JEFFERSONIAN GROUP

CHAMPIONS OF FREEDOM AND SELF RELIANCE

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The Source for Freedom and Self-Reliant Information[1]

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."

Inside This Issue

Tax Day, The Day We Waive Our Rights

On this infamous day each year, every United States citizen and resident, who has taxable income, is required to file their individual income tax return with the Internal Revenue

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Service (our version of the *Gestapo*), pay any taxes that still may be due, or, at the very least, request an extension of time to file it.

Unbeknownst to the average person, including most attorneys and accountants, when we file our tax returns and disclose the preponderance of information required, which keeps growing each and every year, we are waiving our right to be secure in our papers and effects (4th Amendment) and our right not to be compelled to be a witness against ourselves (5th Amendment). And, to add insult-to-injury, we have to sign the return *under penalties of perjury*.

Real criminals (e.g., those that commit robbery, assault & battery, etc.) are usually subject to less harsh punishment than taxpayers attempting to protect their property, by using tax strategies & shelters not approved by the IRS. The use of tax strategies & shelters that comply with the letter of the law represents tax avoidance, which is legal. Unfortunately, the IRS has a tendency to blur legal tax avoidance with illegal tax evasion. Tax evasion or tax fraud is deemed to be money laundering; the maximum punishment is $500,000 or twice the amount of money laundered, whichever is greater, and, up to 20 years in prison for each count (18 USC § 1957).

For example, if you wrote five checks to an entity and took a tax deduction for those checks totaling $50,000, you may save up to $19,800 in federal income taxes at a tax rate of 39.6%. If you are audited several years later and the IRS deemed your tax saving strategy to be tax evasion rather than legal tax avoidance, you may be facing a maximum penalty of $2,500,000 and 100 years in prison (18 USC § 1957).

Real criminals receive a *Miranda* warning explaining their rights. We (taxpayers) are not explained our rights and are purposely lied to.

There was no income tax while our Founders were alive and no peacetime income tax for the first 118 years of our existence because the Founders believed that an income tax or any direct tax on one's labor was tantamount to slavery.

The U.S. individual income tax, as administered today, is unconstitutional. If you do not believe this, please read *The U.S. Individual Income Tax is Incompatible with a Free Society*;

it is available at www.jeffersoniangroup.com, Amazon.com, and Barnes & Noble. If you believe the arguments are sound, please encourage family members, friends, neighbors, and associates to read and distribute copies of this book.

The income tax is a fraud perpetrated against the American people. In order to restore the experiment in individual freedom started by our founders, we must get past the propaganda, require truth in politics, and, get government out of our schools.

Democracy or Freedom?

Aristotle described Democracy as tyranny by the many and said that it represented a perverted form of government. Inspired by Ben Franklin, an example of Democracy is two wolves and a lamb deciding what's for dinner; while freedom is represented by a well-armed lamb contesting the vote. If Democracy really worked, we'd all be speaking Greek today. As Dr. Will Durant wrote, Democracy is now taking its turn in the misgovernment of mankind.

The United States is now being governed as a Democracy but, we are a Republic with a Constitution that was supposed to protect individual freedom and private property rights from the majority, or tyranny by the many.

In ancient times, superstition and religion were used to control the masses; only the approved clergy were allowed to read and interpret the bible. Americans should ask themselves, has compulsory education, or rather, indoctrination, and Democracy replaced superstition and religion? Today, only the Supreme Court is allowed to interpret the Constitution and government-controlled schools teach that more government is the solution to all of our problems.

With the ratification of the 14th and 15th Amendments, chattel slavery was abolished. In 1913 with the ratification of the 16th Amendment, allowing Congress to tax all incomes, we have replaced chattel slavery of the few with slavery of the entire citizenry by those in control of government.

If Americans **are not** slaves, then the **U**nited **S**tates **Government is illegitimate**. Stay tuned!

