

# 5 ACTION STEPS TO

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# Secure Your Savings & Restore Your Retirement Plan



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By David M. Engstrom

At what age do you hope to retire? For millions of Americans that age is on the rise. In 2002, the average American planned to retire by age 63. With the tech bubble, financial crises and real estate recession, that age of expectation is now 66 according to a recent Gallup poll—and rising.

Retirement planning used to be more predictable because you could rely on steady growth. Now, the assumptions we could once make to plan our retirement have changed. In fact with inflation running at a hotter pace than today's low risk investment returns, many portfolios are experiencing negative growth.

***“Be more concerned about the return OF your money than the return ON your money in 2017 and beyond,” said billionaire investor and fund manager, Bill Gross.***

Today, the global investment landscape is so different than it was just a handful of years ago, we can't even assume our money is safe in the bank anymore. The fallout from the last crisis has created a new set of threats to your savings and retirement. If you understand those threats and deal with them now, you may be one of the fortunate few who can still retire at the age for which you have planned.



## Threat #1 – Our Unstable and Vulnerable Monetary System

In the aftermath of the 2008 financial crisis, few have noticed that fundamental views on monetary policy and the economy have not meaningfully shifted. More specifically, banks have consolidated and their balance sheets contain a greater concentration of assets than before. Derivative and Collateralized Debt Obligation (CDO) positions have expanded to levels even greater





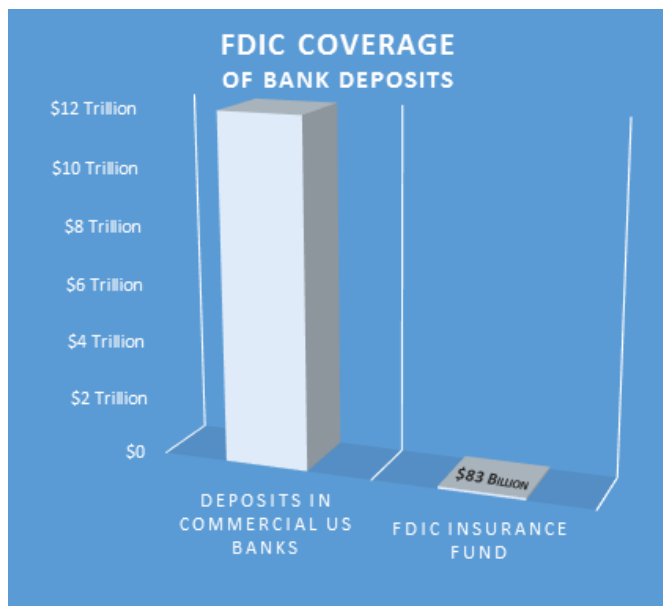
*If you understand the threats and deal with them now, you may be one of the fortunate few who can still retire at the age for which you have planned.*

than they were in 2008. A definite sign of trouble ahead. These very complicated financial instruments were largely responsible for exacerbating the housing bust. While Dodd-Frank regulation (Wall Street reform) requires banks to hold higher levels of capital reserves, there is little transparency on how these obligations are priced and risk levels assessed. In addition, bank stress testing doesn't truly reflect the risk and financial damage these securities can inflict because **they aren't counted as assets on bank balance sheets.**

When it comes to the consumer, the Dodd-Frank Act made it worse because "derivatives have priority over your checking and savings accounts when it comes to paying off their debts." The problem is the derivatives market is significantly larger than the amount banks have on deposit which is putting YOUR money at risk of being taken to bail-in your bank.

### **Measures Taken to Solve the Crisis Created a New Set of Problems**

As our national debt breaches the \$20 trillion level, it is a fact that our debt is now twice what it was when the last crisis struck. Alan Greenspan stated that the Fed cannot exit its era of quantitative easing (QE) without serious repercussions. According to insider reports, Greenspan warns there will be a "significant market event." He referred to the threat as "a tinder box of explosive inflation looking for a spark." Then he identified the spark. Sitting on Fed Balance sheets



right now are \$4 trillion of excess reserves. A product of multiple QE Programs engaged in to bail out banks and the economy.

