is very often, when I am in Washington DC I go visit the wounded servicemen. It used to be at Walter Reed and now it’s at Bethesda. It’s an amazing experience. I see men who’ve had their legs blown off by IEDs, I see men who have taken a bullet through their head and they’ve had to have surgery after surgery after surgery. I see men who’ve been concussed out of their minds by having their trucks blown up and turned over a mountain ridge. I see men who have suffered unbelievable pain and they’ve done so for the good of people they don’t even know, for slobbs like you and me.

And here we sit in our slobbiness, about to have a fine dinner, and these guys have risked their lives and they’ve thrown away their limbs and their youths for us. And I think to myself, “is there anything people in our situation can do for other people that is even comparable?” Frankly no. But there’s something that is in the general vicinity. And that is giving people peace of mind. And I think, what does a good teacher do? He teaches a person a subject that lets him understand the world better. What does a good psychiatrist, a good minister, a good rabbi, or a good counselor in any kind of faith do? He teaches people how to have some kind of faith and peace of mind. And what does a good nurse do for a person who’s expecting surgery? She or he calms him down and gets him ready for the scary moment of surgery. What does a good parent do? A terrible parent scares and terrifies the child. A good parent soothes the child and gives the child some feeling of confidence about the future. You guys (financial advisors) have the capacity to give people some soothing peace of mind about the future, so for the allotted span of years they have left they can have some enjoyment of life.”

“I think Mr. Schiff made a brilliant point that the object of work is not just to work, although I personally find work incredibly soothing and pleasant, and I could not live without work. Even if I were to become as rich as Mr. Schiff I’d never stop working. But I will say, beyond the soothing gift of work, beyond the soothing gift of family, and the soothing gift of friends, there is just peace of mind about money.

It’s an incredible gift. I’m now 67 years old, and I survey the field of my friends. And I survey the field of my relatives. I can divide which ones are happy and which ones are sad, very largely between which ones have peace of mind about money and which ones don’t.

And if those people who don’t have peace of mind about money had been called on by people like the men and women in this room (financial advisors) and they were young or in early middle age and they bought the products that you guys had to sell they would be in a much happier state of mind. It’s not given to all of us to have occupations where you can convey that peace of mind and confer that peace of mind but you guys can do it. You are selling peace of mind. That is an enormously valuable thing to sell.”

## Do you know who *David Walker* is?



- Founder and CEO of the Comeback America Initiative (CAI)
- 7th Comptroller General of the United States
- Former head of the U.S. Government Accountability Office (GAO)
- Author of the bestseller: “Comeback America: Turning the Country Around and Restoring Fiscal Responsibility”
- Subject of the critically acclaimed documentary “I.O.U.S.A.”

### **David Walker Speech:**

“I want to provide you an overview of where we’ve been, where we are, where we’re headed and the type of changes that we’re going to have to make in order to put our finances in order if we want to make sure our future is better than our past. I’ll save plenty of time for questions. Most of this is fact-based, some of this is opinion-based and to the extent that it is opinion-based, it’s my opinion. And you may or may not agree. You’re all getting a copy of the book *I.O.U.S.A.* I wrote the forward to that book, and it’s about the making of the movie *I.O.U.S.A.*

Just so you know, since that book came out, I wrote a book myself, called *Come Back America: Turning the Country Around and Restoring Fiscal Responsibility*, and it’s about solutions.”

“The government has grown too big, promised too much, and waited too long to restructure - at the federal level

as well as the state and local levels. At the federal level, our country was founded as a republic, in 1789 when the constitution was ratified. And it was founded based upon certain principles and values that are timeless. There are a few that relate to the issue of fiscal responsibility, which I'm going to talk to you about. We were founded on limited but effective government. We were founded on individual liberty and opportunity; on personal responsibility and accountability; on rule of law and equal justice under the law; and on fiscal responsibility and intergenerational equity. I would respectfully suggest, and this is my opinion, that we're violating all of this."

