

## A VERY DANGEROUS TIME



August 2010

### In This Issue

Important Articles and  
Must Read Information if  
You Want to Survive the  
Next Decade.



### *The Family as a Business*

In considering our economic affairs we frequently emphasize only our business or vocation and disassociate the concept of economic conduct from our family life. This is certainly a very one sided view to take.

I have information that will change you and your family's life forever, and I'll tell you something. If you don't know this information, it will place you and your family in serious financial jeopardy.

"No Gentle Ride, Man"---

---U-Haul "Gentle-Ride Van" revised with black tape seen while I was visiting Washington D.C. August, 2010.

### Ideas & Views Of Our Current Financial Position-August 2010

"Do yourself a favor and read every word in this newsletter-just once."

As promised, I am going to keep this month's newsletter short and sweet.

But there are many things happening and I want to keep articles that I read in front of you so you have current and up-to-date information. It is extremely important that you learn this information and pass it on to your friends and family. These are to help you become well versed on the most important financial issues of the day. Thank you for subscribing. This is a very dangerous time. On one hand, the Administration and politicians of all persuasions are telling us that the economy is improving and recovering. It's kind of like there is an election in three months! On the other hand, the GAO, the CBO, economists, financial icons, and almost anyone who has some experience with MATH are telling us that there is no recovery. Not only should we worry about inflation, we should now also give consideration to a far worse dilemma:

Man should be regarded as having two business enterprises, his home and his vocation. Of these the home is more important, the vocation serving primarily to afford the greatest economic advantages to the family business. From an economic standpoint the family may be likened to a business partnership between a man and a woman, which, like any other business partnership, should be started, managed, and protected along correct financial lines. The marriage agreement, is a partnership agreement which calls for or implies "protection" and "endowment with worldly goods." Yet these words have little meaning if interpreted merely in the light of material property, because in the overwhelming mass of instances when the family business is started there are no "worldly goods" worthy of mention. The only economic asset there is, nine times out of ten, is the good will and future current earning capacity- the life-value of the family head. That value, owing to its pivotal importance in the average family business, should be guarded just as carefully as our business property values. In fact, it is flagrant injustice to wife and children to permit the starting of the family business with nothing more than the unsecured good will and earning power of the

deflation. Housing and employment are not improving. Our entitlement programs are so under funded that it is astonishing. Our states cannot endure the financial shortfalls they face. Recommendations for later retirement for state and local workers are on the table. Social Security is even being entertained as a replacement for state and local retirement programs. Let me repeat: **THIS IS A VERY DANGEROUS TIME!** Our primary responsibility is to keep people safe. We provide safety! We provide guarantees! We provide security! **THIS** is what sets us apart from all the other financial professional advisors in your life. Click on the links below and save them into a folder on your desktop as they sometimes disappear. Read them. You will understand more about what is happening than any main stream media can allow. You don't need to look much further. It's all right here and it tells a pretty compelling story. Take some time and click on the links and read the articles, if only just once. And then send this newsletter to your friends because you can bet that their advisors are NOT sharing this kind of information with them and they need to know.

Your Friend,

Matt

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**#1: JUST WHO IS THIS BEN BERNANKE FELLOW?**

Who is Ben Bernanke? Those of you who answered the head of the Federal Reserve, congrats. Next question. What is the Federal Reserve in charge of? Those of you that answered the banks, correct again. Now for all the marbles. WHERE does Ben Bernanke put most of his own personal money? Every year the Federal Reserve

breadwinner, when these important factors may be lost at any time through death, or disability.

Life insurance is a wife's right, a child's claim, and the insured's privilege and economic opportunity. All life insurance, in other words, should be business life insurance.

-Solomon Huebner;  
University of  
Pennsylvania, 1927

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This site serves as a wealth of knowledge and is being updated constantly. All of the articles you read are going to be available and archived here under "Resources." If you come across something that needs to be shared, email it to us at [info@mathenyadvisory.com](mailto:info@mathenyadvisory.com) and we will put it up with a notification that it's there.

Chairman is required to divulge his financial holdings. The answer is in insurance companies! He invests in annuities and life insurance. Ben Bernanke's largest holdings are two annuities. They also grew the most last year. Yes, the ultimate financial insider puts his money in annuities. This is how I would use this information. Do you think you should you listen to Ben Bernanke or to media pundits who say you shouldn't? WHY would an insider who is in charge of banks not put his own money there? It's time to wake up folks, don't you get it? One of my favorite Warren Buffett quotes is "you never know who is swimming naked until the tide goes out." The tide is going out! He knows the banks aren't safe. He knows the stock market isn't safe. He knows the real-estate market isn't safe. He has protected his money for what is to come. Have you protected yours? Please get informed by reading the articles. You are the only one in control of your future.

