



# **JEFFERSONIAN GROUP, LLC**

## **The Source for Freedom and Self-Reliant Information**

### **FINANCIAL INDEPENDENCE = FREEDOM & SELF-RELIANCE (Observations and Considerations for Young and The-More-Experienced)**

**Suggested Personal Rules of Life**

**February 22, 2013**

The next several decades are going to be both interesting and challenging. To meet this challenge and prosper, there are several things you may want to keep in mind. First, nothing is permanent<sup>1</sup>, i.e. nothing stays the same. Second, the *common knowledge* most of us have grown up with, was taught in school, and, hear from the media and the political establishment, may be incorrect or misleading. And finally, consider taking the approach to life’s challenges as if there are no problems, only opportunities.<sup>2</sup> To take advantage of the opportunities that present themselves, you must be prepared and flexible in order to successfully adapt to changing circumstances. Every time something negative happens to you, view it as an occasion to reevaluate your situation and make any appropriate changes necessary to improve your life.

### **Inside This Issue**

- **The Failure of Common Knowledge .....2**
- **Considerations for a formal education .....3**
- **Buying a house may no longer be a solid investment .....4**
- **The State is Doomed...and Other Reasons to be Optimistic .....5**
- **The coming crisis and reasons for optimism .....9**
- **Some thoughts on voting .....10**
- **Be prepared for the worst and prosper .....12**
- **The Crash Ahead, Strategies for a World Turned Upside Down .....12**

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<sup>1</sup> Nothing is permanent in the material world only. Human nature appears unchanged since recorded history; that is the real problem we face today (see discussion beginning on page 5, *Lessons not learned from history*).

<sup>2</sup> An old Chinese proverb; also used and paraphrased by John Lennon in several songs.

- **Financial Independence = Freedom & Prosperity .....13**
- **Financial Planning, Pay yourself first .....14**
- **Live below your means – minimize expenses .....14**
- **Establish an emergency reserve .....15**
- **Cautionary advice concerning money managers and brokerage firms .....16**
- **Strategies requiring perfect timing .....17**
- **Einstein’s law of compound interest .....18**
- **Invest Wisely on Your Own, Open a brokerage account .....19**
- **Subscribe to several newsletters .....19**
- **Final thoughts – more to come .....19**

**The Failure of Common Knowledge<sup>3</sup>**  
**by Douglas French**

According to Jeffrey Tucker, “It takes a shockingly long time for the masses of people to pick up on new realities. This is especially true if the new realities reverse very old trends that have burrowed certain false assumptions in our minds. As examples, most people even today assume that you should:

- Get as much formal education as possible
- Buy a house as a solid investment
- Look to the stock market as an economic barometer
- Trust the Fed as the nation’s money manager

Another thing that everyone knows: Prisons keep us safe from predators. But what if all of these things are wrong, and not just a bit wrong, but wholly incorrect? What if, for example, hanging around in school for as long as possible is the worst life step you can possibly take? What if the real criminals are still in the streets, and most people behind bars are not really threats to anyone?”<sup>4</sup>

Douglas French, in a one-volume book, addresses these misnomers and “presents the bracing reality in light of our changed times.” *The Failure of Common Knowledge* “applies economics and contemporary facts to upend many common assumptions people make about critical life decisions. He shows that the common views do not take account of the real costs and risks—or the actual facts on the ground in our

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<sup>3</sup> This book is available from Amazon.com, Kindle version only, or through Laissez-Faire Bookstore at <http://lfb.org/today/the-failure-of-common-knowledge/>

<sup>4</sup> Tucker, infra note 8.

crazy, mixed-up world.”<sup>5</sup> Regardless of your circumstances, this is a book well worth your reading; it might help in changing your paradigm, which may contribute to your success in the turbulent years to come.

### Considerations for a formal education

For those of you who are about to apply to college and for parents of high school children, I urge you to get a copy of French’s book, *The Failure of Common Knowledge*. Chapter 1, Underwater Degrees, may assist you with your decision making process. At the very least, it will let you know what you are getting into, which is much different than when many of us went to college.

In addition, you may want to consider what Nathan Harden, a 2009 graduate of Yale has to say: “In 1951, William F. Buckley, Jr., a graduate of Yale the year before, published his first book, *God & Man at Yale*.” Buckley described two ideas he had brought with him to Yale, which governed his view of the world:

I had always been taught, and experience had fortified the teachings, that an active faith in God and a rigid adherence to Christian principles are the most powerful influences toward the good life. I also believe, with only a scanty knowledge of economics, that free enterprise and limited government had served this country well and would probably continue to do so in the future.

“The body of the book provided evidence that the academic agenda at Yale was openly antagonistic to those two ideas—that Buckley had encountered a teaching and a culture that were hostile to religious faith and that promoted collectivism over free market individualism. Rather than functioning as an open forum for ideas, his book argued, Yale was waging open war upon the faith and principles of its alumni and parents.” In *Sex and God at Yale*, Nathan Harden “shows that Yale’s liberals are still actively working to refashion American politics and culture.”<sup>6</sup>

Harden continues, “Unfortunately, what’s happening at Yale is indicative of what is occurring at colleges and universities across the country. . . . Our universities have lost touch with the purpose of liberal arts education, the pursuit of truth. In abandoning that mission—indeed, by denying its possibility—our institutions of higher learning are afflicted to the core.”<sup>7</sup>

Doug Casey, a highly respected author, publisher and professional investor, has another perspective:

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<sup>5</sup> *Id.*

<sup>6</sup> Nathan Harden, Editor, *The College Fix*, *Man, Sex, God, and Yale*, Imprimis, Jan. 2013, Vol. 42, Number 1, a publication of Hillsdale College ([www.hillsdale.edu](http://www.hillsdale.edu)). Actually, the transformation began in earnest in 1913 with the passage of the Federal Reserve Act, creating the central bank we know as the Federal Reserve System, and the 16<sup>th</sup> Amendment, granting Congress the right to tax incomes. Our fate was sealed in 1937 when the Supreme Court stopped protecting economic freedom.