"We are violating each and every one of those and that's one of the reasons for the problems that we have. There are a number of myths about how we're going to put our finances in order. And I will deal with those right up front, before you see all the data. First, some people will say, "but we don't really have a problem that economic growth won't solve." False. As you're going to see, we're in a 65+ trillion dollar hole. Simple math says it would take double digit, real GDP growth for decades to grow out of that hole. It has never happened in the history of the United States, and it's not going to happen. Yes, we need to have more pro-growth policies, and, yes, growth will help, but growth is not going to solve our problem alone. We can inflate our way out of problems, but that won't solve our problem. Because, as you're going to see the problem is not today's debt, which is over 15 trillion dollars, the problems are the off-balance sheet obligations that are about 50 trillion dollars. They grow faster than inflation and faster than the economy when the economy grows. So by definition, you can't solve the problem with inflation, although my view is we're going to get more inflation over time. Thirdly, you can't tax your way out. You would have to double federal taxes in the next 20 - 25 years. That would obviously be anti-growth and also is not culturally acceptable in United States, and fourthly some conservatives say why, "why don't we just cut our way out?" Well the problem is you have to come up with solutions that not only will work mathematically, but can get passed, politically. But the truth is, as you'll see, both political parties have been part of the problem. Both have been on the spending binge, both have not been responsible, and as a result, both are going to have to come together to solve it."

"And while I believe the problem is overwhelmingly a spending problem, 3 to 1, we're not going to be able to solve that solely with spending reductions because government's grown too big, promised too much, and waited too long to restructure. Ross Perot is a friend of mine; I'm going to go visit with him in a couple weeks in Dallas. A couple of weeks ago I was thinking. Ross Perot ran for president 20 years ago and he ran on 4 things: fiscal irresponsibility in government, political dysfunctionality, lack of trust in government, and absence of public confidence in the future. And guess what? We're in much worse shape now than we were then. And we're losing ground. Back in 1992 we had a deficit of 4.7% of the economy. The deficit for the year just extended is 8.7% of the economy. Now here's what's interesting. Perot didn't get a single electoral vote. But his campaign served to make fiscal responsibility and political dysfunctionality a high priority. And as a result, when Bill Clinton got elected, he had to make that a high priority. And by making that a high priority, combined with a number of other factors, including the tech boom, we went from large deficits to surpluses, but we lost our way in the last 11 years. In particular, after 2002 when the statutory budget controls that were in existence from the early '90s to 2002 expired and things have been out of control. If you look at debt to GDP, that's what matters, not gross debt. Some level of debt is okay, not all debt is bad, but you can't have debt above a certain percent of our economy without having a negative economic drag, and potentially, even more serious adverse consequences. In '92 it was 64% of the economy; it went down to 57% by 2000, as we were actually paying off debt in 2000. But now, at the end of September 30, 2011 it was about 99%, and now it's about 102% and growing at record rates. What about congressional approval? In 1992 it was 18%. It went up to 56% by 2000,

and now it's down to 11%, and that's the high end. I've seen it at as low as 5%. My question is who the hell are these people? You know, I didn't think there were that many members of congress and family members of congressional staff. How can it be that high? And then if you look at satisfaction with the direction of the United States in 1992, 68% were dissatisfied. Then it went down to a minority, 46% by 2000 but now 86% of Americans are dissatisfied with the path that we're on. And the record high percentage believe that for the first time in the history of United States the standard of living for their children and grandchildren will not be as good as theirs. It doesn't have to be that way. But on our present path that is a real risk."

"In 1800 the federal government was 2% of the economy. Now the world's a different place, and US position in the world is different, but this past year it was almost 24% and it's headed to 37% on autopilot, if we don't change course. If we add local and state government, government would be over 50% of the economy by 2040. That can't happen. It's obviously not positive for economic growth. I'm not a negative person, I'm not an anti-government person, but I do know that the engine of growth innovation and job creation is the private sector, not the government, and therefore you can't allow that to happen. And the composition of the government's budget has changed a lot in the last 40 years from being dominated by defense and other discretionary items that got decided every year, to now being dominated by social insurance programs. Over 60% of discretionary items used to get decided every year, and now it is less than 40%. The parts that are getting squeezed out are the so-called discretionary spending to include national defense, homeland security, and our federal judicial system - all of the items that our founders thought that the federal government would do. So they're getting squeezed while government's gotten bigger. What government does has changed dramatically, as well. Now here's spending. Spending adjusted for inflation. And if it's blue down below, it means the democrats control both houses of congress, if it's red it means the republicans and if it's mixed, it was a split. And at the top, you can see which president controlled the White House. Here's the bottom line. Spending is a bipartisan problem. Spending has particularly been out of control in the last 11 years, and particularly since the statutory budget controls expired in 2002. Revenues have gone up, adjusted for inflation, until lately. Not as fast as spending. And if you study this when you get a little bit more time you'll find not all tax cuts stimulate the economy, and very few tax cuts pay for themselves. What do I mean by that? You get more gross revenue after the tax cut than otherwise you would have had. Generally there are 2 kinds that do that: Significant reductions in marginal tax rates and significant reductions in tariffs. But the top marginal tax rate right now is 35% and we have free trade zones. So trying apply those kinds of strategies to today's world is not very effective."

