

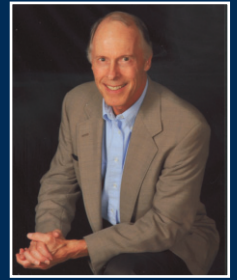


www.FinancialSecurityGroup.org

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# EASY Economics™ & Personal Finances

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## Another \$600 Billion! The Impact On Our Investments?



The people in the federal reserve announced they intend to purchase \$600 billion of long term Treasury securities by the end of June, 2011... to make our economy stable, to lower unemployment and to make prices steady.

### 3 Things Important To Address here

- 1) Will this \$600 billion help decrease unemployment, cause price stability and help our economy... or make it worse?
- 2) How will this additional \$600 billion affect our investments?
- 3) What things can we do?

### My Wife

If my wife announced that she would be buying shares of stock in companies for us, I would probably have a couple of basic economic questions for her. I would ask such questions as, "What companies are you buying stocks in, and are those companies financially sound?" But, I think my first question would be:

*"Honey, where are you getting the money?"*

Now, what would I say if she answered me with, "I am going to take a new \$100 bill and make a bunch of copies of it with our high quality copier".

I agree, this is a crazy example; but just for the moment, let's treat this as though my wife really did mean it. Let's take it a step farther and say it was your spouse who said it to you and truly intended to do it. In all seriousness, what would you say? Maybe some things like:

- "What, are you crazy?"
- "That's illegal, you won't get away with it"
- "That's wrong, you can't do that"
- "That's counterfeiting, they'll put you in prison"
- "I can't live like that, I won't let you do it"

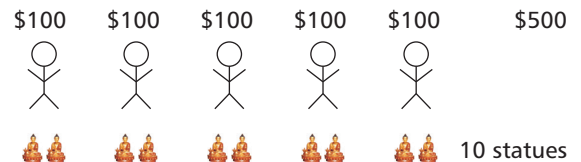
You wouldn't need to ask any economic questions. It wouldn't make any difference whether you think the stocks are in companies that are financially sound or not. Buying stock or buying anything with money gotten that way just would not ever happen with you, nor with me.

Now let's ask the people in the federal reserve. Before we ask some economic questions of the federal reserve, let's first ask, where are they getting the money? The answer is they are intending to do what my wife and your spouse intended to do (in our example). They are going to create the dollars and use them to buy the \$600 billion in Treasury securities.

Here is a little story that shows how "creating more dollars" by anyone affects everyone. This helps answer why we made it illegal in our country for most people.

### The Auction Story

Let's say you are one of five people at a special auction, and each of you has \$100. You are all there to buy some of the ten beautiful little statues hand crafted by a well known artist. About how much do you think you will have to pay for one? Five people (times) \$100 per person means there are \$500 at the auction.

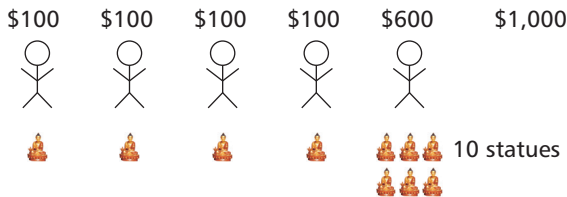


Total Dollars	\$500		
Total Products	10 statues	=	\$50 per statue

*Continued on page 2*

This simple calculation is generally how prices are determined in a free market. You can expect to pay about \$50 per statue. You could have two statues when the auction is over.

**But**, minutes before the auction starts, unknown to everyone, one of the five who are there runs to his van where he has a high quality copy machine and a paper cutter. He creates five \$100 bills. He neatly cuts them and dashes back to the auction. He now has his original \$100 plus his newly created \$500. The total dollars at the auction is now \$1,000 (the original \$500 + \$500 newly created dollars).



Total Dollars	\$1,000	=	\$100 per statue
Total Products	10 statues		

Your \$100 now became worth less; it will only buy one statue; before you could have gotten two.

## Who Got The Lost Value Of Your \$100?

The answer is... the person who printed and spent the newly created dollars.

Isn't that a clever way to take from you without you knowing it happened, nor knowing who did it? You still have your \$100, that's not missing; but it only buys half as much. That is why counterfeiting (creating more dollars) is wrong and illegal.