<sup>7</sup> *Id.*

There is no point at all in going to college today, unless you're looking to learn a trade [e.g., Attorney, Accountant, Doctor, Engineer, Educator, etc.]. Or, perhaps, because of the people you meet in college might be of some future benefit to you. . . . But if you look closely, the very best and brightest—people like Bill Gates [founder of Microsoft] or Steve Jobs [founder of Apple]—drop out, or don't even go. [*However, if you want to work for Bill Gates, get a degree in information technology or computer science—he only hires college graduates.*] . . . I would suggest that a parent thinking of allocating \$40,000 to \$50,000 per year for four years of college education instead grubstake their kid with the same money. You could even make it a fraction of that, to be put into actually doing something, like starting a business or trying out different investment strategies, and get a lot more experience and knowledge for your kid as a result.<sup>8</sup>

You do not necessarily need to go to a four-year college to develop the skills to earn a respectable living or to acquire knowledge. There are many trades and apprenticeship programs that do not require a Bachelor's Degree. In addition, starting a business does not require a college education. And, if you are interested in history, literature, philosophy, the classics, religion, science or math, you can listen to 30-minute lectures, by some of the best university professors and world-class experts, while at home or driving in your car ([www.TheGreatCourses.com](http://www.TheGreatCourses.com)).

Furthermore, it is never too late to go to college and obtain a degree—many successful people have gone back to school after they became financially independent. Others have gone back to college after acquiring some working experience, once they decided what they really wanted to do for a living; and, realized that a degree from a University was required.

### **Buying a house may no longer be a solid investment**

For the most part, “young people have gotten the message. When they set out on their professional careers, they are avoiding mortgage debt. They are keeping their possessions low. They are renting not only residential space but also furniture. This way they stay free, independent, and flexible. It represents a dramatic change—and one far more in keeping with the market realities.”<sup>9</sup>

However, in the past, it was believed that young couples should buy a house in order to invest money and start accumulating capital or wealth. The problem today is that the housing crisis, which began in 2008, is not yet resolved. Therefore, there is a good chance today that housing prices will go down from here.<sup>10</sup> According to H. S. Dent,<sup>11</sup> with the exception of just a few markets (e.g., Las Vegas and Reno, Nevada, Phoenix, Arizona, and Atlanta, Georgia), housing prices may fall another 30% or more in

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<sup>8</sup> Doug Casey, *Totally Incorrect Conversations With Doug Casey As told to Louis James*, p. 222, Laissez Faire Books (2012).

<sup>9</sup> Jeffrey Tucker, *The Failure of Common Knowledge*, Laissez Faire Today, Jan. 9, 2013.

<sup>10</sup> *Id.*

<sup>11</sup> Harry S. Dent, Jr. ties demographics to his economic forecasts; his website is [www.hsdent.com](http://www.hsdent.com).

places like Tampa, Orlando, Jacksonville and Miami, i.e. even though property in Miami lost over 50% in value, “there is still another 33% to 43% drop ahead there” in spite of recently rising prices.<sup>12</sup>

In addition, the Consumer Financial Protection Bureau just issued new rules which apply to financial institutions who make mortgages. The increased level of intrusive paperwork and the unintended consequences of these regulations “lays the foundation for the next bust.”<sup>13</sup> Douglas French, author of *The Failure of Common Knowledge*, recommends, “Travel light, avoid the intrusive paperwork, and rent. The money you save and the flexibility you gain will be well worth it.”<sup>14</sup>

And, by applying the financial planning concept of *Cost of Possession*, to determine whether to rent or own a home, you may very well determine, especially in today’s environment, it is much cheaper to rent. “Holding title to something doesn’t mean you have absolute control over it [and] having paid for something doesn’t mean it no longer costs you anything to use it.” For example, if you buy a house, put 20% down and obtain a mortgage loan from a bank for the remainder, the bank effectively owns 80% of the property; and, it controls what you do with your house until the mortgage balance is paid off.<sup>15</sup>

Even when the mortgage is paid off, you must continue to pay your annual property taxes and homeowner’s association dues, along with many other costs of ownership, e.g., insurance, maintenance and repairs, etc..<sup>16</sup> And, if you do not pay your taxes or homeowner association dues, even if your mortgage is paid off, you still may lose your home in foreclosure.

Many times control, without ownership, is less costly and allows for more flexibility, especially in today’s environment.

### **The State is Doomed... and Other Reasons to be Optimistic<sup>17</sup>**

#### **Lessons not learned from history**

According to Dr. Will Durant, a renowned historian who was awarded the Pulitzer Prize and the Medal of Freedom,

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<sup>12</sup> *Id.*; this information came from Dent’s *Survive & Prosper* publication of Nov. 26 and 27, 2012.

<sup>13</sup> Douglas French, *The Dangers of Mortgage Debt*, *Laissez Faire Today*, Jan. 19, 2013.

<sup>14</sup> *Id.*

<sup>15</sup> Mark Ford, *Cost of Possession: Introducing a New Concept in Financial Planning*, *The S&A Digest: The Master Series*, from the desk of Porter Stansberry, Feb. 16, 2013; Mark Ford is the founder of *The Palm Beach Letter* and coined the phrase *Cost of Possession*. However, this concept has been around in economics and financial planning for a long time, e.g., what are the opportunity costs associated with the question of whether one should buy or rent something. Mark Ford has come up with the phrase *cost of possession* and defines it as “the full cost of using any non-consumable good, from a house to a car to a fountain pen, over a given period of time.”

<sup>16</sup> *Id.*

<sup>17</sup> This is a title of a speech by Joel Bowman reprinted in *The Daily Reckoning* ([dr@dailyreckoning.com](mailto:dr@dailyreckoning.com)).

known history shows little alteration in the conduct of mankind. The Greeks of Plato's time behaved very much like the French of modern centuries; and the Romans behaved like the English. Means and instrumentalities change; motives and ends remain the same . . . the imitative majority follows the innovating minority . . . History in the large is the conflict of minorities; the majority applauds the victor and supplies the human material of social experiment. . . In every age men have been dishonest and governments have been corrupt . . . Since we have admitted no substantial change in man's nature during historic times, all technological advances will have to be written off as merely new means of achieving old ends—the acquisition of goods, the pursuit of one sex by the other (or by the same), the overcoming of competition, the fighting of wars. One of the discouraging discoveries of our disillusioning century is that science is neutral: it will kill for us as readily as it will heal, and will destroy for us more readily than it can build.<sup>18</sup>

As stated by Dr. Durant, “Democracy is the most difficult of all forms of government, since it requires the widest spread of intelligence, and we forgot to make ourselves intelligent when we made ourselves sovereign. Education has spread, but intelligence is perpetually retarded by the fertility of the simple. . . ignorance lends itself to manipulation by the forces that mold public opinion. It may be true, as Lincoln supposed, that “you can't fool all the people all the time,” but you can fool enough of them to rule a large country.”<sup>19</sup>

In the “Old World,” superstition and religion (Divine Right of Kings) were used to control society, e.g., only the clergy was allowed to read and interpret the bible. In the United States of today, we should ask ourselves whether superstition and religion have been replaced with the promise of democracy and compulsory education. With the advent of government-controlled compulsory education, less emphasis has been placed on inalienable or individual rights,<sup>20</sup> leading many of us to regard democracy to be a greater good than individual freedom.