"This is spending per person adjusted for inflation. And the blue is revenue. What does this tell you? We are spending at a 40% to 50% higher rate, adjusted for inflation per person, than at the peak of World War II. And that we are running deficits comparable to the level that we ran with World War II. But we got something for World War II. We can debate what we're getting for today's deficits. From George Washington to William Jefferson Clinton, from number 1 to number 42, we accumulated 5.6 trillion dollars in debt, 58% of the economy, and since then, it's now over 15 trillion, in 11 years. And we are adding debt at record rates. Debt per person adjusted for inflation is over double of what it was at the end of World War II. Here's back to 1800, looking at debt as a percentage of the economy. And this stripe tells you the so-called trust fund debt - What we owe for social security and Medicaid, which you ought to count because it is several trillions of dollars. The all-time high was WWII. During the Civil war, the War of 1812 and the Great Depression, we were close to 60% of GDP. The only time when we were over was World War II. And then we took a number of steps to bring it down. We didn't pay off a dime of debt by the way - we grew the economy, we had fiscal constraint. We didn't start paying off any debt, until 2000, and that was only for 2 years. We've lost our way since then,

because we're now at the second time in history that we've been over 100% of GDP and we're adding debt at record rates."

"But the real problem is not what you see, not the debt that you can see. The real problem is what's off the balance sheet. This stuff is not on the balance sheet. It's in the foot notes. I'm talking about the 35 trillion dollars in unfunded promises for Medicare and the 9 trillion dollars in unfunded promises for social security. A whole range of other commitments and contingencies that don't represent deficits in debt today, but absent reforms, they will represent deficits in debt tomorrow. If the US Government was a household of average size with \$50,000 in annual income, this is how it is acting: Getting revenue at \$961/week, spending \$1495/week for a deficit of \$533/week. I would respectfully suggest a family can't live very long on that kind of debt ratio. And for the US government, you would have to add a lot of zeros behind those numbers. Here's the future of deficits in debt: This is revenue. If we go back to 18.3% of the economy, which is the average, and stay there, we'll find the biggest spending item is interest on the debt. And yet we are adding debt at record rates. We have historically low interest rates; we have a huge interest rate risk. For every 1% increase in interest rates it's 150% in billion spending, and what do you get for that 150 billion? Nothing. Absolutely nothing."

"We are approaching third world debt levels in the not so distant future. And how do we compare to countries in Europe? The truth is if you want to compare us to the countries that are in Europe, you need to add federal, state and local debt. And you also have to add this trust fund debt. If you do that, we're worse than Spain, we're worse than Portugal, we're worse than Ireland. But we're not as bad as Greece. Now here's what you don't see. At the end of World War II, we had no foreign debt. We had the highest debt in the history of the country included as a percentage of the economy but we owed it to ourselves. Americans invested in war bombs, they invested in their country they invested in our future, but now, almost half of the debt held by the public is held by foreign investors. That is not in our long term economic foreign policy or national security interest. By the way, who's the largest holder of the US debt? Overall it is the Federal Reserve. We are self-dealing in our own debt. And the twist is the Federal Reserve going from having short term holdings to long term holdings in order to try to hold down interest rates, hold down mortgage rates that try to stimulate the housing market. That is short term gain, with increased risk of long term pain. The Comeback America initiative which I head (it's a nonprofit focused on these issues and solutions), combined with Stanford University in California, and came up with the first list of countries' fiscal sustainability responsibility. We listed 34 industrialized nations. Number one: Australia. Number 34: Greece. The US: an embarrassing 28, down dramatically in the last 11 years."

"Now, here's the good news: the good news is Australia, New Zealand, Sweden, Canada, and a number of countries that are near the top of the list, they had serious problems in the 90s they rose to the challenge, they solved their problems, now they're highly rated. If they can do it we can do it. The other good news is if you take Simpson Bowles as an example of a possible reform approach or the Comeback America initiative's reform proposals that are on our website, we would go from number 28 to number 8 or better and we would be number 2 in the world of fiscal governers. So what's the problem? If others can do, we can do it. If there are ideas out there about what needs to be done, but they're not getting done, what's the problem? The biggest deficit of this country has is a leadership deficit. We have no leadership. We have too much partisanship. We have too big of an ideological divide, too many career politicians, too many focused on the next election rather than the next generations, too many concerned with keeping their job than doing their job and it's time that they be held accountable."