### **The Shocking Truth About Our Fractional Banking System**

Risk escalates even more when you understand the structure of our banking system which is based on fractional reserves. Banks only keep a fraction of their depositors' money in house in reserves. When you deposit \$100 in an account, the bank is able to lend \$90 to businesses and consumers. Interest charged on these loans generate profits for the bank.





*“But our highly levered financial system is like a truckload of nitro glycerin on a bumpy road. One mistake can set off a credit implosion where holders of stocks, high yield bonds, and yes, subprime mortgages all rush to the bank to claim its one and only dollar in the vault.”*

*–Bill Gross*

The problem with the system is it's built on the fact that new credit in the form of loans has to continually grow to cover all the interest that needs to be paid back on past loans. Like a house of cards, if new credit isn't infused into the banking system, then past debts aren't serviced and defaults start occurring.

We can now see the dominoes lining up. If rates rise, bank lending slows down and the source of new credit begins to dry up. Stocks weaken, bond values plummet and derivative investments begin to lose value as the value of the underlying assets that support the derivative market begin to shrink. Remember the Mortgage Backed Security? It's déjà vu all over again; however, your financial exits for getting money out of the system are constrained due to post crisis developments and the way our banking system works. Read on ...

## **Threat #2 – Bank Holidays, Bail-ins and Redemption Gates**

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Is your money safe in the bank? Think again. An entirely new set of risks can now be associated with keeping cash in the bank or money market accounts.

### **The Bail-in**

The Bail-In can be illustrated in one word: Cyprus. When Cypriot banks collapsed in 2012, a bank holiday was declared, the doors were locked, and access to money within was cut off. While the banks were closed, it was determined that creditors of the bank, not taxpayers, would fund its bailout. Hence the term “BAIL-IN.” Creditors were to include shareholders, bond investors and get this—The Bank's Own DEPOSITORS! In other words, depositors were suddenly considered to be “INVESTORS.” Basically, the unsecured debt, your deposits, got converted into bank equity so that recapitalization of the distressed institution could be swiftly achieved.

The “best” customers—the largest depositors—took the largest hit. In this day and age of class warfare, it was only politically feasible to put the lion's share of the losses on the “rich.” Smaller depositors were kept whole, while depositors with over €100,000 in the Bank of Cyprus lost 40% of their money.

Could similar scenarios become more widespread? Can you count on the FDIC or SIPC insurance to save you in the event of a market catastrophe? Highly unlikely since these institutions are grossly underfunded. The FDIC





*“Complex systems collapse because they are unsustainable beyond certain size or scale. Either the energy inputs are too great to sustain the system or the interactions are too numerous to remain stable, or both.”*

*–James Rickards,  
New York Times Bestselling Author*

only has \$83 billion in reserves while total deposits are estimated at \$12 trillion. So, the cracks in those dams are already becoming obvious and the repairmen are quickly developing their euphemistic contingency plan. Cyprus pioneered the bail-in model that other central banks and governments seem to be looking toward. After Cyprus, the G20 leaders met in Brisbane, Australia and ratified this template approach when future financial panics occur. And the International Monetary Fund published a discussion document titled, “From Bail-out to Bail-in: Mandatory Debt Restructuring of Systemic Financial Institutions,” which could be a harbinger of what’s to come.

### **Account Freezing: Redemption Gates**

At all costs, big banks and brokerage firms can’t have disorderly liquidation of deposits so they need to find a way of preventing your money from leaving the institution or limiting your withdrawals. Have you heard of a “Redemption Gate” which was enacted by the SEC, an agency of the government? Basically, it’s a legal mechanism for banks to lock you out of your account for up to 10 days if the bank determines it is in their best interests.