However, it is important to realize that individual freedom and protection of private property, not democracy, was the original intent of the American constitutional order. In fact, the word “democracy” is not used in the Constitution, and the Founders were so determined to avoid the problems associated with democracies that they specifically guaranteed within the Constitution, a Republican Form of Government” to each State.<sup>21</sup>

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<sup>18</sup> Will & Ariel Durant, *The Lessons of History* (1968), Simon & Schuster Paperbacks (2010).

<sup>19</sup> *Id.*

<sup>20</sup> Inalienable or individual rights being referred to are negative rights found in the Declaration of Independence to include the rights to life, liberty and the pursuit of happiness or property, e.g., we have the right to pursue Health Care (the pursuit is a negative right), as opposed to a positive right to health care enslaving others to pay for and/or to provide someone else health care. Positive rights are granted by the State and requires the enslavement of some individuals to benefit other individuals or favored groups; properly understood, positive rights are unconstitutional.

<sup>21</sup> U.S. Constitution, Article IV, Section 4.

Since most of us believe we live in a democracy rather than a Constitutional Republic with written guarantees protecting inalienable rights, it becomes much easier for politicians to erode and circumvent such rights using democracy or majority rule as justification. Examples of this misunderstanding is extremely prevalent with respect to self-defense, gun laws, taxation,<sup>22</sup> and economic activity.<sup>23</sup>

The political establishment<sup>24</sup> has no idea what individual freedom or *rightful liberty* even means. Thomas Jefferson defined *rightful liberty* as “unobstructed action according to our will within limits drawn around us by the equal rights of others—I do not add ‘within the limits of the law,’ because law is often but the tyrant’s will, and always so when it violates the right of an individual.”

Our political establishment, which includes most of the media and academia, suggests that democracy and freedom go hand-in-hand; and, by having the right to vote and the ability to enter politics, we are free individuals. Unfortunately, the masses have succumb to this fallacy. Aristotle recognized that democracy represents tyranny by the many, which was understood by our Founders. The simplest illustration of democracy is the example of two wolves and one sheep deciding what to have for dinner.<sup>25</sup> Put another way, “why should three men compel two men to accept their views of Life?”<sup>26</sup> Or, more specifically, as argued by Auberon Herbert (1838-1906):

Why should either two men live at the discretion of three, or three at the discretion of two? Both propositions are absurd from a reasonable point of view. If being a slave and owning a slave are both wrong relations, what difference does it make whether there are a million slave owners and one slave, or one slave owner and a million slaves? Do robbery and murder cease to be what they are if done by ninety-nine percent of the population? Clear your ideas on the subject . . . and see that numbers [or democratic majorities] cannot affect the question of what is right and wrong.<sup>27</sup>

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<sup>22</sup> There was a reason we did not have an income tax for the first one-hundred, thirty-seven years of our existence; a tax on our labor was considered a direct tax on property or a slave tax. According to Dr. Hans-Hermann Hoppe, “in transferring this right [unlimited taxation of private property] . . . a person would submit himself into permanent slavery.” See *Democracy—The God That Failed*, p. 227, Transaction Publishers (2001), Ninth paperback printing (2007).

<sup>23</sup> R. G. Beard, Jr., *An Inquiry into the Impact Constitutional Interpretation has on Individual Freedom*, Dissertation in process for Doctor of Science in Law (J.S.D.) from Thomas Jefferson School of Law in San Diego.

<sup>24</sup> The political establishment includes the office of the President; Congress, the Judiciary; most of the major media and academia; federal, state and local government agencies and their employees; and, corporations that accept government contracts and support the current democratic system, which is contrary to a *Constitutional Republic* established by our Founders, with a Constitution that has been purposely misinterpreted and, when convenient, ignored, over the past 75-to-100 years.

<sup>25</sup> R. J. Maybury, *Whatever Happened to Justice*, 125 (1993); the actual quotation, which appears to be incorrectly attributed to Benjamin Franklin: “Democracy is two wolves and a lamb voting on what to have for lunch. Liberty is a well-armed lamb contesting the vote.” According to Wikiquote, the phrase is too modern and the word lunch was not a term used prior to the 1820s; James Bovard, *Lost Rights: The Destruction of American Liberty*, 333 (1994), made the following statement: “Democracy must be something more than two wolves and a sheep voting on what to have for dinner.”

<sup>26</sup> Auberon Herbert, *The Right and Wrong of Compulsion by the State*, 87, Liberty Fund (1978).

<sup>27</sup> *Id.*

According to Dr. Durant, democracy is now taking “its turn in the misgovernment of mankind.”<sup>28</sup> “On one point all are agreed: civilizations begin, flourish, decline, and disappear—or linger on as stagnant pools left by once life-giving streams.”<sup>29</sup> “We should not be greatly disturbed by the probability that [the government of the United States] will die like any other [and] the great experiment [in individual freedom has been] defeated by the high birthrate of unwilling or indoctrinated ignorance [caused by our compulsory education system controlled by Government].”<sup>30</sup>

