God's Trust Test

Jeremiah 17:5-11; Psalm 1

Jeremiah 17:5-7

- *Thus saith the LORD; Cursed be the man that trusteth in man, and maketh flesh his arm, and whose heart departeth from the LORD. For he shall be like the heath in the desert, and shall not see when good cometh; but shall inhabit the parched places in the wilderness, in a salt land and not inhabited. Blessed is the man that trusteth in the LORD, and whose hope the LORD is.*

Habakkuk 3

- *Although the fig tree shall not blossom, neither shall fruit be in the vines; the labour of the olive shall fail, and the fields shall yield no meat; the flock shall be cut off from the fold, and there shall be no herd in the stalls: Yet I will rejoice in the LORD, I will joy in the God of my salvation. The LORD God is my strength, and he will make my feet like hinds' feet, and he will make me to walk upon mine high places…*

The middle verse of the Bible

- Psalm 118:8 -- *It is better to trust in the LORD than to put confidence in man.*
  - Isn't it fascinating that this is the middle verse?
- Remember this!
  - <u>We must let God be our security instead of letting security be our god.</u>

"Ponzi scheme" – printing fake money to pay real bills

WHY THE ECONOMIC CRASH IS STILL CERTAIN

The pattern of history

- *"A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves largesse from the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury with the result that a democracy always collapses over loose fiscal policy, always followed by a dictatorship. The average age of the world's greatest civilizations has been 200 years."*

Dollar falling / worth less!

 7

Bond funds

- Bill Gross is the world's biggest bond trader.
- He runs the PIMCO bond fund with over $250 billion under management.
- Recent company disclosures reveal that PIMCO has sold every single U.S. bond in its portfolio.
  - Local bonds
  - State bonds
  - Federal bonds
- Gross believes that bonds are about to default in record numbers.

 8

The Federal Reserve is buying its own debt instruments.

- Since no one else wants US Bonds at the moment, the Federal Reserve is buying them.
- So the Federal Reserve is buying the notes that the United States uses to borrow money from the Federal Reserve.
- This is called a Ponzi Scheme.

 9

Cities going bankrupt

- Meredith Whitney is *Fortune* magazine's expert on municipal bonds and she predicts 50-100 major cities will default on their debt next year.
  - Many cities laying off their police force to save money—exactly at the time they are about to really need those forces.
- States pay 40% of city's bills. Look for states to go bankrupt as well.

 10

Camden, NJ

- More than ½ of 80,000 residents live in poverty.
- 2380 violent crimes / 100K residents
- 335 workers laid off including fire & police (1/6 of workers)

Rampant with open drug dealing, prostitution and violent crime.

 11

Housing market a disaster

- Leading expert on the housing market predicts another 20% decline in housing prices by mid 2013.
  - Homes will not be worth enough to serve as collateral on their mortgages.
  - As borrowers default, banks will lose money.
  - Due to fractional requirements for issuing loans, banks will begin to collapse.

 12

Bank insolvency

- In March 2009, the government removed the "mark to market accounting requirements" on banks.
  - These requirements prohibited a bank from listing at full value on their books:
    - in-process foreclosure properties
    - REO properties (already-foreclosed properties now owned by the bank)
- With this requirement gone, bank balance sheets make them appear healthier than they are.

 13

Social Security & Medicare bankrupt

- There is no trust fund covering Social Security and Medicare.
- The government has borrowed all the deposits in those funds and replaced them with worthless IOUs.

 14

Government reached debt ceiling

- On May 16, 2011, the U.S. reached the congressionally set debt limit.
  - The government is "maxed out" and cannot legally borrow more money from the Federal Reserve without Congress extending the debt ceiling.
  - The government is raiding the pension funds of government employees to pay bills until Congress raises the debt ceiling (so it can borrow more).
  - According to the Obama administration, there is no "plan B" – raising the debt ceiling is the only option.