Let's say instead of statues, your \$100 would buy two weeks' worth of groceries. But with the addition of the newly created \$500, you only get one week of groceries with your \$100. Who gets the other week of groceries that you are not going to get? The person who created more dollars gets it.

This is where the people in the federal reserve are getting the \$600 billion to buy the Treasury securities. Like my wife

and your spouse (in our example), like the man at the auction, the federal reserve creates more dollars. This causes all of us to get fewer statues, or fewer groceries, or fewer everything. Just like at the auction, the prices will go up. Because of the extreme amounts the federal reserve is creating, prices will increase in ways we've never experienced before.

Also, investments in U.S. dollar denominated securities such as bonds, money markets, treasury bills, will lose a tremendous amount of value, just like your \$100 at the auction. This same loss in value will also happen to people's wages and salaries.

## Things We Can Do

**1<sup>st</sup>** Arrange our investments so they will hold their value in periods of tremendous devaluation of the U.S. dollar.

I believe the Well Balanced Portfolio Concept is a superior way to protect our investments in any economy and make money in most economies. This concept is outlined in *Critical Knowledge* No. 102 and more recently, in *Critical Knowledge* No. 107. You can access these at [www.FinancialSecurityGroup.org](http://www.FinancialSecurityGroup.org), by subscribing to *Critical Knowledge*.

I am currently heavily invested in the Permanent Portfolio Family of Funds, in the specific fund PRPFX. [www.PermanentPortfolioFunds.com](http://www.PermanentPortfolioFunds.com). This is a mutual fund that follows the Well Balanced Portfolio Concept with some variations. But, because of the recent \$600 billion action by the federal reserve, I am re-evaluating my investments in the Permanent Portfolio fund PRPFX. This PRPFX fund has about 34% of U.S. dollar denominated securities as of 7/31/10. I judge the U.S. dollar to no longer be a sound currency.

I will inform you if I change my investments and I will inform you before I do it. I will communicate this to you through EASY Economics. I will continue using the Well Balanced Portfolio Concept; I think the Permanent Portfolio Mutual Fund PRPFX investments in U.S. government securities is now a questionable choice.

**2<sup>nd</sup>** Help others understand and protect themselves, like family and friends.

**3<sup>rd</sup>** Do some things that will help change our country back to a free economy. There is a list of things people can do on [www.FinancialSecurityGroup.org](http://www.FinancialSecurityGroup.org). Without a free economy, there can be no financial security. All that is needed is 10%-20% of the people to understand what is happening.

Thank you, and the very best to you and your family.

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## 9 Steps To Becoming Financially Secure

Dear Readers,

I put together a Guide called 9 Steps To Becoming Financially Secure. My objective is to produce materials that are accurate and easy to understand. My hope is that you will find the materials valuable to use to help others.

What I strived to do in this 9 Step Guide was to be precise yet simple in what to do in each step. Also, I show the basic principle that makes the steps work and give some of my own experiences, failed and successful.

This 9 Step Guide is not about getting rich quick, it specifically follows the "Small and Gradual

Rule". This rule is about doing a little bit at a time, all of the time; you gradually grow it plus it grows itself!

- 1 PAY your FUTURE FIRST**  
(From "I can't always do that" to "I'm doing it")
- 2 In the END, it is YOU**  
(Even when others caused your problem)
- 3 Know WHERE you ARE and WANT TO BE**  
(How good or bad is it now? Shoot high)
- 4 PLAN and CHECK your progress**  
(Is what you are doing helping?)
- 5 Invest in YOURSELF**  
(Improve yourself, improve your financial life)
- 6 Don't LOSE VALUE**  
(You worked too hard don't lose any of it)
- 7 Have your investments INCREASE in VALUE**  
(Get off the rollercoaster economy)
- 8 UNDERSTAND the BASICS and CAUSE CHANGE**  
(The basics are understandable, change is doable)
- 9 Give at least 10%**  
(Last and one of the most important)

The 9 Step Guide will be available November 30<sup>th</sup>, in time for Christmas and the new year. It is an 8 ½ x 11 professionally bound soft cover booklet, with approximately 18 pages. I will get back to you very soon and provide pricing and ordering information.

Thank you.

Russ

For Any Person

For Any Income

You Can Achieve (or Maintain) Financial Security With These 9 Simple Steps

A Simple and Uncommon Guide, That Can Work For You, Even In Uncertain Times