MONEY

A CPA Exposes the Myths of

ON

Money, Expatriation, Retirement,

A

and Financial Predictions

MIND

While Encouraging Happiness

W. DURWOOD JOHNSON

CHAPTER 2

A REALITY OF MONEY

This book is a product of my mind, not scholarly analysis or predictive analytics. Maybe it should rest on a philosophy shelf rather than one on personal finance. Not that I don't respect analysis typically associated with finance, but to tell you the truth, I don't actually put much faith in scientific methodology when it comes to predicting issues related to economics. Financial experts are wrong far more often than they are correct, and economists are even worse at predicting than *The Old Farmer's Almanac*. Frankly, I don't know why we consider economists anything other than soothsayers. Given that comment, you'd probably be surprised to learn that some of my favorite books and podcasts are about the economy. However, I take their words as philosophy. Theirs are simply opinions expressed, not manifest facts.

What I do put faith in is my overarching premise of the benefits of ultra-thinking. I assume fair-minded contemplation is better than not. This book was written based on my best attempts to respect my premise. I'm going to tell you what I think and give you nothing other than my word that I have derived fair-minded conclusions from a mind that has attempted to restrain its innate bias. This bias is inborn in each of us and tints all judgment to one degree or another. It probably can't be overcome, but it can be restrained with intent, and when it is, an Ultrathought is possible. Furthermore, I suggest that it is far more important that you appreciate what you think than simply accept my own conclusions. This coming decade, the twenty-twenties, will present a number of challenges for people in the United States; of that I am as certain as one can be. Yes, it's still a delusion, but I own it.

If you're familiar with my earlier books, you know that I promote a particular type of purposeful thinking. Ultra-thinking is a term I use to describe deep contemplative thought accomplished while restraining your predisposition to think a certain way. Naturally, I am not the perfect practitioner of my own premise, but I try rather consistently. Underpinning this principle are two key facets:

> We all are biased to one degree or another.
>
> Reality is a perception of your mind; a mere delusion.

These two facets often elicit a visceral response. I've been blasted on multiple occasions for daring to suggest a client or family member is biased. It's probably because I make a definitive statement, not a suggestion. I specifically state that we are all biased to one degree or another, period. Some folks find such a proclamation not only offensive but arrogant and unfair. "You don't know me!" is a rather consistent outburst. Respectfully, I ask them to consider the second facet before storming off: It's all a self-created delusion anyway.

Acceptance of the second premise before the first will often help put them at ease when I dare proclaim that their current position is biased absent ultra-thinking. Once people can appreciate that all that is relevant in their whole existence just might be a bundle of mental interpretations, they can often start to recognize the futility of angry disagreement. My statements—whether they're on finance, economics, politics, childrearing, or the Godhead—are mere opinions and are not a threat to your own. Yes, we are all biased, including me. Therefore, if we disagree, we do so through our own unique type of dogmatic fog of interpretation. If you want to believe confidence in my premise makes me arrogant, I'm fine with that. However, make no mistake, I am not unfair. I am immersed within my own fog of delusion, but I do at least attempt to notice its stench.

I assume we are each doing the best we can within our own delusion. For reasons only known by the Godhead, we are each individually special creatures on this planet. I can accept your own vehement disagreement with me on this point. I truly don't care what you think about God or the spiritual realm. I can even accept a pure ideologue, though they typically have no respect for me. I simply request that such a person admit their mind is made up, and given they have a right to their opinion, I have a right to my own. It's all a delusion anyway.

Success in ultra-thinking will produce an Ultrathought. These are fair-minded thoughts assumed superior for the simple fact that they are derived from an earnest attempt to push the mind to its limits while attempting to restrain the influence of personal dogma and presupposition. An ultra-thinker seeks clarity and has no need to promote self, ideology, or social agenda. They can express confidence in that which they have contemplated but stop short of demanding universal agreement. They readily accept that their mind may one day change, though, like any other person, an ultra-thinker may fervently believe they are right. Of course, they are still wrong from the view of one who disagrees. Regardless, they are undeterred. They don't need to answer the questions of humanity, simply the questions of their own mind. Ultra-thinkers have a thirst for optimal ideas in the satisfaction of self.