The collapse of the Berlin Wall in 1989 and the Soviet Union in 1992 brought a dramatic end to a seventy-year experiment between two alternative ways of organizing an economy: central planning and control by government ( i.e. socialism) versus private markets (i.e. capitalism). This collapse affirms Friedrich A. Hayek’s thesis “that central planning is indeed *The Road to Serfdom*.”<sup>31</sup> However, according to Nobel Laureate Dr. Milton Friedman, “Political leaders in capitalistic countries who cheered the collapse of socialism in other countries continue to favor socialist solutions in their own. They know the words, but they have not learned the tune.” In other words, in spite of the failure of central planning, politicians in the United States are ignoring private property rights and freedom of contract principles in favor of heavy regulation and taxation or, more government control over what the Founders believed to be inalienable rights. Dr. Friedman continues, “. . . governments of so-called capitalist countries are just as backward as governments of communist countries in dismantling the socialistic practices that have mushroomed in recent decades.” In addition, Dr. Friedman cites the never-ending increase in the fraction “of . . . income that goes to finance government spending” and “the flood of detailed regulations that control [American’s] lives” and states, “In the words of the Declaration of Independence, [the United States government] continues to erect ‘a multitude of new offices’ and send ‘swarms of officers to harass [the] people and eat out [their] substance’.”<sup>32</sup> Dr. Friedman points out that governmental planning is not effective and that such planning compromises citizens’ inalienable rights to liberty and the pursuit of happiness.<sup>33</sup> Also, with Dr. Friedman’s use of the *Declaration*, this strongly suggests that the dispute the Colonists had with King George III in 1776 exists today between the citizens of the United States and the government of the United States. This dispute today may have less immediate significance because of the promotion of democracy and compulsory education controlled by government.

However, it does not matter that the majority of Americans think they desire the ability to enslave and take property from the productive minority; the present economic system is unsustainable—it will implode. Several prominent historians have compared what is happening in the United States to the last days of the Roman Empire before it fell.

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<sup>28</sup> Durant, *supra* note 18 at p. 71.

<sup>29</sup> Durant, *supra* note 18 at p. 90.

<sup>30</sup> Durant, *supra* note 18 at p. 100 & 101; Durant suggests that our experiment in freedom, given us in 1776 by our Founders, may be defeated with the demise of the U.S. government; I have changed this because I believe the U.S. Government has already destroyed our experiment in freedom.

<sup>31</sup> Milton Friedman, *Capitalism and Freedom*, p. viii, University of Chicago Press (2002).

<sup>32</sup> Milton and Rose Friedman, *Free to Choose*, p. ix – x, First Harvest edition (1990).

<sup>33</sup> The Economist, *Free Exchange, The Chicago Question, What would Milton Friedman do now?*, p. 68; According to the article, “The Chicago economist was a critic of the over-mighty state (which has only got over-mightier since his death in 2006).”; the article quoted Dr. Friedman, “If you put the federal government in charge of the Sahara desert, in five years there’d be a shortage of sand”; “Nothing is so permanent as a temporary government programme.”



## The coming crisis and reasons for optimism

After the re-election of President Barack Obama, in his December 2012 issue of *U.S. & World Early Warning Report*, Richard J. Maybury<sup>34</sup> stated, "I'm thrilled about the outcome of the presidential election; it greatly increases my optimism." Here is why,

. . . the world is in the early stages of an economic catastrophe that will last years and will be more serious than the Great Depression of the 1930s, although hopefully shorter. The question of the age is, which economic paradigm will be blamed, capitalism or socialism?

Bear in mind that in politics, mirages are the only reality. This is due in no small part to the fact that the typical voter and his teachers were raised in government-controlled schools and they know next to nothing about real economics. Whenever something goes wrong, the philosophy of the man in the White House at the time gets the blame, even if the seeds of the particular crisis were sewn a hundred years earlier.

In the minds of the mainstream press, and therefore in the minds of the voters, the 2012 election was a straightforward contest between Romney representing capitalism, and Obama representing socialism.

In the 1930s, capitalism was blamed for the Great Depression, and the country made a sharp left turn, plunging into socialism.

Obama's re-election greatly increases the chances the coming catastrophe will be blamed on socialism and during the crisis, the country will swerve back toward capitalism—meaning back toward a much smaller, cheaper and wiser government that won't yield so much poverty, riots and inflation.

In other words, in the short run, Obama's re-election is almost certainly another socialist disaster, but in the long run it's a wonderful gift. With almost no understanding of real economics, few Americans know that the federal government has been creating America's problems for more than a century. . .

My friends would tell you I was very much afraid that Romney would win and the coming disaster would be blamed on capitalism. The country would react as it did in the Great Depression, taking a hard left turn. There would be no reversing the decline into deeper socialism, and then we'd plunge into a dark age like the one that destroyed the socialist Roman Empire.

A dark age? Yes, try to imagine a great depression four centuries long. But Obama's win greatly increase our chances of pinning the blame where it belongs, on socialism, and on avoiding a dark age. . . We didn't dodge a bullet, it's still coming, but odds are much better that, we did dodge an artillery shell.

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<sup>34</sup> [www.richardmaybury.com](http://www.richardmaybury.com)

In *Beyond Democracy*, the authors pretty much sum up our problem: “The only difference between progressives [democratic party] and conservatives [ republican party] is that the former are likely to complain about too much economic freedom, and the latter about too much social freedom. This is at a time [worldwide] when there have never been so many laws and taxes have never been so high!”<sup>35</sup>

Unfortunately, to make matters even worse, the lines between progressives and conservatives are not always crystal clear—what is certain is that both groups or parties desire to force their beliefs on the rest of us. Think about it, we are either free or we are slaves; there is no in-between. Right now, even though we have been granted certain rights, we are slaves to those who are in control. They pick the winners and losers; they decide how much of our income and property we can keep; they determine what we can purchase and from whom; they determine the businesses we can start and what we need to do to start them; they control our relationships with our employees and customers; they control our international travel; and, they decide what rights we may exercise and which rights go away or are to be limited—this is not freedom, this is slavery—we have been indoctrinated.

According to H. L. Mencken (1880-1956),

The state, or, to make matters more concrete, the government, consists of a gang of men exactly like you and me. They have, taking one with another, no special talent for the business of government; they have only a talent for getting and holding office. Their principal device to that end is to search out groups who pant and pine for something they can’t get, and to promise to give it to them. Nine times out of ten that promise is worth nothing. The tenth time is made good by looting “A” to satisfy “B”. In other words, government is a broker in pillage, and every election is a sort of advanced auction on stolen goods.<sup>36</sup>

### **Some thoughts on voting**

After digesting what Mencken said above, Doug Casey’s statement that “the conventional wisdom on voting is totally wrong” makes much more sense. Casey gives reasons why no one should vote in national elections (local elections are a different story):

The first reason is that voting in government elections is an unethical act, in and of itself. That is because the state is pure, institutionalized coercion; as Mao, certainly an expert on the subject, said: “The power of the state comes out of the barrel of a gun.” If you believe that coercion is an improper way for people to relate to one another, then you shouldn’t engage in a process that formalizes and guarantees the use of coercion. . .

