Welcome to the *Solari Report*. Today is Thursday, June 23rd. I'm Catherine Austin Fitts, and I'm delighted you could join me this evening. Tonight, the second part of "Unpacking Financial and Investment Advice".

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As I said last week, we spoke about personal finance and financial advice, so if that's your interest, I really encourage you to go back in the archives and get it. And a lot of what I said last week will dovetail with what I say today about investment advice.

Now, before I start, I just want to make sure I'm transparent about my conflicts of interest. It's always important when you listen to anybody, whether in the media or in business, you need to understand how their money works and what their financial incentives are because our financial incentives help to define our point of view. It's really important you understand how somebody makes their money. Since I make my money as an investment advisor, I want to make sure you understand what my business is so as you listen to me talking about my point of view you can anticipate and decide if you think there are any potential conflicts of interest.

I have two businesses. One is the *Solari Report* where I work essentially to add value to subscribers. And then the second, I'm an investment advisor. I have a company, Solari Investment Advisory Services, LLC ("Solari Advisors"), which is registered in Tennessee and then in several other states. We have a disclosure statement also filed in New Zealand.

Solari Advisors provides essentially consulting services. We do not take responsibility for actively managing money, so we're providing consultation to families - to individuals and families and their related trusts and businesses. We're working with other investment advisors and a variety of other financial institutions to help them do that, or they're managing their own money themselves with discount brokers. In addition, we have recently started a new company, Sea Lane Advisory, LLC. that is a partnership between Solari Advisors and Financial Perspectives, an investment advisor in Pleasanton, California. I'm working out of their offices for a three month period, so that's why I've been talking to you from California. Sea Lane was started because I was having difficulty finding a balanced fund investment strategy operation that I could trust. I simply decided to start it with an investment advisor who I do trust. Sea Lane is actively managing money and is registered in California.

My point of view is building family wealth. I very much believe that if you look at what makes a community healthy, if you look at what makes a state healthy, if you look at what makes the country healthy, if you look at what makes the planet healthy, a lot of it comes down to families who are successful in many ways, including financially, and through that financial success give back and bring strategic governance and value to a place and to networks. I feel that one of the greatest dangers to communities and democracy and to our economy is families getting drained. It is very much my response to the corruption that I saw on Wall Street and Washington to ask, "How can I help families navigate the change that we're going through and navigate and protect themselves from the corruption?" because the more family wealth that we can preserve and build in this environment, the much better off the world will be. So, that's my point of view.

My model is what I call the Solari Model. When I came out of the Bush administration I was concerned. You know, I thought, "The fascists are going to kill us all. What can we do about it?" I spent years building relational databases and studying the economy and simulating what was happening. I came to a conclusion that essentially we needed to change our investment model in a very simple way.

I was trained at the Wharton Business School and at Wall Street to believe that you needed to focus on optimizing investment returns to investors. The goal of a good investment advisor was to make sure investors had the highest possible returns. Well, that's all well, nice and good in a world where the government is running around and making sure that all sorts of things are being taken care of. But when that's not happening, our government's being run as a criminal enterprise, of course that just makes it worse because everybody's making money rigging government contracts as opposed to doing something that has economic value; where they're making money polluting and destroying the ecosystem rather than doing something that has fundamental value. So, you get into this liquidation model where investors are making money, but the whole planet is being destroyed and the long-term value is being rubbed out of the economy.

I realized that an investment has really two components. There's not just the return to the investor, but there is the pro forma impact on the entire financial and real ecosystem. Think of an investment as having two returns. One is the return to the total economy which can be positive or negative, and then one is the return to the investor which can also be positive and negative. In the Solari model, our goal is to have positive towards both.

My goal as an investment advisor is still totally focused on optimizing positive returns t investors. I use as a navigation tool my estimation of the total impact to the ecosystem of a particular investment. So, when I look at investments, I don't just want to know about what their returns have been to investors or what I think their returns to investors will be going forward. I want to look at how much value they're adding to the total financial and environmental ecosystem. I use that knowledge as a tool to identify both opportunities and risks.