Once the optimal is obtained, they feel a certain degree of comfort simply because they believe they've figured "it" out. They often experience a feeling of enlightenment, yet in the back of their mind, they understand true enlightenment is unobtainable. Nevertheless, they will always continue the journey once the mind comes to recognize both the beauty and futility of thought. Like a favorite melody or a beautiful sunset, a truly perfect Ultrathought never exists. The real joy is in the seeking, not the knowing.

Seeking your own optimal ideas associated with money might strike you as a rather odd philosophical journey to undertake. On the contrary, it is probably one of the best. Money is so integral to our lives today that I'm hard-pressed to understand why more people don't delve deep into their own money drama and try to figure things out. Money is both the fuel for our modern mechanized society and the theory which grounds our economic system. There isn't a person involved in our society who doesn't engage their mind's money impressions dozens if not hundreds of times each day.

I'm not saying it's right or wrong, but I do believe people think more on a daily basis about money than they do their God, life's purpose, personal health, or the environment. They almost have to in order to function in society. Who doesn't make or ponder a purchase? Goods and services don't simply arrive like they did when we were eight years old.

As a working adult, in any given year you spend more or less 50% of your time dealing with work-related activities. That time not only includes your actual working hours but the hours associated with commuting, education, and preparation. Now, I'm assuming you don't work for free; therefore, though it may not be your only reason for working, a substantial reason for working is the acquisition of money.

People do what they want to do absent bondage. All obligations are in fact a mere acquiescence to your own willful mind. You won't walk unless your mind agrees, and you won't work unless you choose to do so. We choose to work because our mind believes we should or must. Like getting out of bed, work won't happen unless you decide to do the act. Work is a belief, a delusion adopted.

We aren't slaves to work; we are creatures who bow to the master of our mind. So when we complain about work and those complaints continue for months on end, it has always been my view that some self-reflection should be done. Contemplate the circumstance elected. Either find a different job or admit that your complaints are a self-serving diatribe with a purpose. Now I'm not saying that purpose is wrong. I'm simply stating the obvious. Complaining about work for some is more of a strategy to get more *from* work, including sympathy, than it is an attempt to get more money. The value of work received by the worker is increased through an attachment of "sympathy" to any tangible dollars earned.

The mind is your boss, not the individual who manages your working hours. The mind is its own master, but it can be directed by the person it created, the person of you. I direct my mind that work is what I want to do and that I will be happier as a result. In my mind, each is of significant value. My personal narrative is written this way. Others will have a different narrative. Possibly they don't value either happiness or work. To each their own.

Having deluded myself as to the value of work and its result, money, I can justify a significant allocation of my time on earth in pursuit of money. I've harmonized the entire equation: mind, work, money, physical effort, mental effort, and my person. Like many people, I obtain a sense of fulfillment from my work. This fulfillment includes both a validation of self and the very real stuff of U.S. dollars in my wallet. Therefore, we could say that though I accept I'm not required to work, I shall continue to work because I have internalized two basic truths. First, I like my career and feel emotionally better by speaking with people who I believe appreciate what I do. Second, I like money and the experiences and things it buys. At the point one of these reasons is no longer validated within my mind, I won't choose to work. These are my work-related myths which are intertwined with my beliefs about money and compensation.

Most of us start working at a young age because we are influenced by society to believe we should. We might even be told by parents or peers that we must work for a variety of very specific reasons. As people mature, some come to believe they must work for a lifetime. Others have literally never worked a day in their lives. Our ideas about work which tend to be tied to our money myths start subconsciously at a very young age.

The idea that one absolutely must work is not part of my own delusion; however, it was prior to my own ultra-thinking of the subject. I simply assumed, reflexively, that an able-bodied citizen must work and never deeply contemplated the question. At a very young age, I started to reason that it was a kind of moral failure not to work. Like many in Western society, I believed a "good" job is a worthy goal and such a job should pay a "fair" wage. Quotations are used to denote these terms are highly subjective.

The idea that to work a good job means one shall receive a fair wage urged me toward assumptions about the state of those I met. As a young man, I reflexively assumed that the amount of money one earned was directly tied to their effort. Absent the occasional lottery winner, criminal score, or heiress windfall, I assumed pretty much everyone was adequately rewarded for their effort. This, of course, is a documented fallacy, but it was my personal truth for decades. Why? I never really thought about it. I was a reflexive left-brainer too busy working to obtain my own just rewards and rather casually adopted beliefs promoted by my community.