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<sup>35</sup> Frank Karsten and Karel Beckman, *Beyond Democracy, Why democracy does not lead to solidarity, prosperity and liberty but to social conflict, runaway spending and a tyrannical government*, p. 9, published/copyright 2012, available through Amazon.com.

<sup>36</sup> This quote found in an FFF Email Update by The Future of Freedom Foundation, [www.fff.org](http://www.fff.org); also available at <http://www.goodreads.com/quotes/show/407890>.

As P.J. O'Rourke says in his new book,<sup>37</sup> and as I've always said, voting just encourages them. . .

Your vote doesn't count. . . As Stalin once said, it's not who votes that counts. It's who counts the votes. . .

People say that if you live in a democracy, you should vote. But that begs the question of whether democracy itself is any good. And I would say no, it's not. Especially in a democracy unconstrained by a constitution. That, sadly, is the case in the U.S., where the Constitution is nearly 100% a dead letter. Democracy is nothing more than mob rule dressed up in a suit and tie. It's no way for a civilized society to be run.<sup>38</sup>

When Doug Casey was asked, What do you say to people who say if you don't vote, you have no right to complain? Casey's response, "That argument is more than fallacious, it's spurious. Actually, it's the non-voter who has a right to complain. The voter endorsed the whole charade; he voted for his ruler, and now he has to do as he's told."<sup>39</sup>

As Emma Goldman once quipped, "If voting changed anything, they'd make it illegal." All kidding aside, Porter Stansberry says, "when I say my vote doesn't count, I don't mean no one will count it. I mean that, given the structure of our tax laws, there's no way my voice will possibly matter." Mr. Stansberry continues, "The reason I don't vote (and you shouldn't either) is ... *Our current system of governance is nothing more than tyranny, and it's on track to destroy our country.*"<sup>40</sup>

"Today, about 10% of the population pays for roughly 75% of all income taxes. This kind of progressive tax structure, where a tiny fraction of the population pays essentially all of the government's spending, creates the illusion that the government and its services are free. Our system is a lie. The lie that you can live at the expense of your neighbor."<sup>41</sup>

"This system will inevitably lead to more and more government, higher and higher taxes, and bigger and bigger deficits. This system will eventually destroy our country, just as abuses like these have destroyed every democracy in history."<sup>42</sup> The collapse of the former Soviet Union in 1992 is the most recent example of the complete failure of central planning and socialist policies. The only reason we have lasted as long as we have is because we became extremely wealthy due to minimal government, little-to-no regulation, and minimal-to-no income taxes for the first 100-to-150 years of our existence. In addition, because of the wealth accumulated and the successful outcome of World War II, the U.S. dollar is the reserve currency for the world; and, the U.S. government can print as much of it as it needs and/or wants—this ability to print money has and will keep the United States government in power much longer, especially as long as the U.S. dollar retains its reserve status.

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<sup>37</sup> [www.totallyincorrectbook.com/go/233](http://www.totallyincorrectbook.com/go/233)

<sup>38</sup> Casey, supra note 8 at p. 264-266.

<sup>39</sup> Casey, supra note 8 at p. 267.

<sup>40</sup> Porter Stansberry, *The S&A Digest, from the desk of Porter Stansberry*, Nov. 6, 2012.

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*

## Be prepared for the worst and prosper

Contrary to establishment doctrine,<sup>43</sup> there are a few scholars and historians that are predicting the impending demise of the United States government. Since recorded history, all governments “begin, flourish, decline, and disappear”— while the people, and in some cases the countries, survive despite the demise of their overextended and tyrannical governments.

For those of us living in Florida, we all know what happens when a hurricane is forecast to come our way—grocery store shelves are empty, bottled water is not to be found anywhere, gasoline is hard to come by, along with other basic necessities of life we have so become accustomed to. Therefore, whether or not you believe our government may be in trouble and unable to protect us, other disasters may occur, including a terrorist attack. Accordingly, it may be prudent to consider having enough food, water, and other supplies on hand to take care of each member of your family for at least three months. In addition, you should seriously consider having the ability to defend yourself, your family, and your property.

The people, who do not bury their heads in the sand, so-to-speak, who are prepared, tend to survive and prosper during such turbulent times. And, if nothing bad happens, what have you lost by being prepared?

### **The Crash Ahead, Strategies for a World Turned Upside Down By Harry S. Dent<sup>44</sup>**

Even if you like the current political system and strongly believe that our elected officials will do the right thing and fix the current mess we are in, it does appear that we may be heading for some hard times economically. According to Harry S. Dent, “between now and 2019 we face the perfect storm” because of demographics; and, geopolitical cycles which shift every 18-years. The last positive cycle was 1983 to 2000, which “turned negative in 2001 and created a market that moved more sideways than up . . . this [negative cycle] should last into around 2019.”<sup>45</sup>

According to Mr. Dent,

This crisis is likely to be at its worst by early 2014, or by early 2015 at the latest, and only after stocks crash to between 3,300 and 5,600 on the Dow by the end of 2013, or 2014 at the latest. Home prices will fall by 55% to 65% from the top before this crisis is over. Also, the crash will be worldwide, not just in the United States and Europe, as the dramatic China bubble comes to an end. . . **The next few years and the next decade will be the most challenging you have ever seen or will see in your lifetime.**<sup>46</sup>

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<sup>43</sup> Supra note 24.

<sup>44</sup> Available through Amazon.com or directly by author at [www.hsdent.com](http://www.hsdent.com)

<sup>45</sup> Harry S. Dent, Jr., *The Next Boom ... Guaranteed!*, Survive & Prosper, Feb. 14, 2013.

<sup>46</sup> Harry S. Dent, Jr., *The Great Crash Ahead, Strategies For A World Turned Upside Down*, p. 15-16 (emphasis added), Free Press (2011).