People always say to me, "Well, this is really naïve." No, it's not. If the pension funds had used this tool – and I was working with a group of pension fund advisors trying to get them to do this when I got interrupted by litigation – but if the American pension funds had done this, they would not have financed the housing bubble. They would have not taken huge losses on Enron. The investors who took a huge loss in Madoff wouldn't have taken those losses.

If you understand that impact on the total ecosystem – and in fact, the impact on the total eco system is highly negative – what long period of history show you is that in many cases, ultimately, you know, that comes back around and the investors end up losing their money. So, estimating total ecosystem returns and understanding them has been very powerful as a risk management tool. The difference between the traditional model and the Solari model is, number one, I take the time to estimate total economic returns for the purpose of both identifying opportunities and managing risks. The second thing is I have a rule, which is if I believe something has a negative total return to the ecosystem, I won't invest it. What that means is if you offer me a double in Monsanto tomorrow, I won't take it for any amount of money. I won't do it. That's because if you look at long periods of time, it has tremendous – and I'm not going to go into this in detail today – but it has tremendous benefit over time to both investment and business if you send a clear message about where your lines are. If you hold to that line, it can have a very dramatic impact on who will play with you and how they will play with you.

A book I would recommend to you very strongly is *The Evolution of Cooperation* by Robert Axelrod. Axelrod does the best job I know of explaining why transparency is important to real solutions, not just to saving our world, but creating an investment system which aligns returns to the investors to returns to the overall economy, or total economic returns.

We're in an investment system which is spiraling downhill and it requires government money to prop it up. The problem is not that a few people are consolidating the wealth into a few hands. The problem is as they do it, they're shrinking the pie. Part of getting to real solutions is figuring out how to engineer things so the pie can get bigger for a lot of people 'cause then a lot of people are going to play.

It's interesting if you look deeply into a lot of people's personal portfolios, what you find is that they're financing the things they say they most hate. They don't even seem to know it. This idea of learning over time how to look at the total ecosystem is a learning journey. It's very valuable and it's something I hope to help you continually do on the *Solari Report*.

Last week, I had a series of nine takeaways from my experience since 2004 working as an investment advisor, and so I have ten tonight. I couldn't squeeze it into nine, so we're going to do ten takeaways, and let's just get rolling.

Takeaway Number 1 is a repeat of what I said last week, but I'm going to be really redundant on this because it is so very important.

Takeaway Number 1: There is nothing more important in the investment world than the quality of the people you do business with.

I just can't repeat this enough. When you proceed to invest your money, there are a lot of things that can go wrong to the best people and the best ideas and the best of times. But what you find out is if you stick with very high quality people, whether it's enterprises run by very high quality people, investment operations or funds run by very high quality people, you can ultimately avoid or get over a lot of the challenges that just naturally come your way. So, you can't be too careful.

I said last week that people should be considered guilty until proven innocent. It's the opposite in the world of investment from the court of law. So, you really have to be careful either to due diligence who you're doing business with, or make sure you're in business with people who will do that kind of due diligence.

I'm always shocked when somebody says, "Well, I moved my CD from this bank to this bank because I can get a little bit more in an interest rate," when the first bank is run by very high quality capable people and the second bank is run by people who I would have nothing to do with. I certainly would never give them information about me or my data. All banks are not equal. All financial institutions are not equal. You know, there should be certain things that disqualify people, and price can't get you back over that disqualification.

Takeaway Number 2, again, is a repeat of last week, but it's even more important in investments.

Takeaway Number 2: Please throw away your TV.

I was inspired by *The Wall Street Journal* to say this again today. *The Wall Street Journal* had a survey on the front of the paper, "A Day in the Life: How America Spends its Time". The average American spends 8 hours and 23 minutes sleeping and 2 hours and 31 minutes watching television. The average American spends 4 hours and 24 minutes working, so we spend 50 percent of the time we spend working watching television. We spend 36 minutes on education. So, if you look what you could do in a lifetime of cutting your TV time watching in half and spending that time learning about money or focused on enterprise, education or investments, it's amazing to think what could happen.