As time passed, what was obvious to so many of you became somewhat evident to me. Life, our wins and failures, and certainly one's own stack of available money is not doled out fairly. I literally had to ultra-think this very question: the unfairness of earnings with respect to one's effort. I had to unlearn or rewrite my mind-myth in order to accept the idea that life is not fair, and certainly the money one earns is not exclusively tied to their own efforts. Yes, I've since determined, the person digging a ditch should earn more than the CPA, the president of the largest bank in town, the baseball pitcher, or the actor simply because that ditchdigger expends more overall effort. I make this proclamation respecting a professional baseball player spends years perfecting a skill and a CPA studied really hard to pass an exam. To the point, I remind you baseball is a game and studying for an exam is typically done sitting on a pretty darn comfortable chair.

Life is not fair, so the laborer who works a lifetime is not paid a fair wage but a wage that society has somehow determined. It is societal opinion that effectively determines compensation, not one's boss or employer, and it is luck that determines whether the wishes of society are granted. In the U.S., our society has determined a major league baseball pitcher, a rare commodity, is more valuable than a hundred ditchdiggers. Is it fair? No. Is it equitable? Probably—given our societal values. Of course, societal values are certainly not global. Who is more valuable in the jungles of Bangladesh? Wouldn't one really good ditchdigger be worth a whole bunch of National League pitchers?

A recognition of the unfairness of the distribution of our "rewards" of the physical world (tangible money, physical pain, material stuff) has not made me angry or even negative. In fact, it has made me somewhat sanguine. Hopefully this confidence won't be taken as arrogance, but here it goes. Attempting to win the game of life by thinking you can righteously accumulate treasure is, in my view, a rather ill-conceived delusion. Money is not a just reward. It's useful, and in some cases it takes on the appearance of being fairly allocated, but in the end there are no just physical rewards, only a righteous engagement of the game we call our own physical existence.

Having applied my ultra-thinking premise to the idea of money, I can now appreciate that the person sleeping on the sidewalk without a job is not automatically a person of flawed moral character. I don't know these people and certainly am not wise enough to judge their character. It's possible that some people don't even want to work. That doesn't make these folks wrong. If we all thought that way (not wanting to work), that would be a problem for a society that relies on commerce, but we don't. So let them sleep provided they're not breaking some law.

My default assumption is that humans are kind people and tend to act as such. When our health is good and the mind is clear we usually act in ways that put the odds in our favor. Those odds include that if you get a good education and get a good job, you'll likely earn enough money to purchase the stuff you believe you need to survive adequately in the modern world. Assuming one wishes to participate in our society, as most do, this money myth to which we subscribe seems to work well enough. Still, we must admit sometimes the odds playout as expected, other times not. Major facets related to the money game don't follow any rules and certainly ignore the odds. An automobile accident, an unexpected heart attack, or the birth of a handicapped child, and just maybe you lose the money game despite playing the odds to perfection.

Money, as a physical thing in our hands, is the result of any number of events. Stay healthy, perform a service that society values or simply get lucky, and you'll have money. Some of these results make sense in my reality, others not so much. Regardless, the fact that I can't make sense of why a person does or doesn't have money is as irrelevant as the color of their shoes. Money as compensation, payment, or prize often has nothing to do with a person's character, effort, or morality. Eventually, I came to understand that to assume it always does is a devaluation of the very concept of morality itself.

Like so many of my quests to figure things out, my money journey was not elected. I was perfectly happy for the first fifteen or twenty years in my career. I had no burning desire to rewrite let alone destroy my own money narrative. Remember I am an accountant, so I've historically walked around in a very dense fog of money dogma. Like an electrician, educator, doctor, or any other career professional, I didn't desire to shred that chapter of my personal narrative titled "All I know about my job." Still, once I began to ultra-think various big topics, reality, and the Godhead, they started to bleed over into more mundane matters. I started questioning any number of subjects: global warming, the death penalty, vegetarianism, and then the tone and texture of my money myths. It became clear that money was a different kind of idea. An idea with incredible depth in society and influence on my life. Money really seems to be a weird kind of demigod who dominates American society. My impression of its very nature is tied up into my impressions of all kinds of notions. For example:

- How hard someone works and for how much
- Should I sell my home or put on that addition?
- Why I pay taxes and others don't
- Am I working for the love of money, my wife, my retirement, or my life?
- What is my own economic future?