 15

April 2011 Government spending

 16

The most predictable crisis in history

- Erskine Bowles
  - Co-chair of Obama's National Commission on Fiscal Responsibility

 17

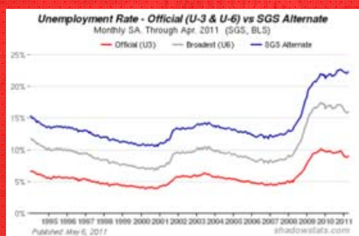
Inflation on the rise

- The May Consumer Price Index (CPI) report has the government reporting a 3.2% inflation.
  - Since 1990, they don't include energy costs.
  - The actual inflation rate can be found on www.shadowstats.com.

 18

Unemployment high

- Government report 7% unemployment
- Actual unemployment near 22%



www.shadowstats.com

 19

The misery index

- The government changed the way it reported inflation and unemployment in 1990 so they could paint a rosier picture.
  - Unemployment stats no longer include those who have been unemployed for a long time.
- By pre-1990s methods of calculating, we have:
  - 10% inflation (Consumer Price Index)
  - 15% unemployment (possibly as high as 20%)
- This is a Misery Index of 25 – the highest in modern history.

 20

No good alternatives

- With double-digit inflation now a reality, only a dramatic rise in interest rates (to at least 4 percentage points greater than inflation) can slow inflation.
  - This would require interest rates of at least 14% right now.
  - But this would force the government and banks into bankruptcy.
    - Would result in layoff of government employees, and cause services and entitlements to stop.

 21

Other nations defaulting

- Other nations with fiat currency are defaulting:
  - Iceland, Greece, Ireland, and Portugal recently
  - Spain is next
- These nations were counting on their investments in the US dollar to help them but the dollar is losing value daily.
  - The Euro is collapsing—days are limited….
  - These countries will not invest in the US $
- The US will find it hard to borrow more $$.

 22

Unsustainable government

- To sustain current levels of government programs, the government will be forced to add $2 trillion / year to the national debt in just the next 2-3 years.
- Government insolvency is not just likely, but inevitable.
  - Imagine having a $100,000 / yr. income and borrowing $2 million / year. How long could you keep up the payments?
  - That is what your elected leaders are doing.

 23

Leaders without courage

- Last year, the US government paid out $2.3 trillion on direct benefits to taxpayers.
- The government's total income last year was $2.2 trillion.
- "When your outgo exceeds your income, your upkeep becomes your downfall!"

 24

A burden Americans can't afford

- Right now, Americans owe almost $700,000 per family.
  - Government debt
  - Private debt
  - Outstanding corporate debt
- If you assume Producer Price Index of 5.5% and a risk premium of 2.5%, financing this debt legitimately at 8% interest would means $56,000 / year in interest expenses alone for every family in the country.

 25

Good idea or another disaster waiting to happen….?

WHAT ABOUT PRECIOUS METALS?

 26

Price manipulation

- Beginning May 1, silver declined $13/oz – a 26% decline in just a few days. Why?
  - Planned manipulation of the market which shook out smaller investors.
  - COMEX and the HKMEx raised margin requirements on silver to cover increased risk in volatile market.
    - This took some investors out of the market causing silver prices to plummet.

 27

Price manipulation (2)

- Bear Stearns held a "short position" in silver (betting against silver).
  - When Bear Stearns failed in March 2008, silver had reached a multi-decade high of $21 / oz.
    - Bear Stearns was essentially "bankrupt" from having to cover its short position on silver. So the government bailed them out.
    - If the government had not done so, silver would have risen to $50/oz. and signaled a loss of confidence in the US $.
  - JP Morgan held the "short position" as of 9/2010.

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Price manipulation (3)

- If precious metals rise, it signals a loss of confidence in the US $.
  - This makes it harder for the US government to borrow money.
- So the government has a vested interest in trying to suppress the rise of precious metals.
  - One way to manipulate the price is to influence the margin requirements.
  - Another is to force "liquidate only" position as happened to the Hunt brothers.

 29

Price manipulation (4)

 30

Silver demand

- Silver is right now still below its 200 day moving average.
- Gold has to reach $2400 / oz. and silver $75 / oz. just to reach its inflation-adjusted high.
- Demand
  - Silver holdings by investors at highest level since 1988. This is still 19 times smaller than the "Hunt Brothers bubble" of 1988 and there are 2.3 billion more investors now.