“Social security’s already spending more money than it’s taking in. It’s in negative cash flow. It is adding to the deficit. Yes it’s not part of the operating deficit, but it is part of the consolidated, unified deficit. It is paying out more than it’s taking in. And it’s only going to get worse as time goes on. And, on health cost, we spend double per person compared with major industrialized countries and we get below average results. If you spend double per person and you get below average results the answer is not throwing more money at it. The answer is to transform it. They’re focused on incentives transparency, accountability mechanisms and transforming. What about defense? I intended to have a defense slide because that’s been in the news the last couple of days, because the president is breaking some proposals. It is a fact that we spend as much as the next 14 to 15 nations combined on defense. We have a professional military that is very, very expensive. We also have the most technological capabilities, but the fact is there is opportunity to significantly reduce defense benefit without compromising national security. Others have been relying upon us and we need to have greater burden sharing.”

“On the tax side, most of our revenues comes from individuals, directly or indirectly, and less than 10% from corporations. And we do have a progressive tax system. What this will tell you is the top 20% of earners pay 68% of all federal taxes. The top 1/10 of 1% of earners pays 11% of all federal taxes. That’s payroll taxes, income taxes, and estate taxes. We can debate whether or not it’s progressive enough but it’s progressive. But there’s a problem. This is the effective income tax rate by income level. Let me give you the bottom line. 51% of tax filers pay zip on income tax. And a significant percent get rebates through the earned income tax credit. Let me put that differently: We have 51% on the wagon, and 49% pulling the wagon. Now, the 51% that’s on the wagon don’t vote to the same extent as the 49%. If they did, it’s over, it’s time to move. But we’re headed that way. And so on one hand you’ve got to have a situation where more people pay something in income tax. Have a progressive tax system, but more people have to have skin in the game. At the same point in time we have a problem at the other end. People that are making a million dollars or more in income or staying at the top 1% (the top 1% makes about \$550,000 or more). The effective income tax rate is less than 19%. You say how the hell can that happen? Because the top marginal tax rate is 35%. It’s because of capital gains. Capital gains are 50% of tax, no matter how much money it is. And so as a result we really have a number of issues to deal with. We have too many people getting a free ride and the effective income tax rate for the people at the very top is lower, which is how you get the Warren Buffet situation when his effective income tax rate is lower than his secretary’s. Because he earns his money through capital gains.”

“The federal Government spends about 3.6 trillion dollars out the front door and it loses 1.1 trillion in deductions from tax preferences. These are the biggest ones. Tax preferences for employers providing paid healthcare, mortgage interest deduction, taxes under evidence, capital gains, earned income credit, deductions for charitable contributions, these are the biggest ones. These are not in the budget, they’re not appropriated, they’re not in the financial statements, they’re not reviewed or reconsidered, and many of these quite frankly don’t work. For example, our savings rate is among the lowest of any industrialized nation, despite all the tax preferences that we provide. Only 50% of Americans have a pension plan. Only 50% of workers have that. And so as a result, we’re going to have to look at all those tax preferences just as we look at direct spending: What’s working? What’s not working? What’s affordable? What’s sustainable? Which should we eliminate? Which should we consolidate? Which should we target? I’ll give you a preview: Charitable contributions, in my view, should be a 100% deduction for charitable contributions. Why? The government’s grown too big, promised too much, waited too long to restructure. Over time it’s going to do less but it’s going to ask for more taxes. It’s going to cut spending, and going to ask for more taxes. So what does that mean? The charitable sector is going

to have to do more, and so you encourage people to give to the charitable sector. Mortgage interest deduction. We can debate whether or not federal government ought to be encouraging ownership versus renting but let's assume that from a political standpoint you're not going to get rid of it. Why do we allow for a mortgage interest deduction for 2 houses? Two is a want. One is a need. And where did we come up with a million dollars? Why not the maximum conforming loan, which varies by region of the country because the cost of living? But nowhere is it a million dollars. And the exclusion of employer contributions for healthcare, last time I checked healthcare was part of compensation. Why should you have tax free healthcare benefits? It's part of compensation. Maybe some level of minimal care you get tax free but above that it should be part of compensation and taxes compensation. What about the area of dividends and capital gains? If we can broaden the tax space, eliminate, consolidate reduce and better target deductions, we can get the top marginal tax rate down to 25% for individuals, for corporations and for the estate tax. If we can get the top marginal tax rate no more than 25% we can eliminate the difference between capital gains and ordinary income - 25% for both. For simplicity, for equity, and for a variety of other reasons."