As an American in his late fifties, I'm particularly concerned about the final question: my economic future. I suspect in my life I've spent thousands of hours pondering and indeed ultra-thinking the issue. In contemplation of this very broad question, I've drawn some conclusions—dare I say Ultrathoughts—about how things are likely to play out in the coming decade. These represent a sample of my own money myths and though they may be proven wrong in time, they are my truth today.

Certainly, the final mass of baby boomers in the United States will be retiring from full-time employment en masse. One would assume the gross domestic product (GDP) of certain individual states will decline for several years in a row. And it's entirely possible that the ripple effects of this coming economic downturn will not only impact my personal wealth but tax collections. One would assume this would place tremendous pressure on the government to provide services and even fund my all-important social security pension payment.

This group of citizens, boomers, will be attempting to divest from certain investment classes, not the least of which is their home. All within a period of five to fifteen years a substantial percentage of boomers will sell single-family homes which are primarily located in the suburbs. Most hope to receive fair prices if not top-dollar when they sell. Most had banked on converting home equity into ready cash. Unfortunately, there won't be enough Generation X (those born within the two decades following the boomers) buyers willing to pay fair dollar, and the millennial age cohort (those born in the 1980s through the later '90s) is somewhat "stuff" averse. Very soon there will be a crash in single-family home values, and the worst segment of real estate will be mini mansion or move-up homes. There will be no noticeable bounce back or recovery after the crash in many markets, particularly those of the suburbs.

The retirement portfolios of Americans are traditionally weighted toward publicly traded common stocks. This has been the case since the popular rise of investment accounts known as 401(k)s and Individual Retirement Accounts (IRAs). While this has been good for investors holding these stocks and pools of stocks, known as stock mutual funds, these investments will need to be sold to generate cash. Stock investments will be liquidated en masse, releasing an unprecedented amount of value. Unlike homes, individual stocks are sold on an auction market. As long as the market is open a buyer will generally be found at whatever price. What this means is that when an investor offers a stock for absolute sale, that sale occurs in an auction environment. It is entirely possible that this dynamic—massive quantities of stock being liquidated—will result in huge investment losses for boomers.

Boomers, like any investor, must ultimately absorb any loss the best they can. Retired folks can't always wait for the best price or even a fair price; they must continue to spend on food, housing, and, of course, healthcare. In this fire-sale environment created by the boomers, neither Generation X nor millennial citizens have anywhere near the amount of accumulated net worth to pick up the slack in the housing, bond, or stock markets. Every single investment class of assets will experience selling pressure, and though some investments will fare worse than others, it is literally impossible to predict the ultimate biggest loser.

Though it could take thirty years for all of this to play out, I suspect it will become obvious that there is a problem within a decade. Once the problem becomes known it is entirely possible that all hell will break loose rather quickly. There could be a race to exit investments, and more folks will get hurt than get out. To play defense one must assume all investment classes will be trashed to the point of utter ruin. Us common folk will be competing with the world's largest banks to get through this exit door, so I'd rather be early than a member of the hoard. I'm willing to get defensive now rather than hope to squeeze a bit more return. The world is awash in cash and debt. The financial bigwigs aren't going to save common folk like you or me. If they can save anybody, which is doubtful, it will be themselves just as it has been so many times before.

No country, no currency, or economic model lasts for an eternity. Furthermore, capitalism, the foundation of our global economy, requires a cost of capital (positive rates) to function. When significant amounts of debt are created using negative rates, that means the system isn't functioning. In my view, the world is ripe for a very big change for a variety of reasons, but it will be the mass of retiring boomers in the United States which ultimately pushes the system too far. Therefore, the only question is when, not if. Since most of us boomers will only be alive another twenty or thirty years at best, the way I figure, there's far more upside to reasonable preparation than downside. It's time to get financially defensive.

I simply can't afford to lose 70–90% of my net worth and still be financially settled in my old age. And, yes, that's how bad I believe it will get. The values of certain very popular investments and possibly entire investment classes will be decimated, in my opinion. Once values are adjusted downward, many investment assets will not recover their value during my lifetime.

CHAPTER 12

A MYTH OF SOLVENCY

It is undeniable that there has been far more debt issued than will ever be paid back. The global economic system functions today, and some believe it will continue to do so for decades to come, if for no other reason than all major economic powers are in the same boat. As the theory goes, no sovereign nation of consequence will dare rock the boat by questioning the wisdom of continuing to loan money based on a fantasy that it will ever be repaid. I suggest that after a bit of ultra-thinking you'll put this myth in its own context. The theory is one thing, but our own financial best interests aren't theoretical. We should take necessary steps now to save ourselves before the "smart folks" push us so far out to sea that we can't swim to shore.