During the Great Depression and stock market crash, which began in 1929, even though fortunes were lost, *fortunes were also made by those that had the cash to buy stocks at depressed and below market value prices*. If Mr. Dent 's forecasts are correct, this represents another lifetime opportunity similar to what occurred during the Great Depression, where fortunes were lost by many and made by the few that were prepared.

In addition, Mr. Dent predicts that the next boom cycle will run from about 2023 through 2036.<sup>47</sup> So plan accordingly to prosper rather than follow the crowd and be ruined financially.

### **Financial Independence = Freedom & Prosperity**

Financial independence has nothing to do with retirement. In fact, nobody should ever retire. According to Dr. David Eifrig, Jr., "too many people work and save all their lives only to retire and discover they are bored... literally to death. Many succumb to depression and disease (even terminal illness) because they are unprepared for the mental shift in retirement. In fact, a shocking study in 2005 showed people who retire at age 55 die twice as fast as those who keep working."<sup>48</sup>

Colonel Harland David Sanders (1890-1980), at age 65, after his restaurant failed because of reduced customer traffic from the newly completed Interstate 75, took \$105 from his first Social Security check and began visiting potential investors that may be interested in becoming franchisees. About nine years later he sold the Kentucky Fried Chicken corporation for \$2-million to a partnership of Kentucky businessmen. This sale did not include his Canadian franchises. One year later he moved to Mississauga, Ontario to oversee his Canadian franchises; and, he continued to collect franchise and appearance fees in both Canada and in the United States. He also created several charitable trusts that to this day continue to donate money to various groups that specialize in women's and children's care. Colonel Sanders was 90 years old when he passed away.<sup>49</sup>

The Colonel Sanders story illustrates several important lessons: It is never too late; learn from your mistakes, never give up, adapt and prosper. Also, this is an excellent example of turning a negative event, i.e., the failure of a business, into something much more beneficial. After all, there are no problems, only opportunities. Colonel Sanders took this negative event—the failure of his business—reevaluated his situation and made changes. The changes he made greatly improved his life and the lives of many others, who are continuing to this day to benefit from his success.

Therefore, your goal should be financial independence and not retirement. Financial independence allows a person to work less, participate in more leisure activities, change careers, start new businesses, organize and contribute to charitable causes, etc.. Furthermore, the quicker you become financially independent, the more freedom you have to do as you so please.

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<sup>47</sup> Dent, supra note 45.

<sup>48</sup> David Eifrig, Jr., *The Retirement Millionaire Manifesto*, Retirement Millionaire Research Report, Stansberry & Associates.

<sup>49</sup> [http://en.wikipedia.org/wiki/Colonel\\_Sanders](http://en.wikipedia.org/wiki/Colonel_Sanders)

## Financial Planning

When it comes to financial planning, for the most part, there is no right or wrong way to do things—it is all about choices. However, it is extremely important that you have all the relevant information at your disposal before you make your decision. Otherwise, you might actually end up regretting your decision because the information used to plan your financial affairs was inaccurate and/or incomplete. The point of the discussion above (e.g., the *Failure of Common Knowledge*, etc.) is to assist you with obtaining and analyzing all the relevant information that may be important to the choices you ultimately make.

In addition, for most of us, financial independence will come sooner if we choose to save, rather than consume or satisfy our immediate wants and desires ( e.g., luxury cars, big homes, etc.). Again, we all are individuals with different tastes, desires, and goals; and, the choices we make are going to be based upon those desires and goals. There is absolutely nothing wrong with this as long as you recognize that immediate consumption or the satisfaction of desires may require, for example, another 5-to-10 years before you obtain financial independence.

### **Pay yourself first<sup>50</sup>**

A common strategy recommended by financial planners is the pay yourself first principle. For example, when you sit down to pay your bills (e.g., rent or mortgage, utilities, auto, etc.), the first payment should be to yourself. Normally it is recommended that you take the first 10% of your earnings or paycheck and save or invest that amount every time you pay your bills. The 10% should be based upon your gross salary or earnings, not the net amount (after federal income taxes, Social Security & Medicare taxes are withheld or taken out of your paycheck).

If your goal is to become financially independent as soon as possible, consider paying yourself 30% or more rather than 10%.

### **Live below your means – minimize your expenses**

There is only one way to become financially independent and to stay financially independent—you must generate income and this income must be greater than your expenses. For the majority of us, the greatest amount of income or cash flow that we receive will be from our careers. Accordingly, you should first do all that you can to maximize your career earnings. If you are unhappy with your career choice or you cannot generate enough income from your chosen career, try something else. Other considerations would include working a part-time job or starting a side business<sup>51</sup> to increase your income.

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<sup>50</sup> Parents may be able to instill this principle in their children by encouraging them to save 10%-to-30% of their allowances, monetary gifts, and part-time job income.

<sup>51</sup> Unfortunately our government-controlled schools emphasize finding a job and working for somebody else rather than encourage and foster the entrepreneurial spirit. Over the next decade, it may be very difficult for college graduates to find the type of job they desire that pays well; many may end up working several part-time jobs for a while—this would be the time to encourage them to start their own business. There are many sources to include

The final part of the equation is to keep expenses less than your income. This is much easier to do for those of you who just left college and are fortunate enough to be starting your career. If you are able to move back home and live rent-free with your parents for a year or two, you should be able to save the equivalent of the rent, utilities, etc. that you are not paying, along with 10%-to-30% of your gross income (the pay yourself first principle).

Also, if you move into a neighborhood where everybody drives luxury cars and belong to country clubs, you will most likely end up making the same choices as your neighbors, which is fine, but, such a lifestyle will most likely increase the amount of time required for you to become financially independent.

In summation, to stay on the road to financial independence and to maintain financial independence once you have arrived, you must always live below your means, i.e. your income must always exceed your expenses. To do this may require flexibility and preparation; and, for many of us, from time-to-time, we will have to make sacrifices and accept some unpleasant choices.

### **Establish an emergency reserve**

The first thing one should do with the extra income received over your expenses, including the 10%-to-30% from the *pay yourself first principle*, is to establish an emergency reserve of cash savings, which may be maintained in a bank account with FDIC insurance. The minimum reserve should be enough to cover your monthly expenses for at least three (3) months; certain individuals or families should have an emergency reserve to cover up to 12-to-18 months of expenses.

For those of you who have your own businesses and have had a consistent cash flow for many years and expect it to continue, a three (3) month reserve is suggested just to cover unexpected expenses that may arise.