I just watched a documentary last night which we will do in "Let's Go to the Movies" on *Solari Report*. I cannot recommend it to you enough. It's called "A Man Named Pearl" and it's about a guy, a sharecropper's son, down in South Carolina who started an amazing garden. Just amazing. Looking at it will bring you to tears. He worked for 36 hours at a local plant, and he did it at night. He came home and he worked on the garden instead of watching TV. And it's an incredible example of what can be done if you just turn off your TV.

We talked last week about time and knowledge budgets, and I'm not going to repeat that here, but it certainly applies to creating the time to focus on investments. You need to sit down and say, "Okay, what do I want to learn and how do I want to learn it?" and apply that to investments. Very important to do.

Takeaway Number Three: Practice true diversification.

There is something that some of you have heard about called modern portfolio theory. Modern portfolio theory has been used as an invisible capital control to make sure you put a lot of your money into a brokerage account, and then it ends up basically financing the military industrial complex. Certainly in combination with the other rules and regulations, it's been amazing at kind of channeling everybody back into a very centralized system.

What's interesting is when you then look at your portfolio, what you'll find is that your portfolio is often not diversified. I used to look at portfolios, say we had ten different fixed income or bond funds, and then we had ten different equity funds, and we had some stocks and a variety of other things, and when you looked through it, you had thousands of companies and governmental entities represented, and all of them depended on defense contracts, defense purchases and derivatives thereof. When you plowed back into that, that all depended on the U.S. Treasury borrowing money. So the pricing relates to the equity markets, to the fixed income markets, but essentially the whole portfolio was a bet that the U.S. Treasury could keep borrowing money and the military industrial complex would work. That may be a good bet, or that may be a bad bet. I'll let you decide, and I'll let you decide if that's what you want to put your retirement funds into - if that is financing the world you want to create. Some people would say yes. Some people would say no. I would say you need to be clear about that, and you also need to be clear that it's not diversified. It's in a U.S. financial system and it's one big bet.

Now, let's look at true diversification. I have a very popular blog post called "Financial Coup d'Etat". If you just do a search for "Financial Coup d'Etat" on the blog or any search engine you'll pull it up. Part two is about true diversification, called "Rethinking Diversification," It's a very good overview.

Let's look at true diversification. True diversification is owning your own home, and particularly one that is not mortgaged. We talked about disintermidiation last week where you can reduce or cancel your utility bills or other maintenance expenses, so you invest your money not in things that produce an interest coupon or a dividend, but in things that permanently reduce your expenses. That's disintermediation.

You know, I always hear, "Well, if I put my money in a financial institution or in a brokerage account, I can get a higher yield than my after tax cost of my mortgage." Well, yes, that's true **IF** it all works.

We had Geneen Roth on the *Solari Report* talking about loss in her book *Lost and Found* and losing all her money in Madoff. One of the things she kept saying is, "Oh, I wish I had paid off my mortgage. I didn't want to pay my mortgage off because I was making more money in Madoff than I was having to pay on my mortgage after tax." Well, that's a perfect example. It does not always work.

True diversification means not necessarily trying to arbitrage everything between owning your own home and being in a financial institution.

It includes owning things locally, so having a good local bank. One of the things I've seen done very well is a local community loan fund. A good local community loan fund, if it's well run it's really grounded in the local economy and can provide true diversification. I've seen community loan funds which I thought would stand in a scenario where JPMorgan Chase went down 'cause they were so grounded in the real local community.

Owning your own enterprise – very, very important. The market can fire you, but certainly the company won't if you own your own enterprise.

Investing in your own skills – very, very important. If you know how to start and operate an enterprise, you may not want to do it now. You may want to do something else. But you have those skills. I look at the survey of two-and-a-half hours on TV and only 36 minutes on education and it chills me because when the economy is changing like this it is unbelievably important to invest in skills. Not just skills that can generate an income, but skills that we can do for ourselves because it makes so much more sense given the tax picture and inflation to do things for ourselves.

I've talked about stock piling non-perishables, owning precious metals or investing globally. If you want to read more about this or learn more about this, I would recommend the audio seminars in the investor collection, including the "Positioning Your Assets for Growth in Uncertain Times".