In my humble opinion, I believe the whole global economic system could begin to show overt signs of failure at any time. Just like when an overloaded lifeboat flips, once one of the few biggest economies fail (United States, China, Japan, European Union, United Kingdom, India), they'll all fail in less than twenty-four months. Yes, it is that bad. Governments will scramble and solutions will eventually be found, but for a period of time citizens will be on their own, and some won't financially survive. With a bit of forethought, I suggest we can increase our own odds of financial survival.

I won't bore you with actual crazy numbers—the multiple trillions of dollars of debt. Google it if you need that type of detail. Frankly, the actual figures vary and wouldn't mean anything to you anyway. The human mind can't comprehend tens of trillions of dollars. By the way, did you know $66 trillion stacked in dollar bills would stretch roughly 4.5 million miles?! That's about eighteen times the distance between the earth and the moon. Put succinctly, the amount of sovereign debt exceeds the ability of the borrowers' ability to pay it back. Yes, governments can always print money to repay the debt and governments can work together to ignore certain manifest facts, but if people lose faith in the idea of money, no amount of printing will save the global economy. Oh, and be reminded that when I speak of a meager $66 trillion, I'm just talking about what's called "sovereign" or government-issued debt. Further consideration of total debt—including personal loans, mortgages, and corporate debt—takes these figures so far beyond ludicrous that any discussion of actual repayment of all debt, everywhere, morphs into a discussion of the metaphysical. There's not enough physical paper on the planet to print the fiat currency needed to square all the world's debts.

Yes, well-meaning governments issue debt for various good reasons. In theory, they do so to provide the "juice" required to keep a healthy and expanding economy humming. While few would dispute that this is a necessary task, when the amount of juice added to the system exceeds the ability of the economy to use it, and this continues year after year, the economy will become dysfunctional. That is exactly where we are. The global economy is functioning, but it's not healthy and is creating a massive imbalance in the system.

Global governments have and will continue to flood the economic system with debt that won't be paid off without massively disrupting the system. No one government is to blame, and no one government can break the global economy, but when most if not all of our major governments continuously create too much artificial stimulus to keep the party going, we'll all be harmed once the juice no longer works. One way or another, the purchasing power of every citizen with any net worth to speak of will be diminished, and that is the best-case scenario.

I'm no professional economist, and even if I were I wouldn't suggest that anyone bank on the specifics of my forecasts. However, I am an ultra-thinker who has studied and gauged the economy from every conceivable angle. I am a person who has a good understanding of economics. I can tell you it is extremely likely, just short of a certainty, that our country's sovereign debt will not be repaid, ever. If we, the largest and most diverse economy in the world, can't repay our debt there is no way lesser countries, economically speaking, can repay theirs. Mine is not a prediction of the specifics but a statement of the obvious.

With my own ignorance of the details admitted, it seems to me that the best predictor of the future is the past. Therefore, as I visualize just how this whole unfortunate dilemma plays out, I suspect governments will continue to do what they've been doing unless or until it no longer works. I don't expect an abrupt reset or devaluation at some given date. Whatever happens will be slow and methodical if at all possible. Governments don't like big abrupt changes. They prefer to sneak up on their citizens as they spout off half-truths and innuendo.

Most of the larger countries are attempting to monetize their debt. In short, this means sovereign debt is paid back by issuing more debt and/or the printing of additional fiat currency. The effect is a dilution of overall value, but the holder of the newly issued debt doesn't notice that values have been diminished as long as others play along. Everyone prefers to play along because currency is interchangeable. I don't want your currency to be worth less, because the implicit value of your dollar is equal to those I myself carry.

One would believe such a transformation of debt to freshly printed currency would lead to price inflation. Inflation, as you know, increases the value of tangible assets, and as it does, a buyer's purchasing power is diminished. It's measured in percentages. To say the annual inflation rate is 5% infers something would cost 5% more next year than this year. In theory, we should be experiencing significant inflation here in 2020, but we hardly notice a hint of it. The experts tell us we aren't seeing inflation today mainly because when it comes to a system as large and vibrant as the global economy there are many crosscurrents that offset inflationary pressures. The timing is unpredictable at best, but they say inflation will happen eventually. Still, before that day comes, any number of other things may happen. Believe it or not there are models that indicate before inflation occurs the global economy will go through a period of deflation.