 31

National debt

- Our national debt is 15.56 times higher now than when precious metals prices soared in the 1980s.
  - 2010 -- $14,000,000,000,000 ($14 trillion)
  - 1980 -- $900,000,000,000 ($900 billion)
- So national debt much higher and yet silver holdings are much lower than they were in the 1980s.
  - This means there is room to grow!

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Investment demand

- Gold and silver prices are not likely to top out until the majority of investors are "IN" precious metal investments.
  - Currently less than 2% of investors invest in precious metals but the number is beginning to grow.
- China currently has .75% of their reserves in precious metals.
  - If they increase to 1.5%, that will cause gold and silver to triple in price almost immediately.
  - China wanting to move out of US$.

 33

Temporary declines in precious metals likely

- The Federal Reserve will attempt to raise rates to slow inflation.
  - That will temporarily strengthen the dollar.
  - This will slow the rise in gasoline prices.
  - That will cause another short-term decline in precious metals.
    - This will represent a buying opportunity for those who understand that the government cannot sustain this borrowing indefinitely.

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The future of precious metals

- Expect a temporary decline (silver could get as low as $30/oz.).
- Long term, it is a mathematical certainty that both will go up dramatically.
  - Get out of the market when it becomes popular for everyone to buy it.
  - Get out of the market when the Fed raises interest rates 4% above the true inflation rate.
  - Get sound investment advice from someone who understands precious metals.

 35

Prepare to exchange

- Plan what you will exchange for your precious metals.
- The National Inflation Association (NIA) epxects real estate prices to fall during hyperinflation:
  - 55-60% priced in gold
  - 90% priced in silver

 36

WHAT TO EXPECT

 37

Rising grain prices

- Weather has been a major factor this year.
  - North Dakota: By now, the state normally has over half its corn in the ground. Today, it's at just 15%. Across the country, 63% of the year's corn is planted. We should have 75% of it in the ground.
  - Wheat:
    - America: Just 36% of wheat has been planted – normally 76% for this time of year.
    - Russia importing wheat (normally they export)
    - Australian floods ruined wheat crop

 38

Grocery prices going up

- 1 out of 7 Americans on food stamps
- In hyperinflation we could see grocery prices going up dramatically.
  - A 50% rise in grocery prices would reduce a month's worth of food to 2 weeks.

 39

A rise in short-term interest rates

- The Fed will get out of Treasury certificates and raise short-term interest rates to try and stop inflation.
  - This could result in deflation (the # of dollars in circulation decreasing – particularly as more and more people can't pay their mortgages).
  - The Fed thinks this will strengthen the dollar and cause the prices of commodities (groceries, precious metals) to fall.
  - This won't work and the Fed will have to start another round of quantitative easing (QE = print money).

 40

China pulling $$ out of the US

- Chinese government curbing real estate speculation at home.
  - Chinese investors buying real estate in Canada rather than the US.
- Chinese government wanting to get out of US Treasuries.

 41

My personal conclusions…

- The safest investment is in the Kingdom of God:
  - *Lay not up for yourselves treasures upon earth, where moth and rust doth corrupt, and where thieves break through and steal: But lay up for yourselves treasures in heaven, where neither moth nor rust doth corrupt, and where thieves do not break through nor steal:*
  - Moths = excess stuff we didn't need
  - Rust = stuff we didn't care for properly
  - Thieves = stuff God didn't want us to have

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My personal conclusions (2)

- God wants me to be a good steward of what He entrusts to me.
- Given the circumstances, I plan to:
  - Increase giving
  - Drastically reduce living expenses
  - Look for additional income streams
  - Stop investing in 401(k) or stock market
  - Buy silver (more undervalued than gold and has more commercial applications)
  - See competent counsel
  - … and more that we can't cover here.

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What we can do?

- Pray – seek God's wisdom.
- Get informed; get godly counsel.
- There is a very real potential that a modest investment now could pay off your debts in a short time.
- Get debt free before the crisis becomes full blown.
- Consider increasing giving to give God an opportunity to demonstrate His power.

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IN GOD WE TRUST

The information on the following slides is NOT in the audio presentation because it is new information. It supports the presentation which was given.