**Redemption Gates:** Under the rules, if a money market fund’s level of weekly liquid assets falls below 30 percent, a money market fund’s board could, in its discretion, temporarily suspend redemptions (gate). To impose a gate, the board of directors would find that imposing a gate is in the money market fund’s best interests.

Read the SEC press release here: <https://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542347679>  
Is this the tip of the iceberg when it comes to freezing your account? They’ve already made it perfectly,

explicitly legal to lock prime money market fund holders out of their accounts for a time. Will this be expanded in the future?

More and more, depositors are expected to suffer the consequences and bear the losses of the institutions in which they put their money. They could be locked out of their accounts should things go haywire again. Clearly, the financial community is preparing for something big. It’s prudent to have some assets that are easily accessed and don’t rely on an intermediary like a financial institution to liquidate. Precious metals meet that objective.

### **Threat #3 The Ban on Cash, Digital Dollar and What They Don’t Tell You**

Advances in technology are changing the way the world transacts making the physical dollar almost extinct. The move to eliminate cash is global with some government responses being quite extreme. At



midnight on November 8, 2016, the government of India announced a ban on 500 and 1,000 rupee notes with no warning. Each represents the equivalent of about \$6 and \$12 respectively. The ban was imposed in an effort to stomp out the cash economy where cash transactions go unreported and untaxed.

Subsequently, there was a run on gold. Reports came in that Indian citizens were willing to pay in excess of \$2,000 (USD) for an ounce of gold which was more than a 50% premium over the current price of gold. On November 24, 2016, an *International Business Times* report stated that Citibank's Australian branches were going cashless along with about 900 of Sweden's 1,600 branches. In other parts of Europe, several countries have banned transactions over certain amounts and ATMs are also disappearing from the banking landscape.

In the U.S., the war against cash is perhaps more covert. Yes, domestic banks are restricting the use of cash to make loan payments, prohibiting the storage of cash in certain safety deposit boxes and the withdrawal of cash from bank accounts is becoming more difficult. Just try giving a cashier \$100 for a \$25 purchase and see how many stores don't have change.

### Reasons to Ban Cash

It has long been argued that cash is a relic. It's dangerous to carry large amounts; counterfeiting is still a threat; cash enables a myriad of illegal transactions especially when it comes to drugs and gang violence; and, to the extent one can earn cash and bypass tax laws—that hurts everyone.

Besides, the digital alternative is so much more convenient and efficient. Scan your wallet over the Starbucks payment device or transfer money to your college kid with two clicks of a mouse. These are the compelling arguments in favor of eliminating cash.



*A shift in sentiment is relegating the role of cash as obsolete without discussing some of the consequences.*

Nonetheless, the dollar bills in your pocket are supposed to be legal tender for all debts public and private.

### Negative Consequences of Banning Cash

- **Negative Interest Rates** – Without cash, there would be no way to protect yourself against negative interest rates where your money diminishes over time because it costs you to keep it in the financial system. Today, it is estimated that near one third of all bonds held globally, pay negative returns. That is to say: it may cost \$101 to purchase a bond that matures at \$100 face value.
- **The Power to Tax** – Today politicians talk about the tax return filed on a post card. However, if there were no cash and all you earn and spend is digitally recorded, the potential exists for the IRS to simply take taxes from an account on an as-needed basis. Does this feel like a slippery slope?



- **Bail-ins** – New laws, written to protect banks against failure, allow failed banks to confiscate depositor funds to facilitate a bail-in. Holding cash in hand could insulate one from having to personally bailout their own bank.

- **Hackability** – Internet banking and digital fund transfers have given birth to a new kind of robber – The Hacker! Certainly the elimination of cash does not ensure the elimination of theft. While technology tries to keep up with the bad guys, they always seem to be one step ahead.

- **Electronic System Failures** – Occasionally, cell phones drop calls, satellite TV goes blank and cable internet stops working. When your wealth is converted to a collection of bits and bytes, how safe is it really? Will your money be accessible when systems are down?