Democracy Extinguished Our Republic

Americans "pledge allegiance to the flag, and to the Republic for which it stands," not to the Democracy for which it stands! Yet, politicians, the major media, and academia refer to the

United States as a Democracy. Unfortunately, over the past 75-to-100 years, the Supreme Court has allowed our Constitutional Republic, with a limited government to be converted to a Democracy, with an omnipotent government.

Under our unconstitutional Democracy, some Americans have been granted positive rights. To be more accurate, special privileges have been carved out for blacks, gays, women, the disabled, the poor, unions, the rich, ad infinitum. In addition, property and the "fruit of labor" of certain individuals and groups are taken away and redistributed to those groups granted special privileges.

Under the original Constitutional Republic of the United States, individuals had the same inalienable rights to life, liberty, and the pursuit of happiness or property; the taking of property from one group to give to other groups was clearly unconstitutional. Rather than take property and redistribute it, the United States government was supposed to protect private property rights and other inalienable rights from the whims of the majority. It would not matter who was elected to political office because their power was limited; individual rights and property were protected from the majority and from those that controlled government.

Today, under American Democracy, those that control government have the ability and power to enslave the masses. Any special privileges granted to one group can easily be taken away. As a result, elections do matter and impact all of us because "government is a broker of pillage and every election is a sort of advanced auction sale of stolen goods." H. L. Mencken

When Ben Franklin left Independence Hall on the final day of the Convention, he was asked by a woman, "Well Doctor, what have we got?" Franklin replied, "A Republic, if you can keep it."

Democracy has extinguished the American Republic, along with individual freedom and self-reliance.

What Not To Buy and Why

In our previous Issue 12-2017 (available at www.JeffersonianGroup.com), I discussed Ben Stein's book, *How To Really Ruin Your Financial Life And Portfolio*. As stated, Ben Stein was enamored with Warren Buffet and his company Berkshire Hathaway (BRK), which has never paid a dividend. Stein concluded that the typical investor is better off investing in low-cost index funds and avoiding the advice of brokers, money managers, and Wall Street in general. Although Stein mentioned the benefit of reinvesting dividends, it appeared to be an after-thought; he never mentioned that, as of this writing, there are 107 companies, *U.S. Dividend Champions*, that have paid and raised their annual dividends each and every year for 25 or more years in a row; or, that there are many *Contenders* that have paid and raised dividends for 10-to-24 years in a row (DRIP Investing Resource Center, http://www.dripinvesting.org/tools/tools.asp). If he had known about these companies and their dividend reinvestment programs, he would have been remiss in not including this information in his book. Why would he not know about these programs? Because Wall Street cannot make any money from them. Furthermore, the SEC, influenced by the power-brokers on Wall Street, have forbidden these companies from advertising their programs; and, if the average investor stumbles across them, they are required to send them a huge prospectus, primarily outlining the risks and none of the benefits of such a program, which only an attorney or an accountant could understand.

Tony Robbins just came out with a book entitled, *Unshakeable, Your Financial Freedom Playbook, Creating Peace of Mind in a World of Volatility*. Robbins interviewed many of the *Titans of Wall Street*, e.g., Warren Buffet, John Bogle (founder of Vanguard Mutual Funds), and Peter Mallouk, co-author and "#1 Wealth Advisor in the U.S. for 3 consecutive years by Barron's." Also, Steve Forbes wrote the Introduction.

Robbins makes a great argument for investing in the stock market. John Bogle, the founder of Vanguard Mutual Funds, wrote the forward and stated:

> . . . index fund investors receive the gross market return minus fees as low as 0.05% . . . while active investors as a group will receive the same gross return minus 2% or more. . .
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> Over an investment lifetime, this annual difference [in fees] really adds up. Most young people just starting their careers will be investing for 60 years or more. **Compounded over that time frame, the high costs of investing can confiscate an astounding 70% of your lifetime returns! . . .**
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> But we don't have to put up 100% of the capital and take 100% of the risk only to receive 30% of the reward (often far less). By buying low-cost, broad-market index funds (and holding them "forever"), you can guarantee that you will receive your fair share of whatever returns the financial markets provide over the long term.