So, don't think that diversification is simply buying stocks in a lot of different industry sectors or areas that are all that are part of the same system financed by the U.S. Treasury. Practice true diversification which is really not just going through big financial institutions whether you're in North America or Europe and Asia, but things that really may perform in the kind of different scenarios that can happen give you true diversification.

Takeaway Number 4: Stick to the long-term trends.

I talked about this last week as well. Do not try to out trade the insiders. Now, if you're an insider, if you have a flow of great insider information, fine if it's legal. What I've seen so far is we have a highly managed economy. It is remarkably sort of played by the big financial institutions. We've seen lots of stories about insiders front running the market. It is very difficult to short-term trade and out-trade a rigged game, especially when you don't have the resources to do it. Now, what is possible is to understand the fundamental long-term trends and to stick with them, because even in a managed economy, fundamental economics matter.

I referred you to our year-end wrap-up that we did in January 2011. We did a wonderful transcript. I recommend it to you because it'll certainly go through some of the long-term trends. Let's focus on some of them. One is the shift from paper assets to tangibles. That's one of the reasons I focus on precious metals. It's one of the most liquid and easiest to invest in in the tangible group. And certainly precious metals have performed very nicely. In some respects, the metals really haven't gone up in value. What we're watching is a drop in the dollar and other currencies. Precious metals have certainly protected us in a lot of ways over the last five years.

Trend number two is globalization, especially following the demographics. We see economies that are growing and rising and very much tracking both the rise of the middle class and those places and the average age of the population, and that trend is going to continue no matter sort of all the different pain caused by the rise and the costs of commodities, et cetera.   Okay, so globalization, going to keep happening.

Number three is managed economy. If you can see the deeper game in a highly managed economy, there's a lot you can do to protect yourself and to find opportunity, but it's very, very important to see the covert side of the economy.

Number four is new technology.

All four areas present serious opportunities. That's not to say that there aren't serious risks. The biggest one is environmental risk. I have never seen or found a way to seriously take advantage of enterprises that can heal the environmental risks by going through the financial system or the brokerage system. So far, I've seen most of the things we can do to try and protect ourselves from environmental risks are things we can do in our own household or personally or in our local area. I don't underestimate the importance. It would be wonderful if we could start to find ways of doing it in our investments as well, but that time has not yet come. If it does, it's also going to be a tremendous opportunity. Let's just hope we get there.

Takeaway Number 5: Our primary investment risk is debasement.

Now, there's two kinds of debasement I want to talk about. One is debasement of currency, and the other is debasement of quality, including standards and codes. So, let me go through currency first.

I did a series of posts in the audio seminar "Positioning Your Assets for Growth in Uncertain Times" which was done in 2008, and then up on the internet and on the audio seminars is "Navigate the Falling Dollar" which was done in 2004, and both of them described the risks of debasement. I also did two blog posts off of those where I took the chart that I did in "Positioning Your Assets for Growth in Uncertain Times" and I showed two investments. One was an investment in a fixed income investment – so it could have been a bond, a CD – from January 1, 2003 to January 1, 2008, and I said let's say we put $10,000.00 in a CD or a bond in January 1, 2003 and we earned 5 percent a year, and then at the end we got our $10,000.00 back. Well, that sounds successful. Right? But let's say we also put our money in precious metals at the beginning of 2003 and at the end we'd get a capital gain and we'd have to pay usurious taxes because your taxes are more in precious metals, and after it was over we had about $17,000.00 instead of $10,000.00, including getting the 5 percent which we liquidated along the way. So, I said, "Okay, well, with our $10,000.00, how much could we buy in terms of gallons of gasoline?" And it turned out our $10,000.00 in 2008 could only buy half the gallons of gasoline that we could buy in 2003, and our precious metals could buy about the same gallons of gasoline. So all we've done is hold even after taxes in precious metals, but we've lost half of our purchasing value because we'd stayed in the dollar.

So, in two blog posts I calculated that out for a household, and then for a community of 100,000 people. What I discovered was that the household in that five year period had lost about $250,000.00 of 2008 purchasing value, and the community had lost about $3.3 billion of purchasing power. That's what I call debasement. That's the drain that everybody's feeling financially because we are keeping so much of our assets in dollars while they're going down in value.