Title: [Bernanke financial disclosure shows no-frills plan](#)  
(Google.com, July 31, 2010)

Title: [Bernanke's personal assets increase as much as 31%](#)  
(Business Week, July 30, 2010)

Title: [Bernanke's Portfolio Shows Nice Rebound](#)  
(The Wall Street Journal, July 31, August 1, 2010; section A, page 2)

Title: [Bernanke Recouped Personal Losses in 2009](#)  
(ABC News, July 31, 2010)

## **#2: WE ARE DESTROYING OUR MIDDLE CLASS**

This article tells a major story on just one page. It shows you that nothing in the economy is fixed, and gives you clear reasons why more people are in financial jeopardy. Furthermore, it proves that the government does not have the money to take care of everyone who will need to be taken care of. In rapid fashion, the rich are getting richer and the poor are getting poorer, with a staggering majority of the middle class becoming poorer. The U.S. was the greatest financial nation on the planet because we had the most substantial middle class. We had a huge number of Americans who could afford to buy homes, cars, televisions, boats, swimming pools, vacations, etc. They could send their kids to college and pass on the opportunity for a better life than they had. But now, for the first time ever, we face the possibility of passing on a lower standard of living rather than a higher one. Government will not be able to help. We have the right tools for financial success in the 21st century. Here are a couple of tidbits from the article:

- 61 percent of Americans are now living pay check to pay check.
- 43 percent have less than \$10,000 saved for retirement.
- Only the top 5 percent have earned enough additional income to match the rise in housing costs since 1975.
- The bottom 80 percent hold 7 percent of the nation's wealth and the bottom 40 percent hold only 1 percent.
- For the first time in history, banks own more residential housing net worth than all individual Americans combined.

We teach families the miracles of tax free compound interest

and leveraging. Pennies that buy dollars and one dollar doing the work of many dollars. We can help preserve our middle class with these miracles and many others. Talk to us and get a real plan together, one that WILL WORK and get safe before it's too late.

Title: [So long, middle class](#)  
(New York Post, August 1, 2010)

### **#3: RICH PEOPLE BEWARE**

While you read this idea, keep in mind that of all the entitlement programs, Social Security would be the easiest to fix. In a new poll, Americans were asked about ways to fix Social Security. The poll showed that people do not think the solution should be equally shared. Overwhelmingly, the poll shows that people think the rich should pay more! The most popular solution was the elimination of the \$106,800 wage maximum subject to Social Security taxes. Here's how I would explain the effects of this change to those of you who are high income: for every \$100,000 earned over that previous maximum, your taxes will increase by \$12,400. This is in addition to the extra income taxes you would pay because of the expiration of the Bush tax cuts! We must develop strategies to reduce the damage. The other popular solution was means testing - this means that if you are "rich" you would no longer be entitled to receive Social Security benefits. But studies show that Social Security is an important part of even a rich persons' retirement income. What becomes of their lifestyle if this benefit is reduced or eliminated? It is a great question to ask. Many in the financial industry feel that these two strategies, along with increasing the retirement age, will be the methods used to shore up Social Security. I want to make sure that you are prepared to deal with these changes.

Title: [Poll: Fix Social Security by Taxing Wealthy](#)  
(Money Watch, August 1, 2010)

### **#4: WE'VE ONLY JUST BEGUN**

The world's banks have \$5 trillion of short term debt to roll over in the next two years. Europe's banks are responsible for \$2.6 trillion and U.S. Banks are responsible for \$1.3 trillion. Where will the banks get the money? What if the value of the collateral supporting the loans has decreased in value? With banks and governments fighting over this money, what will be left for the private sector? If the private sector doesn't have access to credit, how will our economies create the growth needed to mend all the problems facing these economies? This is a sneaky issue where everyone will ask "How did this happen?" or "Where did that come from?" It has the ability to start the next downturn. It could make the banks unprofitable overnight. The article states that "The cost of borrowing is likely to rise faster than banks can pass it on to customers." Please watch for the phrase "Credit Risk" as it pertains to banks!