Robbins stated,

> **The problem is, most funds do a terrific job of charging high fees but a terrible job of picking successful investments. One study showed that 96% of mutual funds failed to beat the market over a 15-year period. The result? You overpay for underperformance.** It's like paying for a Ferrari and then driving home from the dealership in a beaten-up tractor splattered with mud.
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> Even worse, those fees add up massively over time. **If you overpay by 1% a year, it will cost you 10 years' worth of retirement income.**[2]

[2] "This assumes two investors with a starting investment of $100,000, equal returns of 8% over 30 years, but with 1% fees and 2% fees, respectively. Assuming an equal withdrawal amount at retirement, the investor paying 2% in

Like Ben Stein, Tony Robbins did not allude to the existence of the *U.S. Dividend Champions* and *Contenders*. He interviewed the *Titans of Wall Street* [3] to come up with his recommendations. Most of them made their fortunes by selling investment products to the average investor.

As a result of the advice Robbins received, he makes investing more complicated than it should be and promotes the services of his co-author, Peter Mallouk, who most likely charges 1% annually of your investment capital for his services.

My suggestion, save an extra 10 years of retirement income by avoiding financial planners that charge 1% annually based upon your investment capital. You can do this by investing in Great Businesses that have DRIP's; that have a history of paying and raising their dividends each and every year. Furthermore, by investing directly in DRIP's, you may not have to withdraw any of your principal.

Therefore, the first thing **you should not buy**, as explained above, are **mutual funds** of any type, including index funds.

Do not buy bonds. There is no upside and they will not keep up with inflation. Furthermore, you have risk of principal and your returns are abysmal, i.e., the low returns do not justify the risk. Finally, interest rates have been artificially held down for far too long and will ultimately have to rise. When they rise, every increase in the interest rate represents a decrease in principal value. As a rule of thumb, with respect to bonds, if interest rates rise by 1% the principal value of your bond will drop by 10% or more.

Do not buy real estate or vacant land for investment unless you want to actively be in business and/or can do most of the work yourself. Any cash flow gained in the short-term may be needed for repairs, improvements, and fees necessary to evict bad-tenants. Vacant land, unless it is farmable, normally does not generate any income, only costs for taxes and insurance. In addition, we now have environmental concerns and government regulations to deal with. Furthermore, most people will not be able to diversify enough to avoid risk. For example, if you invest yourself or through a limited partnership, which purchases a building and leases it back to Walgreens, this sounds like a safe investment. However, if the Walgreens is located in a major city and it is burned to the ground because of riots and demonstrations similar to what happened in Ferguson, Missouri and Baltimore, Maryland, you would have lost your entire investment. Your better option would have been to invest in the DRIP offered by

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fees will run out of money 10 years sooner." **It is interesting that Robbin's co-author, Peter Mallouk most likely charges 1% for his financial planning and investment advice** and this book is promoting his services, along with Tony Robbins Companies. **My advice: Save another 1% and another 10 years of retirement income by investing in DRIP's!** By investing in DRIP's you will most likely not have to touch your principal; only the dividend payments which increase by 10% or more each and every year.

[3] T. Boone Pickens, Kyle Bass, Charles Schwab, Sir John Templeton, Carl Icahn, Robert Schiller, Dan Ariely, Burton Malkiel, Marc Faber, Warren Buffet, John Bogle, Ray Dalio, Alan Greenspan, Steve Forbes, etc.

Walgreens Boots Alliance (WBA), which has paid dividends for 41 years; and, raised their annual dividend payments for over 25 years straight, which has stores all over the United States and the entire world.

Do not buy gold for investment, it pays nothing. This is truly a speculation. Gold prices soar every so often but the prices always collapse. Furthermore, it is being sold as an ultimate replacement for the U.S. Dollar and other paper currencies. Unfortunately, if we reach the point where gold is necessary to act as a medium of exchange and all the great businesses of the world (e.g., Coca-Cola, Johnson & Johnson, Proctor & Gamble, etc.) collapse, the most valuable investments to have would be guns & ammo, the ability to raise & grow your own food, and access to a water supply.