- **Privacy** – As the argument goes, if you have nothing to hide why do you need privacy? Spending habits will create a detailed digital footprint and privacy will be compromised. Does it matter that your whereabouts and your activities are known?

Why would you want to store something whose value can disappear or be reduced in a blink of an eye? Think about it, how much of your investments are reflected digitally. These are just accounting entries where you're the unsecured creditor. Holding an asset with physical value is common sense and should be part of your investment diversification.

#### Threat #4 – Unsustainable Debt

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Debt! Debt! Debt! Warnings are everywhere. Our debt is too high and growing. It IS unsustainable! But what does that mean to the average person? Our debt rises, we print more money to pay the debt and seemingly escape

*"I want part of my wealth in tangible form, such as gold. You can't hack gold, you can't digitally delete or erase gold, and you can't infect it with a computer virus, because it's physical."*

*– James Rickards*



consequence. There is no feeling of imminence to the threat. Remember the boy who cried wolf?

The boy cried wolf and the villagers came to defend the flock only to learn they were drawn to the field by a boyish prank. The boy pulled the prank a number of times until the villagers no longer responded. Then one night, the threat was real. The boy cried, the villagers did not come and the wolf got the sheep. The villagers made a mistake. All along they knew the threat of a wolf attack was real. They knew it was just a matter of time yet they could no longer stir themselves from slumber to respond to the real warning.

So it is with our next brewing debt crisis. The last crisis, under the weight of \$10 trillion of debt, struck without warning and nearly wiped out the entire global financial



system. Now our debt is \$20 trillion and the mainstream media tells us the wolves are gone. Meanwhile hundreds of trillions in unfunded liabilities, derivative debt and skyrocketing personal debt have piled up on top of our national debt.

### **Unfunded Liabilities Exacerbate the Debt**

It would be one thing if we could just spend what we make from taxpayer dollars, but there are shortfalls in the math. Unfunded liabilities consist of obligations such as social security, Medicare/Medicaid and federal pensions which are future payment obligations that exceed what the plan has in available assets for distribution. These unfunded obligations add to the debt load. It's estimated that the U.S. has 105 trillion in unfunded liabilities.

Now our debt level is at critical mass. We are approaching a crash point—the point where you have to borrow money just to pay the interest on your debt. Today, 87% of all federal tax revenue is paid out to cover interest on debt, entitlements such as social security, federal pensions and Medicare/Medicaid, and other federal welfare costs.

In this era of rising interest rates, the crash point cometh because the amount owed grows even greater with every rate increase. So when do we hit the crash point? In July 2016, the 10-year treasury yield dropped to a low of 1.36%. By March 2017, that same yield rose to a high of 2.63%. With three rate hikes scheduled in 2017, rising rates could crash our debt-laden markets and economy at any moment. Every quarter point increase in interest rates adds more than \$250 billion to our budget deficit.



*According to data provided by the [usdebtclock.org](http://usdebtclock.org), the number of people receiving Federal benefits is rising by more than 6,000 per day.*

Who wants to lend money to someone borrowing just to pay the interest on debt? This is how other countries are starting to see America.

One day soon, the dominance the dollar has enjoyed globally will suffer a blow that could significantly alter some of the assumptions you made when planning for retirement. It's important that some of your investments be diversified in an asset that's not printed and is universally recognized should the dollar lose value. Physical gold and silver are just that.