When your main source of income is from employment and the business you work for is strong, it is suggested your emergency reserve cover at least twelve (12) months of expenses. When you work for someone else, you do not control you situation completely, so you should consider an extra cushion just in case you are asked to leave.

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*Small Business For Dummies, 101 Businesses You can Start With Less Than One Thousand Dollars, 101 Small Business Ideas for Under \$5,000* and programs like Shark Tank, along with an unlimited amount of online resources. ***My grandfather always advised me that a job should be considered a paid education and once you learned all you could from a given job, you move on to next job until you saved enough and learned enough to start your own business.*** During the Great Depression, he built most of the bridges in Northern Illinois and Wisconsin, while my Grandmother was somewhat ashamed of their wealth at a time when many others suffered, even though they employed 30-to-50 men and gave to charities. Then World War II came along and the war effort ended his business; my Grandmother, a former teacher in a one-room school house, stepped up and started a restaurant, which she successfully ran into her late seventies. The point here is that many of our ancestors never relied on anybody but themselves, a quality that will become very useful going forward; and, no matter how successful you become, circumstances that are beyond your control can change everything overnight—therefore, be prepared and be flexible.

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And, if you have any concerns about the business you work for or your own business is experiencing difficulties, an emergency reserve for eighteen (18) months or more should be considered.

Again, with the exception of human nature, nothing stays the same. We need to be flexible and adjust our emergency reserve when our circumstances change.

### **Cautionary advice concerning money managers and brokerage firms**

Once you have accumulated an adequate emergency reserve, the next thing you must do is start investing wisely using the compounding principle (see **Invest Wisely on Your Own** below). However, we have gotten very specialized and it is now customary for us to turn our investment capital over to professional money managers, investment advisors, and brokerage firms. The typical fee is 1%-to-3% and more of the assets under management, depending upon the services provided and the amount invested. In addition, these financial advisors/money managers normally get paid even when they lose our investment capital.

Some very intelligent people lost fortunes with the likes of Bernie Madoff. Athletes, musicians, and other high-profile individuals have also lost millions to unscrupulous financial managers. In addition, most financial managers and brokerage firms had their clients heavily invested in tech stocks in 1999 when this sector of the market was at an all-time high and crashed; and, they continued to keep their clients substantially invested in stocks during the 2000-to-2002 stock market melt-down. This happened again in 2008 when the broad market ( S&P 500) lost 38.50% of its value. In spite of these losses, the money managers and brokerage firms still got paid their 1%-to-3%, adding to their clients' accumulated losses.

And, if you had invested all of your investment capital in the broader market (S&P 500 Index) at the beginning of 1999, twelve (12) years later at the end of 2011, you would have lost 14.36% of your original investment, e.g., if you had invested \$100,000, 12-years later you would only have \$85,640 in your account.

In spite of this inadequate performance, many money managers and brokerage firms have re-invented themselves; they put together illustrations and projections which overlap years and begin at stock market bottoms, allowing them to show better than average returns with no losses.

Therefore, as a suggestion, you should look for at least two things in a money manager: (1) Will they admit to their mistakes and do they have a reasonable plan to avoid them in the future; and, (2) will they waive their fees if they lose your money. And, if you have money currently under management, you should ask your money manager/financial advisor what their plan is should the Dow "crash to between 3,300 and 5,600 . . . by the end of 2013, or 2014 at the latest," as predicted by H. S. Dent, i.e. are they ready to protect your investment capital from devastating losses (e.g., using trailing stops or exiting the market under certain conditions, etc.) and, will they have enough cash in your account to acquire stocks at great values after the decline. Hopefully their response indicates that they only acquire great companies at great values in the first place; and, that they never overpay or acquire a stock when it is at or near an all-time high.



One final precaution concerning financial advisors and money managers: Never write a check to a money manager; write the check to your own brokerage account and give the money manager a limited power of attorney, which allows him or her to invest your funds, but not withdraw any funds or pay any expenses.

### **Strategies requiring perfect timing**

To invest wisely on your own and/or to make sure your money manager invests wisely for you, you must have some basic knowledge. In addition, especially starting out, if you have less than \$50,000 of investment capital, you are pretty much on your own anyway; and, if your employer has a 401 (K) Plan or you want to set up an IRA account, you need some investment knowledge to make the right decisions.

It is important to understand several investment strategies that, in my opinion, may not work for you unless your timing is almost perfect. I believe the *buy and hold* approach was developed by the brokerage industry, and the financial planning community went along with it, to make their clients feel better and accept substantial losses in their portfolios when the market tanked. The problem with this strategy is that nothing stays the same, e.g., companies are prosperous for a while, fall under bad management and become mediocre and even go bankrupt. And, if you had invested all of your money in the stock market in 1929 just before the crash, it would have taken 25-years to recoup that investment. However, had you invested in stocks of the companies that survived the crash and Great Depression, when the stocks were extremely undervalued, the *buy and hold strategy* would most likely have worked very well—it is all about timing.

A strategy used by college education tax-advantaged funds is to invest the majority of the contributions in equities or stocks at a very young age and start switching to bond funds and cash as the child gets closer to entering college. Again, the problem with this fixed approach has to do with timing, i.e., if you make a substantial contribution for your child at a very young age when the market is at an all-time high and overvalued, the fund is likely to be worth less than the original contribution by the time your child enters college. Again, it is all about timing—you may come out ahead or you may not, either way, these programs are setup to be automatic. The sponsor and advisors that recommend these plans are blameless if the college fund ends up being substantially less than anticipated or projected. A better option may be a *prepaid college program* sponsored by many states, including Florida.