Buy gold coins for their beauty and collectability and only if you have already obtained financial independence; or, have a great cash flow and your gold acquisitions would not significantly delay your goal of obtaining financial independence.

Great Businesses To Buy Now

In today's environment, the only safe investment is to buy great businesses with worldwide operations, that have survived wars, recessions, and depressions; and, have paid and raised dividends for at least 10-to-25 years and longer. As of this writing, there are 107 *U.S. Dividend Champions*, which have paid and raised their dividends annually for at least 25 years. In addition, there are many *Contenders* that have paid and raised their dividends for 10-to-24 years in a row. However, not all of these DRIP's are currently a good investment based upon their stock price today.

It is recommended that you purchase companies that pay at least a 2.5% or better dividend at the time of your purchase; and, that pay and raise their annual dividends by 8%-to-10% or more per year. The current price and dividend yield is usually available through your online discount broker or YAHOO! FINANCE (http://finance.yahoo.com/).

Of the 12 Great Businesses that I recommend every portfolio should include, the following 7 *U.S. Dividend Champions* meet our parameters and are current buys:

				Years of Increasing Dividends
1.	Johnson & Johnson (JNJ)	$121.55	Yield – 2.55%	54-Years
2.	Exxon Mobil Corp (XOM)	$ 81.02	Yield – 3.70%	34-Years
3.	Coca-Cola Company (KO)	$ 43.33	Yield – 3.44%	55-Years
4.	Procter & Gamble (PG)	$ 89.96	Yield – 3.05%	60-Years
5.	Wal-Mart Stores, Inc. (WMT)	$ 74.17	Yield – 2.78%	44-Years
6.	Sysco Corporation (SYY)	$ 52.31	Yield – 2.52%	47-Years
7.	McDonald's Corp (MCD)	$132.81	Yield – 2.86%	41-Years

Two additional Great Businesses that I recommend should be in everyone's portfolio are also considered a buy in today's market:

• Intel Corporation (INTC)	$ 36.14	Yield – 3.07%	Paid Dividends for 22-Years
• Walt Disney Company (DIS)	$114.11	Yield –1.37%[4]	Paid Dividends for 33-Years

The following *U.S. Dividend Champions* are also good buys in today's market:

1. Kimberly-Clark Corp (KMB)	$133.29	Yield – 2.90%	Paid & Raised 45-Years
2. PepsiCo Inc. (PEP)	$114.01	Yield – 2.66%	Paid & Raised 44-Years
3. Target Corp (TGT)	$ 54.10	Yield – 4.47%	Paid & Raised 49-Years
4. VF Corp (VFC)	$ 55.73	Yield – 3.05%	Paid & Raised 44-Years
5. Weyco Group Inc. (WEYS)	$ 28.07	Yield – 3.00%	Paid & Raised 35-Years

Look at Target, which has paid and raised its dividends for 49 years; it's yield is 4.47%. With Amazon.com the retail businesses like Target do pose some additional risk that did not exist before Amazon.com and online shopping. Regarding Wal-Mart (WMT), I heard a financial commentator last week state that Wal-Mart was getting into online shopping big-time and is challenging Amazon.com; he predicted that Wal-Mart will ultimately beat-out Amazon.com. These two *U.S. Dividend Champions* have paid and raised their dividends for over 25 years straight; if you purchase them and they stop raising their dividends, that would be the time to consider exiting your position; and, purchasing another great business.

Also, if you are just getting started with this investment strategy or do not have positions in all of the 12 stocks I have recommended that should be in everyone's portfolio, of the seven that are current buys, purchase Wal-Mart last.