## Threat #5 – A Demographic Debacle Unfolds

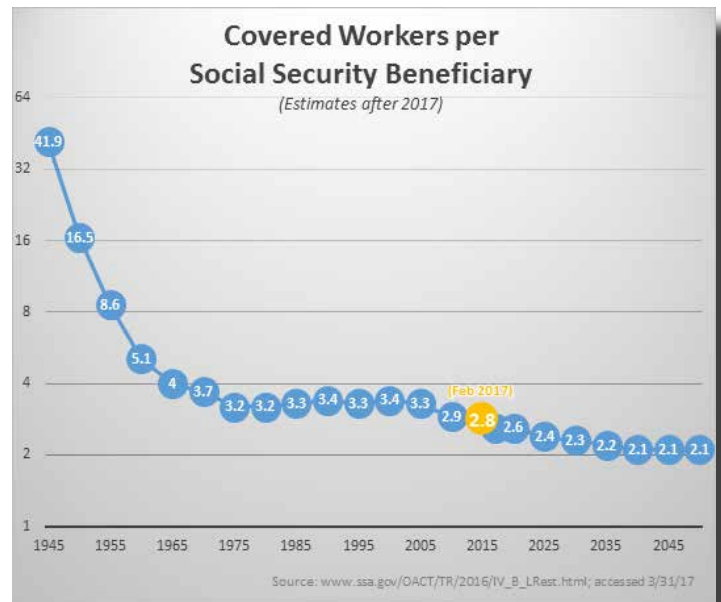
The numbers just don't work anymore. There are not enough workers to support today's number of Social Security, Medicare and Medicaid beneficiaries.

In 1945, there were 41.9 workers per beneficiary. Today there is 2.8! And ... it's getting worse. According to data provided by the [usdebtclock.org](http://usdebtclock.org), the number of people receiving Federal benefits is rising by more than 6,000 per day. More than half of the entire population is now receiving some form of benefit.

As the number of beneficiaries increases, more goes out and less money comes in. By 2035, it is estimated there will only be 2.2 workers per social security recipient. To say this rate is unsustainable would be an understatement. Social Security is already broke. Sure, they say there are reserves, but guess what is being used as reserves? You guessed... Treasuries! A.K.A. ... more debt.

Those Treasuries earn interest, but did you ever think who it is that pays the interest? You guessed it again... you do! U.S. Taxpayers pay interest on the reserves held in trust to fund Social Security. You can't make this stuff up.

That's why Alan Greenspan says you can't fix the economy until you fix entitlements. That's Fed Speak for—it's hopeless. To be sure, there must be a serious round of benefit cutting in order to have any hope of managing the budget deficit and keeping the economy together.



## Pension Funds Are Falling Short

Then there was this: On March 17, 2017 **MarketWatch** reported, *Collapsing Pensions Will Fuel America's Next Financial Crisis*. "Cash-strapped pension funds could leave millions of Americans high and dry in the very near future."

U.S. state and local pension funds are said to be \$6 trillion in the hole. ZeroHedge reports that the top 25 corporate pension plans alone are underfunded by over \$225 billion while companies in the S&P were underfunded by \$375 billion.

Herein lies the problem: With Social Security in trouble and public and private pensions being underfunded, two of the legs of the retirement stool are in jeopardy. And, with the financial system more vulnerable than ever, retirees need to look to alternative investments.



## Is a Portfolio Truly Safe or Balanced Without Gold and Silver?

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At the beginning of this report I asked you when you hope to retire. Perhaps the better question would have been, do you hope to **ever** securely retire?

It is imperative for investors today to understand the risky developments impacting our finances so they can be equipped to protect and grow their wealth in the face of these threats. As savers and investors work to preserve their hard earned wealth, alternative measures should be considered to hedge the inherent risks that have, unfortunately, befallen our financial system.

An investment in gold or silver is truly unlike any other kind of investment available. It is not just some blip on a statement, or a line on a chart. It is tangible and heavy in your hand. It is "REAL" as Robert Kiyosaki, famed bestselling author and financial guru, once stated.

Precious metals are right there in case you need to liquidate. No government can simply print it into



existence. It is rare and limited in supply. Bail-outs, bail-ins or simply more of the same, precious metals are critical to the health and balance of your portfolio. You'll have insurance against these acts because gold and silver have the potential to thrive in these situations like they have in the past.

This is the power of allocating precious metals to your investment portfolio. This is the protection Lear Capital wants for your family and your future. Call Lear Capital today to learn more about how to physically invest in precious metals.

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