APPENDIX – NEW INFO

 45

PIMCO Bond fund

- I mentioned in the audio presentation that this bond fund had completely liquidated all of its holdings in US treasuries.
- Recently, however, Bill Gross – manager of the fund – just put 4% of his fund short U.S. Treasury bonds.
  - Translation: This means that Bill Gross is betting against US debt and the dollar.

 46

Significant gold purchases

- The University of Texas endowment fund recently took delivery of $1 billion in gold bars. This is an enormous bet by some very shrewd investors that the US monetary system will fall apart.
- Mexico – one of our most important trading partners – just purchased almost 100 tons of gold.
- Central banks around the world are selling dollars and buying gold.

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The dynamics of debt

- It is now nearly certain that the United States will default on our federal debt as well as many private debts.
  - Americans over nearly $56 trillion – 400% of our gross domestic product (GDP)
  - We spent half our annual GDP on taxes and interest
    - How long would you survive if you had to spend 50% of your budget just to pay the interest on your debts?

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Changes in trading cycles

- Our trading partners are still taking dollars.
  - Previously, they put these dollars back into U.S. Treasury bonds (which allowed us to borrow more money and stimulated our economy).
  - However, they are now buying gold and strategic commodities like industrial metals.

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Clarification on the Federal Reserve purchasing debt

- The Federal Reserve is buying US debt in the form of treasury notes.
  - This is called quantitative easing.
  - This currently accounts for 70% of all treasury note purchases.
  - The Fed is scheduled to quit doing this on June 30, 2011.
  - This means that the biggest customer these notes will no longer be buying – so prices on treasury notes will fall and interest rates will rise.

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Clarification on the Federal Reserve purchasing debt (2)

- This means that it will be harder for the United States to borrow the continue artificially supporting its economy.
- It means that it will be more difficult for businesses to borrow. Some will have slower growth; some will die.
- Most US stocks will fall except those that are positioned to be able to survive well in a deflationary market.

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The bond market collapse

- The Producer Price Index (PPI) – which is more reliable than the Consumer Price Index (CPI) – shows current inflation is at 6.8%.
  - If you factor in energy costs to inflation, the number is closer to 12%.
- Bonds need to offer an 8.8% return in order for people to want to buy them (that gives them 2% above the inflation rate).
  - The current yield on bonds is only about 3.25%.

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The bond market collapse (2)

- This means that we can expect a collapse in bond prices of more than 50% which could decimate the stock market.
- Interest rates will likely rise higher than 8.8% as America’s creditors will begin doubting America’s ability to repay its debts.

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What this means

- By the end of 2012, our national debt will exceed $17 trillion.
  - Investors need at least 8.8% right now in order to get a return on their investment of 2% in excess of the inflation rate. They will soon demand at least that in interest rates in order to purchase US debts.
  - If our average interest rate increases to 4.4% – just half that rate – our annual interest expense will be $750 billion (more than we spend on defense or Social Security) – 25% of every dollar would go strictly the interest payments.

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Debts have a maturity date

- http://www.treasurydirect.gov/govt/reports/pd/feddebt/feddebt_ann2010.pdf -- 35 pages
  - This is the link to the Bureau of the Public Debt annual financial audit of the United States.
  - Here is the most significant piece of information: 61% of all marketable U.S. Treasury debt held by the public will mature within four years.
    - Thus, the US will have to borrow or refinance as much is $10 trillion in the next four years to avoid default.
    - This will double the amount of treasury bonds in the world market meaning the bonds will be worth far less.

 55

Who is lying to you?

- There is no foreseeable way that the United States can raise sufficient cash through Treasury of the bonds alone.
- The Federal Reserve will be forced to print more money – though they've said they will quit on June 30th -- which will inevitably result in hyperinflation sometime in the future.
  - Expect a brief stop in the presses followed by a strengthening in the dollar and probably a momentary drop in commodity prices (gold/silver).