Title: [Crisis Awaits World's Banks as Trillions Come Due](#)  
(The New York Times, July 11, 2010)

## **#5: JANUARY 1, 2011 - TAX TSUNAMI**

If the sunset provisions of the Bush tax cuts are allowed to expire, Americans will face one of the largest tax increases in history. Not only will the estate tax return, but many other tax surprises are coming. All of the tax brackets will increase. The marriage penalty will return. Capital gains taxes and taxes on dividends will increase dramatically. An investment surcharge will be levied on the wealthy. Then there will be a second wave of tax hikes! HSA non-medical withdrawals will be taxed at 20 percent rather than 10 percent for early withdrawals. There will be a brand name drug tax. Over 28 million families will be subject to Alternative Minimum Tax. Business "Expensing" will be reduced from \$250,000 to \$25,000. There will be scores of tax hikes on businesses. Even people who decline to buy health care will be taxed, etc, etc, etc. My intentions are to inform you that there are ways you can make some income available, to make some income not currently taxable, and to make some income never taxable in the future. You need to understand what is coming.

Title: [The Tax Tsunami On The Horizon](#)

(Investor's Business Daily, July 22, 2010; section A, page 10)

## **#6: SOCIAL SECURITY FOR EVERYONE?**

Many states that provide alternative retirement plans to Social Security are now considering terminating their plans and putting their employees into the Social Security program. One state currently weighing this option is Maine. Maine provides an important example because they have a conservative pension plan. They have made their required contributions annually. And yet, they still have a gigantic shortfall in their program because of investment losses. States like California, Illinois, Texas, Massachusetts, Colorado, Louisiana, Nevada and here in Ohio are also weighing this option. However, most of those pension plans have not been managed as well, contributed to as required, or stayed conservative with the benefits offered. Can you imagine the dilemmas these states face? I share an article like this for two reasons. First, does this information sound like we are getting our financial house in order? There will be more taxes, fewer benefits and more inflation! Second, where will Social Security find the money to deal with all the additional recipients? That's right: more taxes, fewer benefits, and more inflation! The writing is on the wall folks. This is amazing information. There used to be so many places to put dollars and do well. Now I can count them on one hand. If you don't make the adjustments necessary, it's only a matter of time until you will be burned. Maybe even before the end of the year.

Title: [States might turn to Social Security](#)

(The Journal Gazette, July 23, 2010)

Title: [Maine Giving Social Security Another Look](#)

(The New York Times, July 21, 2010; front page)

## **#7: RENT OR OWN? THE AMERICAN DREAM**

Barron's had a great article about their belief that home ownership will become increasingly difficult for most Americans. We are becoming a "renter nation" again. The article explains why the home ownership paradigm is changing and what Americans will be able to accomplish in terms of housing in the future. The gist of the information is important. Financial success in the 21st century will not be about owning a home. It will be about having lots of cash and/or guaranteed income. This is an entirely new paradigm for the American people. It will require thorough and repetitive discussions. As an advisor, I am at the forefront of a major transition of ideas. A guaranteed paycheck for life ought to be the American dream in the 21st century. We have the strategies and the products to make that dream a reality for everyone.

Title: [Renter Nation](#)  
(Barron's July 26, 2010; page 19)

## **#8: BEN BERNANKE IS NOT CERTAIN**

These articles deliver a very clear message. This is a time for safety. This is a time for guarantees. When the head of the Federal Reserve, the ultimate insider, is "unusually uncertain," how do you think you should proceed? This month's entire newsletter hopes to instill caution in you and in your decisions. These articles describe the many "red flags" that Ben Bernanke is monitoring. Understand them. Monitor them yourself. Sometimes you can make good decisions when the government can't. Government has to concern itself with politics, but you don't. Politics doesn't matter. Your only concern should be the welfare of your personal situation and that of your closest friends and family. This information helps you to stay ahead of the game.

Title: ['Unusually Uncertain'](#)  
(Chicago Tribune, July 24, 2010; section 1, page 19)

Title: [When Even Bernanke Sees Red Flags](#)  
(Yahoo Finance, July 26, 2010)

Title: [Bernanke: Economic future is 'unusually uncertain'](#)  
(The Washington Times, July 6, 2010; page 6)

## **#9: INFLATION OR "OH MY GOD" DEFLATION**

The government and the Federal Reserve are now fearful of deflation. Deflation is many times more difficult to fix than is inflation. There are many signs that deflation could take hold in our economy. Incomes are flat and services are declining dramatically (real estate is a great example of this). In the near term, however, we need to understand what could happen. Primarily, we need to stay safe, and then take advantage of any action to deter deflation. Let's hope that the Federal Reserve can design a solution for deflation. Their initial shot against this would be "quantitative easing" which, believe it or not, is a still lower interest rate and a substantial increase in the money supply. This creates all kinds of opportunities.