"There are some things that we're going to have to do. We had statutory budget controls in place from the early 1990s to 2002. They helped to restore fiscal sanity. They expired in 2002 and we've been out of control ever since. So we need to bring them back. But we need to do it in a way that doesn't undercut the economic recovery and our efforts to try to get unemployment down. So what you do and when you do it, matters. But we need to do it, because Washington is very prolific in spending other people's money."

"Social security: It's underfunded by 9 trillion bucks but compared to Medicare that's chump change. It's underfunded by 35 trillion. But the good thing about social security is that it's not that hard to fix it. You gradually increase the normal and early retirement ages about 3 years over 30 years prospectively not retroactively, prospectively. You can increase the benefit for people near the poverty level of over 85, providing a lesser benefit for middle and upper income, but still get a benefit and not turn it into a welfare program. You can raise the taxable wage-based cap from \$110,000 up to \$150,000, but not eliminate it. You can do some of those kinds of things and the numbers will work forever. The program is solvent, sustainable, secure forever."

"Medicaid, Medicare, healthcare: the Government's way overpromised for healthcare. There's no way they can deliver on all their promises. And to give you an example, the new Affordable Healthcare Acts, some people call it Obamacare, the chief actuary of Medicare says it's going to cost 12 trillion dollars more than the politicians told us - 12 trillion dollars more. I can tell you as a CPA that's material. We're the only major industrialized nation in the world that doesn't have a budget for what it spends on healthcare. Sweden, which has socialized medicine, cradle to grave, has limits for what they spend on healthcare because they know they'll bankrupt the country. But we write a blank check. We pay based upon services rather than based upon results. We have problems regarding malpractice, and we have huge tax preferences. We're going to have to dramatically transform our taxes to meet universal coverage for catastrophic, preventative and wellness with options for people to get more. We're going to have to have a budget; we're going to have to have malpractice reform, because we need dramatic and fundamental reform. From my personal view, the Supreme Court is probably going to strike part of the healthcare reform bill as unconstitutional. Whether they do or not, it's unaffordable, unsustainable, and it was passed on the straight party line vote. It won't be sustained in its present form over time. And by the way, on Medicare do you realize, that billionaires can get subsidized who voluntarily sign up for Medicare? The average subsidy for Medicare part B (outpatient and physicians) and part D (prescription drugs) is 95% of Americans, which doesn't include billionaires. 95% of Americans get 75% of their premiums paid by general revenues, which are paid for by their kids and their grandkids. And

everybody gets some subsidy - even billionaires. It's one thing to have universal opportunity to buy it, it's another thing to have universal subsidy. That's a typical example of what government does. They want to give everybody the same deal."

"Tax reforms: I've already talked about some of the things that we need to do on the tax side, but on the corporate side, we need to go to territorial taxation, which is more consistent with other major industrialized nations. We need to take our top marginal tax rate down to 25%, and eliminate a lot of special preferences to get it there. We need to allow for deductions for dividends distributed for 2 reasons: one, to eliminate double taxation of dividends, and two, to force boards of directors to decide whether to invest the trillions of extra cash hanging up on balance sheets for growth of jobs or distribute to hopefully get more growth of jobs. The truth is, even after we end up making all of these changes we're still going to need some constitutional amendments on finances, lying out of veto, a properly constructed balanced budget amendment, credit card limits on how much debt as a percentage of the economy we can take on, and we're going to need some political reform. We're going to need campaign finance reform and in my view, term limits for a reasonable period of time so we don't have professional politicians."

"When you look forward and you're thinking about taxes, tax reforms, entitlement reforms, healthcare reforms, defense reforms, these are the six tests that they should pass if they're going to become law and if they're going to be sustained over time."