 56

17 countries defaulting financially

- The euro will crater soon
- Greece racked up 125% of GDP as debt (US currently at 90%)
  - Bailed out by the International Monetary Fund (with half of that money supposedly coming from nations who can't pay their own domestic debts)
- Ireland – debt exceeded 90% of GDP and a deficit more than 14% of GDP
- Portugal – debt at 70% of GDP; deficit at 9.3% of GDP

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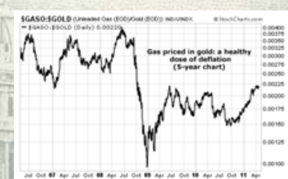
Is gas really going up?

- Compared to either the Australian dollar (AUS$) or gold, gas has actually gone down over the last 3 years.
- More expensive here not because of the oil companies but because of inflation (our dollar is worth less).



 58

People keep asking what I would do. I'm not a financial counselor and you should seek financial and legal advice elsewhere. But I'll tell you what some people smarter than me have advised others to do.

A GAME PLAN

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Get financially free

- Pay off debts if:
  - You can pay them off within 2-4 months.
  - They have a variable rate of interest (which will go UP soon)
- Don't pay off debts that have a low fixed rate of interest.
  - Instead, buy gold and silver and pay off these debts later with cheaper dollars after the commodities go up.

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Study

- You need to know what to do when it is time to get out of gold and silver.
  - Find investments you can understand.
  - Look for companies with a long-term record of paying consistent dividends.
    - Consider companies with dividend reinvestment (DRIP)
    - Consider purchasing stock from good companies directly (rather than through a broker) – this can result in a savings and sometimes a higher dividend payout.
  - Look for businesses you can start

Develop secondary income

- No such thing as job security any more
- Look for ways to make money
  - Preferably while you are sleeping….
  - Find a need and meet it

Continue to invest in commodities

- Few investments are so mathematically certain right now as gold and silver.
  - Make sure you understand what you're doing and don't get excited when the prices drop over a few days as a result of the government manipulating the market.
- Oil commodities could be good investement – China's reserve is now down to a few days' worth and they need much more.
- *Never invest in what you don't understand.

Prepare

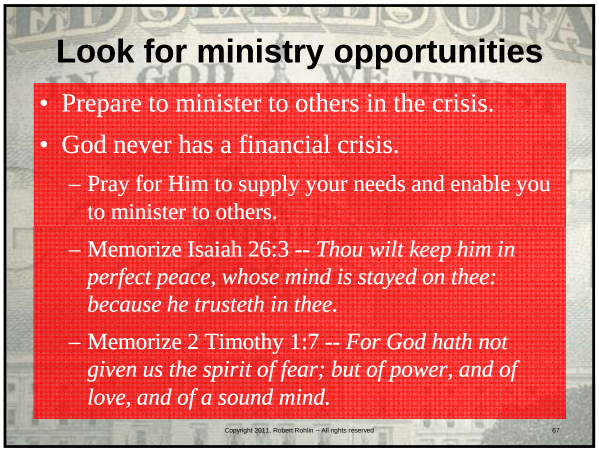
- Consider storing supplies and food because hyperinflation could make it difficult to shop at the grocery stores.
  - Better to have it and not need it than need it and not have it.
- Consider emergency supplies that enable you to leave if necessary due to urban rioting like they've had in other countries that have defaulted on their debt and experienced hyperinflation.

Prepare (2)

- Consider gardening to provide additional food.
- Run off the top ½ of your gas tank – especially in a climate of rising prices.
  - Fill early in the morning
  - Fill slowly

Stay safe

- Keep as much as possible out of currency (US$) and in real money (gold / silver).
  - Best to have in physical possession or in a readily accessible safe.
  - Don't put it in a bank vault (many banks were closed after 9/11 for a few days)
- Take a **Refuse to Be a Victim** course from the NRA to learn practical safety.
- Consider what other safety measures you need.


Look for ministry opportunities
• Prepare to minister to others in the crisis.
• God never has a financial crisis.
– Pray for Him to supply your needs and enable you to minister to others.
– Memorize Isaiah 26:3 -- *Thou wilt keep him in perfect peace, whose mind is stayed on thee: because he trusteth in thee.*
– Memorize 2 Timothy 1:7 -- *For God hath not given us the spirit of fear; but of power, and of love, and of a sound mind.*
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