Long bonds of all kinds will increase in value if this occurs. Guaranteed multi-year interest rates will provide safe and quality opportunities for growth. The stock market will probably respond favorably to an increase in money supply and an additional lowering of interest rates. Whole life policy returns will continue to stand out in this environment. You have a real opportunity here if you make the necessary adjustments. It will be the most worthwhile time you spend.

Title: [Are the Helicopters About to Take Off?](#)  
(Barron's, July 30, 2010)

Title: [The Fed's toughest foe: Deflation](#)  
(CNN Money, July 21, 2010)

Title: [Within the Fed, Subtle Worries of Deflation](#)  
(The New York Times, July 30, 2010; section B, page 1)

Title: [Fed's Bullard Cautions on Low Rates](#)  
(The Wall Street Journal, July 30, 2010; section C, page 3)

#### **#10: THE CONGRESSIONAL BUDGET OFFICE WARNING**

While politicians are saying that everything is okay, organizations like the GAO and the CBO are warning that danger lurks everywhere in our economy. Federal debt threatens to harm our economy. Examples of consequences include interest rate spikes. Those surges in interest rates could cause serious reduction in the value of government debt. This would cause damage to pensions of all sorts. Mutual funds and ETFs would be harmed. Lending would be curtailed or eliminated. The government would be left with printing money as its last resort. With the government and the private sector fighting over loan dollars, it is conceivable that the private sector could be squeezed out. That would severely damage the growth potential of our country. We are essentially digging ourselves into a deeper and deeper hole. If we know this ahead of time, we can use sound strategies to stay financially secure. This information is dynamite!

Title: [The CBO Warns the Nation; Is Anybody Listening?](#)  
(American Thinker, July 16, 2010)

Title: [CBO's Grim Diagnosis: Enemy Is Us](#)  
(Investor's Business Daily, July 29, 2010; section a, page 10)

Title: [CBO Warns of the Risk of a U.S. Financial Crisis](#)  
(The Heritage Foundation, July 29, 2010)

Title: [CBO Warns Obama: Exploding US Debt a Huge Risk](#)  
(Moneynews, July 29, 2010)

Title: [Federal Debt and the Risk of a Fiscal Crisis](#)  
(Congressional Budget Office, July 27, 2010)

Title: [Why the national debt is a ticking time bomb](#)  
(Juneau Empire, July 25, 2010)

## **#11: 2010 SOCIAL SECURITY AND MEDICARE TRUSTEE REPORT**

As I was finishing the newsletter, the Trustees report came out. It states that Social Security will run a deficit of \$41 billion this year. That was not supposed to happen until 2016. The report also states that there will be a slight surplus in 2010, 2013, and 2014. That, however, can only be assumed if the economy recovers! Medicare's financials show some improvement, extending the bankruptcy of the Medicare program until 2029. However, that will only happen with the successful implementation of the Patient Protection and Affordable Care Act and as amended by the Health Care and Education Reconciliation Act of 2010, also known as "The Affordable Care Act" or "ACA" (that's a mouthful, but so is the challenge of successfully implementing this legislation). Even though it extends Medicare's day of reckoning for a short time, it will definitely require seniors to pay more out of pocket after the reductions in Medicare are implemented. In essence, we are taking money out of one pocket rather than the other. Take the time and read this report. It will give you lots of reasons to take action. Why? Because taxes will increase, you will still get lower benefits, and the government will have to print money to keep the promises they have made. You can't just sit there and hope to succeed, you must make a change or you are doomed. I will talk more about this report next month.

Title: [Social Security and Medicare Boards of Trustees 2010 Annual Report](#)  
(Social Security Online)

Please share the information available in this newsletter with your friends and family. Bring them into the office and we can discuss it together. They will be substantially better off as a result of it and you will gain the recognition of providing them with solutions to their problems. I am working very hard to make these newsletters as valuable as possible. There are great challenges ahead; forewarned is forearmed. We are very close to many of the calamities we have discussed. Stay Prepared! Enjoy the rest of your summer. The end of this year could prove to be amazing.

**Thanks again!**

Your Friend,  
Matt

***Contact us at Matheny Advisory Group. We're  
looking forward to visiting with you.***

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