- Do they make economic sense? Stated differently: are they pro-growth?
- Are they socially equitable? This country needs a solvent, sustainable, secure, social safety net for those who are truly in need. For instance, we ought to have some level of universal healthcare that's affordable and sustainable.
- Are they culturally acceptable? The US will not allow government to get too big and it will not support the same level of taxation as Europe. We just won't. Our culture won't.
- Does it pass a math test? If you're trying to balance the budget, if you're trying to stabilize debt to GDP, do the numbers work? And are the assumptions reasonable and sustainable?
- Can you pass the house? Can you pass with a simple majority vote? Can you get 60 votes in the Senate? Can you get a presidential signature? If you can't get all 3 of those you have nothing - absolutely nothing (unless you get 2/3 of the house and the Senate).
- Can they achieve significant bipartisan support? If you meet the other tests and it's a straight party line vote like healthcare reform, it's just a matter of time before it is repealed in whole or in part.

"These basic management 101 questions have never been asked and answered for federal government spending problems, tax policies, and regulatory actions. Never. Believe it or not your Federal Government has been in existence since 1789, and it still has no strategic plan that is future-focused, results-oriented, and resource constrained. And as a result, a lot of what it's doing may or may not have made sense when it was put in place decades ago, but it's not affordable and sustainable and may not even make sense. These are some of the things that we need to do in calendar 2012 and 13. My view is there's no way we're going to see any significant changes in the tax laws and entitlement programs or whatever, in 2012 because it is an election year. It's absolutely imperative that we see major changes in 2013. I believe we could have a debt crisis in the United States within the next 2 to 3 years if we don't make meaningful progress. We're not going to solve our problems in 2 to 3 years but we must make at least a meaningful first step to maintain the confidence of our

foreign lenders and to avoid interest rates from going up. That's critically important. You've already seen how we're worse off than some of the countries who already have interest rate spikes. We are a temporary safe haven for a variety of reasons, but underline the world 'temporary' - not permanent. And last, these are three sites that I encourage you to check out. The first one is the Comeback America Initiative. It's fact-based, non-partisan solutions that can get bipartisan support. The 2<sup>nd</sup> one is something that I would challenge you to do within the next couple of days, take 5 to 10 minutes go to [fiscaliq.net](http://fiscaliq.net), it is a 30 question true / false, agree / disagree quiz, you don't have to tell what your score was, but it help you get a sense about whether you really understand the facts about what our financial situation is in fiscal outlook and also whether or not your views about what we need to do to solve the problem are in line with a range of conceptive few of objective budget experts. You'll get a knowledge score, you'll get a wisdom score and you'll get an IQ. Please do it, please encourage other people to do it. We've only had it out there for about 3 weeks over 30,000 of people have done it, all 50 states, 80 countries, guess who has the lowest score? I'll tell you. Juveniles have the lowest score that means people under 18. Guess who's second. Elected officials. Now, elected officials might act like juveniles, that's a matter of opinion but they sure as hell act as juveniles, that's a matter of fact. Okay? I'm sure you'll do a lot better. Okay? Especially given the nature of this conference, and the last thing I want you to check out is [nolabels.org](http://nolabels.org). That's a new political movement of which I'm one of the founders, it's not a party it's for republicans, democrats and independents who believe that we've got serious problems, we need to solve the problems, we need to promote progress over partnership we need to encourage people to reach reasonable principle based compromises, because we're headed to a cliff at neck-break speed and it's important that we not go over it. I will encourage you to check that out."

"In summary: We live in a great country; probably the greatest in the history of mankind but it's not as great as we think it is. And our future is at risk. We have strayed from the principles and values that made us great; we have to make tough choices sooner rather than later and before the market forces us to. It's not a matter of if we are going to end up re-imposing budget controls, reforming social insurance programs, reducing defense and other spending, and engaging in comprehensive tax reform that generates more revenues. It's only a matter of when, how and under what circumstances. Either we can do it prudently and preemptively in a way that makes economic sense and is socially equitable, or we can do it when the market forces us to do it, in a dramatic and draconian way, as Greece and other countries in Europe have been forced to do. That's not appropriate. That's not necessary. But for that to not happen, two things have to happen. The first three words of the constitution have to come alive, which are, "**we, the people** are responsible and accountable for what does and doesn't happen". Individuals, high net worth investors, business leaders, people who have influence, have to focus on these issues and demand from elected officials that they will make this a priority and should withhold contributions from people who aren't part of the solution, and should hold people accountable who aren't taking steps and support those who are. Secondly, whoever the president is, whether Obama is reelected or whether a republican or someone else is going to be elected, the President of the United States is the chief executive officer of the United States. He is chief executive officer of the largest and most important and complex entity on the face of the Earth, that is in poor financial condition; that has been deteriorating for the past few years. They must make it a top priority to get things done. It's absolutely imperative. So, those first three words have to come alive and the CEO has to make it a priority. And I would ask for your help on both."