Six *Contenders* that are good buys in today's market:

1. General Mills (GIS)	$ 57.96	3.33% yield	13-Years @ 10.40% Increase
2. International Business Machines (IBM)	$161.94	3.04% yield	21-Years @ 17.50% Increase
3. Lockheed Martin (LMT)	$269.55	2.70% yield	14-Years @ 18.40% Increase
4. Omega Healthcare Investors (OHI)	$ 34.78	7.29% yield	15-Years @ 9.40% Increase
5. Qualcomm Inc. (QCOM)	$ 52.46	4.31% yield	14-Years @ 16.50% increase
6. Enterprise Products Partners (EPD)	$ 27.55	6.00% yield	20-Years; 10 @ 13.8% Incr

[4] Please see Issue 9-2015, pages 11-12; Disney makes up for low yield with Stock Splits.

For those of you interested in investing in real estate and healthcare, Omega Healthcare Investors (OHI) is a skilled nursing home facility with over 900 locations throughout the United States and the United Kingdom. Its current dividend yield is 7.29% with a history of paying and raising its dividend. This is by far a much safer and diversified investment that keeps up with inflation than any real estate project offered by broker-dealers and syndicators.

You can buy 10 shares of any of these Great Businesses or 1,000 shares and pay less than $10.00 per transaction using a discount broker; the dividends can then be reinvested without any further costs with most discount brokers (e.g., E*TRADE, Schwab, TD Ameritrade, Fidelity). When the stock prices decline, your dividends are purchasing more shares at lower prices. Even though the market may decline, along with your stock price, your dividends remain the same and continue to increase each and every year. In addition, when stock prices decline, this allows you to purchase additional shares of the companies you own plus other companies because the dividend yields rise to meet your requirements.

DRIP investors like market declines!

Our investment philosophy and the reasons we like certain stocks are spelled-out in our previous newsletters, which are available at www.JeffersonianGroup.com. Although some of the information may be dated, much of the information in past newsletters is still timely and relevant today.

Also, if you have any questions or concerns, please go to our website under CONTACT and ask. We will try to answer your questions in future newsletters.

U.S. Foreign Policy – Ideology vs. Reality

Barack Obama, who withdrew from Iraq, talked tough but did practically nothing when challenged, and, pursued a foreign policy referred to as “leading from behind,” left the world in a mess.

The Middle-East is a disaster; ISIS and other Jihadist groups are killing infidels (e.g., Christians, Jews and all other non-believers) around the world; Iran, a huge sponsor of terrorism, is developing its nuclear capability; China is taking over disputed islands and setting up military bases in the Pacific while converting international sea lanes into Chinese waters; and, Russia is attempting to annex its former territories restoring its previous status as a world super-power when they were the U.S.S.R. during the cold war era.

President Trump enforced the “redline” drawn and ignored by Barrack H. Obama when he had the U.S. Navy fire 59 tomahawk missiles at the Shayrat Air Base in Syria for Assad’s use of chemical weapons on his own people. This happened while he was having dinner with the

Chinese President, asking China to help stop North Korea from further developing their nuclear weapons capability.

Although President Trump has gotten praise from our Allies and many on the right and left, he has also been strongly criticized. Many in Congress, along with the press, want to know exactly what his plans are. Unlike Obama, President Trump appears to be keeping all options open and will not tell our enemies his plans in advance. Anyone who has served in the military, like myself, and anyone with any common sense at all, should understand that telegraphing your plans to your enemy in advance of implementation is just plain stupid and would most likely end in failure.

Many supporters of President Trump, especially libertarians, did not like what he did in Syria and do not want the United States involved in any more wars; they strongly believe that we should not be the *World's Policeman*. At one time I too believed that we should follow the stated principles of George Washington and Thomas Jefferson. In President Washington's farewell address, he advised against getting involved in the affairs of other nations. In Thomas Jefferson's first inaugural presidential address, he said "peace, commerce, and honest friendship with all nations, entangling alliances with none. . ."

After reading the words of the Founders, I once believed that it made sense to bring all of our troops home. What would this entail?

My father fought in the Pacific against the Japanese and when World War II was over, he remained in Japan for several more years as part of the occupation army. We never left Japan. There are currently 50,000 active-duty U.S. military personnel, 5,500 U.S. military civilian contractors, and over 40,000 U.S. military dependents in Japan today. The U.S. Navy's Seventh Fleet is headquartered in Yokosuka, Japan. It is the largest of the forward-deployed U.S. fleets, with 60-to-70 ships and 300 aircraft.