Deflation is the worst possible circumstance for a free market economy. Deflation is represented by declining wages, prices, and asset values. Think of it this way. If the price of an iPhone was $1,200 today and understood to be $1,000 next week and then $900 the following, wouldn't the number of iPhone buyers today shrink? What if your own wages went down by 20% per year for several years in a row? What if the value of your largest single asset, your home, regularly declined in value by a percentage point per month? How much confidence would you have in buying any big-ticket item?

When deflation has occurred in the past, basically everybody loses. Sure, if you could somehow act before anyone else to protect yourself, you could attempt to move assets quickly, putting the majority of your net worth into long-term and zero-coupon bonds. Unfortunately, this strategy assumes there is no inherent currency risk associated with whatever circumstances caused the deflation in the first place. This would probably be a flawed assumption. With that said, assuming the period of deflation was a short-term event investing in long bonds might work to preserve value. Still, even if you knew what to do, the reality is you'd likely find that you'd acted way too late. The bond prices were bid up in the blink of an eye, so you still paid too much. The only likely winners in a period of deflation will be the wealthiest of insiders who with the questionable assistance of others managed to "predict" deflation before the rest of us had even seen the print.

During a period of deflation, the rare group of winners tend to be those who don't participate in the economy anyway. Global economic models are built upon an assumption of inflation not deflation; therefore, efforts are continually made to manage a small level of inflation while stabilizing optimal interest rates. The system itself becomes challenged when faced with deflation because the formulas assume a positive cost of capital. When capital costs remain at, near, or below zero the formula informs us that we should sit on the sidelines and not participate in the system. What's the system? It's the global economy. During a deflationary period, it makes sense to sit on the sidelines and not engage in commerce. The problem is we can't all sit out; otherwise, we'd have no economy left and all go broke.

In their efforts to keep their economies functioning, interest rates from rising too fast, and encourage inflation, governments have made massive amounts of "cheap money" available. Cheap money is money loaned at ridiculously low interest rates. This has created an interest rate-driven building boom, production surpluses, and historically high investment asset prices. Bad investment decisions are masked by lending money out at extremely low interest rates. It is no secret that every major city on the globe is experiencing a building boom. Why? Cheap money lowers the cost of capital and encourages the construction of new projects that under normal circumstances wouldn't be built. When capital itself is on sale and this continues for years, what we're left with is a number of less than ideal office complexes, factories, ports, warehouses, apartments, and homes.

Further proof of our messed-up system is evident through a measure referred to as the velocity or turnover of money. Every dollar turns over, and this turnover rate acts as a multiplier enhancing the impact of dollars within the system. Money velocity is a calculation of the speed of movement of dollars within the economy. In theory, it will accelerate when the economy is humming and decelerate when the system is anticipating a downturn. In our current situation, the economy appears relatively strong, but the velocity of money continues to slow. The conflicting signal appears to indicate that the system is failing to absorb all of the dollars efficiently. As a result, the impact of any given dollar is not as meaningful as it has been in the past.

Governments across the planet are taking advantage of the too much money dynamic by issuing investment products (bonds) for the surplus money to buy. Unfortunately for them and us, they're compounding what will already be a very big problem. An incredible amount of new debt has been issued in the past five to ten years. This is far more debt than is necessary to fund their needs, but because there are willing buyers of debt, they can't resist filling the demand. Debt eventually needs to be repaid, and at some point, it will become obvious that sovereign nations have no real way or even a plan to pay off their debts. The global economy is barely absorbing the surplus now and will fail at some point in the future.

When will that happen? It's already starting to happen in certain parts of the globe. As this failure to manage the money surplus spreads, market values will reset or reprice. Governments will attempt to game the system as long as they can until it becomes obvious that citizens across the globe have lost faith in the global economy. Whether this event results in inflation, deflation, debt monetization, or outright formal devaluation is unimportant. What is critically important is that for many this will be the third investment disaster of the past thirty years, and it will last longer than either of the others. Many people simply won't have enough time to recover from this major financial event.