- Please see the Next Page -

For a Customized Consultation,  
Please Complete this  
“Risk Profile Questionnaire” &  
Fax it to: 480-248-8988

## Risk Profile Questionnaire

Name:

Name:

Please select one answer to each of the following questions.

### SECTION 1: FINANCIALS

1. What is your investment objective?

- Receive current income (1)
- Invest for future retirement (3)
- Growth and Income (3)
- Finance an education (2)
- Wealth Accumulation (4)

2. What is your current household income?

- Under \$25,000
- \$25,000 - \$49,999
- \$50,000 - \$99,999
- \$100,000 - \$249,999
- \$250,000 - \$500,000
- Over \$500,000

3. What is your approximate net worth (excluding your principal residence?)

- Less than \$50K
- \$50K - \$100K
- \$100K - \$250K
- \$250K - \$500K
- \$500K - \$750K
- \$750K - \$1M
- \$1M - \$1.5M
- \$1.5M - \$2.0M

- \$2M - \$3M
- \$3M - \$5M
- Greater than \$5M

4. What is your federal income tax bracket?

- 10%
- 15%
- 25%
- 28%
- 33%
- 35%

5. What is your investment experience?

- None
- Limited investment experience
- Moderate investment experience
- Extensive investment experience

## SECTION 2: TIME HORIZON

1. When do you expect to begin withdrawing funds from your investment account?

- Less than 1 year (1)
- 1 - 3 years (3)
- 4 - 6 years (5)
- 7 - 10 years (7)
- More than 10 years (10)

2. For how many years will you be making the withdrawals?

- I plan to take a lump sum distribution (0)
- 1 - 3 years (1)
- 4 - 6 years (3)
- 7 - 10 years (5)
- More than 10 years (8)

3. How much do you rely on income from this investment?

- Heavily (0)
- Moderately (2)
- Somewhat (4)
- Not at all (8)

### SECTION 3: YOUR RISK TOLERANCE

1. Indicate the response that you feel best describes your risk tolerance, it may help you compare your scored risk tolerance to your perceived risk tolerance.

- Conservative (0)
- Moderately Conservative (2)
- Moderate (4)
- Moderately Aggressive (6)
- Aggressive (8)

2. What is your annual investment return expectation relative to inflation?

- Satisfied with investments **keeping pace** with inflation (0)
- Like investments to **moderately outpace** inflation and am willing to accept some long term risk to achieve this goal (2)
- Prefer investments to **significantly outpace** inflation and am willing to accept moderate long-term risk to achieve this goal (4)
- Desire investments to achieve **highest performance** possible and am willing to accept substantial long term risk to achieve this goal (6)

3. How strongly do you agree or disagree with the following statement:

"I am willing to lose larger sums of money in the short term if I can enjoy potentially higher returns in the long term."

- Strongly agree (8)
- Agree (6)
- Disagree (1)
- Strongly disagree (0)

4. Investment decisions involve a trade-off between risk and return. Risk is any possibility of loss to your portfolio value. Return is the amount earned or profit on an investment. Generally, investments with the highest potential for gains carry the greatest risk of loss.

Which hypothetical portfolio are you most comfortable with, considering the possible outcomes of \$100,000 invested for 5 years:

Worst Case	Best Case
<input type="checkbox"/> \$50,000	.....\$300,000 (6)
<input type="checkbox"/> \$75,000	.....\$250,000 (4)
<input type="checkbox"/> \$100,000	.....\$200,000 (2)
<input type="checkbox"/> \$110,000	.....\$150,000 (0)

5. What is your investment priority?

- Increasing returns (6)
- Primarily increasing returns while also reducing risk (3)
- Primarily reducing risk while also increasing returns (2)
- Reducing risk (1)

6. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. \$100,000 initial investment would now be worth \$80,000) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?