We also never left Germany after World War II. There are 53,000 U.S. military personnel stationed in Germany as of September 2011. Bringing U.S. troops home from Germany would probably devastate the German economy and be the largest and most costly military operation in U.S. history. The U.S. military installations throughout Germany are designated as EPA Superfund sites representing an environmental mess left from over 60 years of U.S. occupation.

After the Korean War we still have 28,500 U.S. military personnel stationed in South Korea. Overall, the United States has over 300,000 active duty military personnel serving outside the United States in 150 countries. We have closed many military installations in the United States and would have no place to put these 300,000 personnel, their dependents, and all of the military equipment currently outside the United States. Like it or not, we are the *World's Policeman*! Would you rather see Russia or China in this role with the help of Iran and North Korea?

Our foreign policy, military alliances, and foreign financial obligations, thanks in large part to Barrack H. Obama, are in shambles. In hindsight, we should have never gotten involved in Iraq. However, our history in Japan and Germany should have instructed Obama as to what was required to stabilize Iraq; unfortunately Obama and his close advisors had no clue and never learned the lessons of history. As a result of the United States withdrawal from Iraq, ISIS was formed and Iranian influence has spread throughout the region, along with Russia. This is Obama's legacy!

George Friedman wrote an article, *U.S. Foreign Policy from the Founders' Perspective*, proving that "avoiding foreign entanglements was a principle. It was not an ideological absolute." Thomas Jefferson "engineered a major intrusion into European affairs with the purchase of the Louisiana Territory from France." With this purchase for $15-million, "the balance of power in North America was changed by blocking potential British ambitions, opening the Gulf route to the Atlantic to the United States and providing the cash France needed to wage wars." According to Friedman,

> Jefferson realized that the United States already was involved in Europe's affairs by virtue of its existence. When the Napoleonic Wars ended, France or Britain would have held Louisiana, and the United States would have faced threats east from the Atlantic and west from the rest of the continent. Under these circumstances, it would struggle to survive. Therefore, being entangled already, Jefferson acted to minimize the danger.
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> As a principle, steering clear of foreign entanglements is desirable. But the decision on whether there will be an entanglement is not the United States' alone. Geographic realities and other nations' foreign policies can implicate a country in affairs it would rather avoid. Jefferson understood that the United States could not simply ignore the world. The world got a vote. But the principle that excessive entanglement should be avoided was for him a guiding principle. Given the uproar over his decision, both on constitutional and prudential grounds, not everyone agreed that Jefferson was faithful to his principle. Looking back, however, it was prudent.

Like the dangers the United States faced in 1800, the threats we face today from militant or radical Islamism arise independent of any U.S. action, alliances, or inaction. Whether we declare war on ISIS does not matter because they have declared war on us, i.e., we are entangled like it or not.

We need to ask ourselves, is the United States better off with:

- North Korea attaining nuclear capability to hit the U.S. continent and Hawaii
- Iran as a nuclear power

- Russia annexing the former USSR Republics and becoming a super-power

- China taking all disputed islands, including Taiwan, and controlling the sea lanes in the Pacific

- ISIS and other militant Islamism organizations with a State to launch terror attacks throughout the world

As Friedman stated, “the real challenge of the United States is defining the emerging threat and dealing with it decisively. How much misery could have been avoided if Hitler had been destroyed in 1936? Who knew how much misery Hitler would cause in 1936? These thoughts are clear only in hindsight.”

Ideology is easy because it is black or white; there is no gray area within any given ideology. On the other hand, reality and principles are much more difficult. Unlike Obama, who preferred ideology to principles, President Trump may be on the right path when it comes to foreign policy; only time will tell.

“The only thing necessary for the triumph of evil is for good men to do nothing.”[5]

Dum spiro, spero—While I breath I hope.

Slainte mhath,

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

[5] Edmund Burke (1729 – 1797)