My supposition is those who overweight what proves to be the worst-performing asset categories will be virtually wiped out during this period, while those who maintain pure diversification will experience losses but not so grave as to be destroyed. From my ultra-thinking which is based on fair-minded considerations, I believe that the disruptions to come will reduce one's net worth by between 20% and 70%. My figures aren't intended to be precise. They are simply based on my ultra-thinking. No person or machine can predict a complex dynamic system like our global economy. Still, we can make educated guesses and act with forethought to defend ourselves from the likely. Something will happen. I put my money on a bet that it will happen within the next ten years. If I'm wrong, fine. I won't live more than thirty more years anyway, so what have I lost? Some opportunities for a bit of added wealth? What do I gain if I'm correct? Probably nothing, but I likely saved 20% to 70% of my existing net worth.

This major financial slowdown—long-term recession, depression, financial reset, or whatever phrase you like to use—will happen. I'm convinced of the result. I've created this belief within my own delusion and must live within my reality. People in their fifties and sixties had better heed my warning. What I'm telling you is that a person's accumulation of value in all of their financial assets will be discounted by a significant amount within ten years. There will probably be no place of absolute refuge, and if there is we won't recognize it as such until most of the trouble has passed. Some investment assets will hold up better than others. Which will do better and by how much? I have my guesses, but I don't personally rely on my own guess, so I'm sure not going to apprise my readers of them.

Anyone's expert guess of the eventual winners and losers shouldn't be banked on, in my opinion, which is why I recommend absolute diversification. Still, I do have some more specific ideas in regard to how things might play out in our country. Let's start by doing a better job of defining what I mean by a phrase like "troubling economic times." Troubling is probably an understatement. Think U.S. financial depression worse than those you've read of during the 1930s. Times will be worse than any of us have ever seen, but I don't believe our fellow citizens will let others starve if they can help it. Think of possibly being unemployed or significantly underemployed for twenty years. You'd easily qualify for government aid under such circumstances; however, the government might be proven to have less than you.

With regards to real estate … home, condo, and apartment rents will go up dramatically for several reasons. The first is that the majority of rentals built in the last decade have been those in the high-end price range. Second, property tax and insurance costs will undoubtedly increase, and those increases will need to be passed on to tenants. Finally, interest rate rises will increase the carrying costs of investment real estate. In contrast to this overall trend, single-family home rents will decline in the suburbs. Unfortunately, people won't want to live in the suburbs.

Real estate values, in general, will be depressed, and the worst segments will be higher-end suburban homes and commercial office space. There will be a massive surge in suburban sellers as folks seek to cash-in before the "worst." But it all happens too quickly. A surplus of abandoned homes will be the end result within three to four years after the collapse in suburban home values. This breaks the residential real estate market and further compounds government debt issues because it is the federal government that has insured home loans which will soon be in default. The real estate market stays broken for well over a decade—maybe thirty or even fifty years!

The healthcare system is broken now, and things will get far worse in the near future. True, the actual product of care may get better, but the execution of delivery and payment for said care will get worse. The U.S. Congress has failed. They've neglected to pass any reform, and now the healthcare system has fallen below the point of rescue. The health insurance premium model and so-called formulary model for pricing we've used for roughly fifty years will need to be completely scrapped. Let me put it plainly: *healthcare will be rationed*. What this means is if you are old, frail, infirm, morbidly obese, or simply don't have a healthcare advocate who can step in and speak on your behalf, you'll be in trouble very soon. I urge you to get in better health, get a physical, get in shape while you can because within twenty-four to thirty-six months of the collapse of our healthcare model all bets are off.

It is no secret that both England and Canada ration healthcare. The way their system works, if say, you're fifty-five years old, are overweight, and smoke, sure you can get in line for that "free" heart surgery, but you'll be so far back in the line you'll die well before your number is called. If you've got stage IV cancer and need help, your number of priority is not higher than one with stage III. It's lower simply because your odds of full recovery are lower. Furthermore, if you're eighty-five years old and in great health, forget about getting knee surgery. The government has mathematically determined that your knees are a waste of money for the simple "fact" that you'll be dead in five years anyway. Only the best prospects move to the front of the line. Care isn't rationed on a first-come, first-served basis but through the use of a cost-benefit analytic.

I suggest you form your own view of what it will mean to you personally when and if the world moves into a prolonged period of economic distress rather than rely on my own delusion. Each person will face their own challenges. Once you ultra-think what yours are likely to be, you can better prepare. Just remember you'll be somewhat wrong, but that doesn't matter. You're better off by planning than not, and there's virtually no downside to preparation.