Another concept that is touted by several well-respected investment newsletter writers (e.g., Richard Maybury and Dr. Mark Skousen) is The Permanent Portfolio Fund (PRPFX), a concept developed by a best-selling investment author Harry Browne. Under this concept, you would invest 25% in cash, 25% in gold, 25% in bonds, and 25% in stocks; and, never have to worry about timing your investment. In addition, you are supposed to be able to put all of your investment capital into this strategy and never have to worry about it. In the early 1970s when this approach was developed, a pass book savings account for \$100 or more paid a paltry 5 ¼%, money market rates were in double-digits, and a mortgage loan with a 9 ¼% rate was considered low. Times were much different then. Today, to have 25% of your investment capital in bonds is not prudent because interest rates are so low that ultimately they have to rise. Because of this inverse relationship, bond prices will plummet when interest rates start to rise. In addition, although 25% in stocks may be prudent when the market is fairly valued and on the

rise, once it drops significantly and stocks can be acquired at historic lows, it is much more prudent to increase the amount of capital invested in stocks from 25% to as much as 75%. Even though Dr. Skousen recommends this mutual fund, it is only one of many investments he recommends to include in your investment portfolio. In addition, Richard Maybury is also worried about the 25% committed to bonds and is watching the market closely to advise his readers when to bale from this fund. The point being, nothing is permanent, except human nature. To be a successful investor, and grow your wealth on the road to financial independence and to keep it once you have arrived, you must be flexible and understand how to invest wisely.

### **Einstein's law of compound interest**

If you put \$10,000 in a DRIP (dividend reinvestment program)<sup>52</sup> “yielding 5%—and the company grows its dividend 10% each year, so that in year number two you’re earning 5.5%, in year three you earn 6.05% and so on—you’ll be sitting on well over \$5 million at the end of 30 years. And this . . . doesn’t even factor in the potential growth in share price!”<sup>53</sup>

“Investing in a DRIP address two of the most pressing problems facing . . . you today: inflation and relentlessly low interest rates.” And, a “growing number of brokers are making it easy for you to automatically reinvest their dividends, with no extra fees or commissions. . . . Fidelity and ShareBuilder offer it on all dividend-paying stocks. TD Ameritrade and Vanguard make it available on a wide range of stocks. E-Trade offers it on all shares over \$5. If you are not sure whether your current positions are set up to reinvest dividends, by all means call your broker and get the ball rolling.”<sup>54</sup>

According to Dan Ferris, editor of *The 12% Letter*, the ultimate stock strategy for the coming correction “is buying the world’s best businesses at great prices... and then compounding your way to wealth over many years.” The businesses he is talking about have DRIPs and include “blue-chip *World Dominators* like Microsoft and Coca-Cola.” “These businesses have tremendous advantages over their competitors. They generate huge cash flows, which are directed to shareholders in the form of higher dividends, share buybacks, and rising share prices.” If you buy these businesses at great prices, “a stock market correction is nothing to worry about.” “No matter what the day-to-day movements of the market are, World Dominator companies like Intel, Johnson & Johnson and Coca-Cola will still be No. 1 in their industries. They will still have giant, insurmountable competitive advantages. They’ll still have consistently thick profit margins. They’ll still generate huge cash flows. They’ll still direct a portion of those cash flows to shareholders through ever-increasing dividends. And they will still allow shareholders to put the power of long-term wealth compounding to work.”<sup>55</sup> In addition, market corrections provide an opportunity “to buy the world’s best businesses at great prices.”

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<sup>52</sup> There are more than 1,000 stocks that offer dividend reinvestment programs and some companies actually offer discounts of up to 10% off the current market price if you buy direct from them. Information is available on a particular company’s investor page or in their DRIP prospectus.

<sup>53</sup> Addison Wiggin, *The Apogee Advisory*, Issue 20, November 2012.

<sup>54</sup> *Id.*

<sup>55</sup> Dan Ferris, *The Ultimate Stock Strategy for the Coming Correction*, Steve Sjuggerud’s Daily Wealth Premium, Sept. 26, 2012.

## Invest Wisely on Your Own

### Open a brokerage account

There are at least a half-dozen online and competitive discount brokers to include TD Ameritrade, Options Xpress, Fidelity Investments, Trade King, E\*Trade Securities, and Charles Schwab. My personal preference is E\*Trade because it only requires \$500 to open an account; they allow you to reinvest all dividends (DRIPs) without fees; you can purchase stocks directly on six foreign markets; you can trade the FOREX and futures markets; and, I am comfortable with the platform and research capabilities.

So, if you do not have an online account, check them all out and open one with your available investment capital.

### Subscribe to several newsletters

My first suggestion is that you go to *Stansberry & Associates Investment Research* (<http://www.stansberryresearch.com/products>) and subscribe to *The 12% Letter* for \$99.00 per year. This is where you will find out about the *World Dominating Dividend Growers* and what price to pay for them. Once you subscribe, you will also receive some free e-letters; many trying to get you to subscribe to their many other publications.

In one of their free e-letters, *Growth Stock Wire*, they high-lighted a strategy that can make 15%-to-20% on some of the safest blue-chip *world dominating* companies (e.g., McDonald's, Microsoft, and Intel) by selling cover-calls. "In the original example in October 2010, you could buy Microsoft shares for around \$24.42 and then sell the November \$25 calls for about \$0.70. In other words, you'd buy shares [at least 100] for \$24.42, then sell someone the right to buy them from you for \$25 per share. The premium of \$0.70 resulted in an immediate 2.8% yield on the original stock position. The options sold had a lifespan of less than two months. Repeated six times per year, this was an annualized gain of about 17%." With this covered call strategy, you make money if the stock climbs, moves sideways, or even declines a little. This is an example of a safe strategy to increase your returns, once you have acquired some *world dominating* stocks at great prices, starting with the information you receive from subscribing to *The 12% Letter*.

Another newsletter I highly recommend is Richard Maybury's *Early Warning Report*, available at <http://www.richardmaybury.com/>.

And, if you go to <http://boomandbustinvestor.com/>, you can receive a free subscription to *Survive & Prosper*, written daily by H. S. Dent and his staff.

### Final thoughts – more to come

We can no longer afford to leave our financial affairs completely in the hands of the supposed experts; and, since nobody can continually time the markets, we should have a minimum of 25% of our investment capital in stocks and up to 75% after the market corrects or crashes. However, we should

never overpay for our positions. For example, in the February 2013 edition of *The 12% Letter*, only five stocks out of nineteen were in the buy range.

Therefore, if we acquire great companies at great prices and reinvest the dividends, market corrections are actually beneficial to us in that they allow us to increase our existing positions and purchase other great companies at great prices.

In the months to come, we will be discussing more opportunities to assist you on your road to financial independence; and, for those that have reached this goal, these opportunities should help you maintain your financial independence.

All the best,

Robert G. Beard, Jr., J.D., LL.M., C.P.A.