- I **would not** change my portfolio (6)
- I would **wait at least 1 year** before changing to options that are more conservative (4)
- I would **wait at least 3 months** before changing to options that are more conservative (2)
- I would **immediately change** to options that are more conservative (0)

7. Which of the following statements best describes your attitude towards long-term investing?

- I am willing to accept lower returns associated with conservative investments that have minimal chance for loss of principal (1)
- In order to pursue moderate returns, I am willing to accept moderate fluctuations in the value of my investments (3)
- In order to pursue moderately high returns, I am willing to accept significant fluctuations in the value of my investments (5)
- In seeking maximum returns, I am willing to accept large fluctuations in the value of my investments and substantial risk of loss to principal (8)

8. If a unique circumstance were to require an amount of capital equal to at least one-fourth the value of this portfolio, where would you obtain the money?

- I cannot envision a circumstance that would require that much capital (0)

- All from this portfolio (0)
- The majority from this portfolio (1)
- From other savings/investments (5)
- Less than half from this portfolio, and the remainder from other savings/investments (2)

9. Investments generate returns in different ways. Which of the following more closely describes your view?

- Dividend yields and interest is better suited for meeting my living expenses (1)
- Overall return is my primary concern; it does not matter where it comes from or how it is employed to meet any cash flow needs I may have (4)

10. Describe the kind of risk which with you are comfortable:

- I could handle being down over a three-year period, but not longer (5)
- I could handle a one-year loss, but do not want to pursue a strategy that could result in longer periods of loss (3)
- I could handle losses over one or two quarters, but would not be comfortable subjecting myself to longer down periods (2)
- I do not want to lose any money ever. I could handle only a very small loss over a few months at most (1)
- I could accept being down over longer than three years if my long-term return potential was above average (7)

Total Score

Score	Model
6 - 22	1 - Current Income
23 - 34	2 - Growth and Income
35 - 50	3 - Conservative Growth
51 - 60	4 - Moderate Growth
over 60	5 - Growth

Signature

Date

Signature

Date

The Retirement & Income Planning Advisors

An SFS Affiliate

National Association of Insurance and Financial Advisors

Confidential Workshop Evaluation Form

Fax To: (480) 248-8988

Date \_\_\_\_\_

Source: Book

Last Name \_\_\_\_\_ First Name \_\_\_\_\_ Spouse \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Home Phone \_\_\_\_\_ Cell Phone \_\_\_\_\_

AZ Resident:  Part Time  Full Time Email \_\_\_\_\_

**PERSONAL DATA**

(Write In/Circle)

Please indicate your present age: \_\_\_\_\_ Spouse: \_\_\_\_\_

Please indicate your marital status: Married Divorced Single Widowed

Please indicate your health status: Excellent Good Fair

Estimate the value of your estate: \$100,000-\$300,000 \$300,000-\$600,000 \$600,000+

- YES! I am interested in the G.I.F.T Investment Concept!
- YES! I am interested in the IRA/401K/TSA Multi Generation Program!
- YES! I am interested in the Asset Based Long- Term Care and Tax Free Legacy!
- YES! I am interested in the Healthcare REIT's, Smart Option Investment, Bond Portfolio, and/ or Current Income Generating Investments!
- YES! I am interested in the Principal Protected Low Cost New Generation Annuity Program!
- YES! I am interested in setting up a complimentary consultation to get a SECOND OPINION on my CURRENT INVESTMENTS!

Now Fax the forms to:

480-248-8988

**I have 4 Questions for you that are extremely important regarding your Current Financial Situation:**

**1. Would you be Winning By Not Losing?**

**Wait, Before You Answer, How Much Did You Lose During The Last Downturn?**

**It Was A Lot Wasn't It?**

**Would you Like To Know About A Strategy To Help Make Sure It Never Happens Again?**

**2. I Have Information That May Change You And Your Family's Lives Forever, And If You Don't Know This Information, You And Your Family Could be In Serious Financial Jeopardy.**

**3. Wouldn't It Be Nice, Just Once In Your Life, To Know About Something Bad That Was Going To Happen Financially, Before It Happened? And Before You Answer, Wouldn't It Be Amazing To Be Positioned To Actually Take Advantage Of That Occurrence When It Happened?**

**4. May I Ask You A Question?**

**Do You Want To Be Rich? Or, Do You Want To Help Ensure That You Will Not Be Poor?**

**And, What If I Could Show You A Way That Even If You Ran Out Of Money, You Would Not Run Out Of Income?**

**Would You Like To Know How To Do That?**

For more information, visit our website at:

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**or call 1-800-957-5604 x 200**

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By:

**Anil Vazirani** (LUTCF)

Investment Advisor Representative

6 Year Top of Table (MDRT)

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