Now, one of the things that tricks us into doing that is a lot of people are focused on getting a current yield and so they tend to go into things that's going to give them a current yield. Precious metals gives you no yield. But let's say you go into something that gives you even a five percent current yield, so let's say you go into a high yield bond fund. It gives you five percent. You end up losing half your purchasing value so you're far worse off because you've gone into the yield trap.

If you listen to the audio seminar "Positioning Your Assets for Growth in Uncertain Times", I go into the yield trap question even more. Beware the yield trap and beware of the yield trap that sucks you into getting debased because in the current environment, that is our number one risk. It's particularly painful because let's say we protected ourselves with precious metals. We get taxed on inflation. Not true real profits when you look at it after inflation, so it's very painful, but it is what it is. It's very important that you look at your investment in terms of your purchasing power, not just in terms of always translating it back into dollars.

Now, within this category of debasement of the currency, it leads us to the problem with many insurance products and annuities. Many of these products are what I call "forced savings plan." They run several risks, but one is that they're a long-term bet on the large financial institution you're doing them with, and two is that they're a long-term bet on the U.S. dollar. So, depending on the length of them, you're betting the dollar's going to be strong for a long time. And unless you can assume that, it's really not a good investment.

Some of them over time have started combining say an annuity with mutual funds that give you some inflation protection. The problem is that those mutual fund choices can significantly limit your choices in control relative to what you could do away from them. If you're going to one of these products, it's essential that it's a company that you're confident in that it's going to be there for 20 to 30 years that you've got inflation protection built into it and you understand the control you're giving up relative to what you could do away from that.

Another point in this area is I've seen many people ignore the dangers of debasement because they're so focused on the end of the world scenarios. For over 15 years many people are fretting about the end of the world and completely not taking the actions they need to do to protect themselves against debasement. The slow burn is here. It's now. You're being debased right now. This is not a risk. It's a reality, so you need to protect yourself from that, and it would be foolish to invest your time and resources to protect against the end of the world and not protect against debasement.

People are always saying, "I'm worried that they're going to steal my gold."Wait a minute. If you look at debasement, they're stealing a lot more money right now from your total assets, so you need to be worried about what they're stealing today invisibly, not just that they might come along and steal your gold.

Debasement of currency is something thanks to Ron Paul and much of the financial blogosphere we've gotten much more savvy about. What we're less savvy about generally, and it's really important to be savvy about, is the debasement of the quality of the product. So, one of the ways you hide the debasement of currency from people is by debasing the product or the asset instead of changing the price, and so you keep charging them $100.00 for that stock, but when in fact that stock is no longer a worthy enterprise. It's been gutted. It's been out the back door, just like the off-balance shore deals they did at Enron.

Now, this debasement of quality issue is one of the reasons I focus so much on the kinds of things we've been talking about, like the smart meters and the dangers of cell phone and other technology that I've been talking about with Blake Levitt. So, the value of your house is not going down, but what you don't realize is the smart meter and the cell phone tower means that the safety and the health of that house is being debased as we speak. You're just not realizing it and it hasn't shown up in the market prices yet.

One of the biggest expenditures we all have in our life if our utility bills, but if you look at what's happening with dirty electricity and what's happening with fluoride and other chemicals in the water, we're paying a great deal of money and not getting the quality that we think we're supposed to be getting. If you look at how much Americans spend on plastic and bottled water when they're also paying their municipality to provide water, it's a double charge and it's ridiculous. We're also paying much more for plastic and bottled water than we're paying the municipalities to run water systems. It makes no sense. Ditto with food packaging and GMOs. Rather than the price of the can of tuna fish going up, the can just gets smaller and smaller and smaller while the price stays the same, or there's more and more water in the can. Or, in fact, the food is now genetically modified and is no longer nutritious, so the nutritional content is going down, down, down, down, down. And so the debasement doesn't just always show up in price. It can show up in quality, and in risk.

One other issue I wanted to mention is we pay for software, but then suddenly we find our software has a trap door to the NSA and we have absolutely no privacy. In fact, we're paying in two ways. One is by providing private data, including financial data. And the other is by paying for the software, we're not getting what we think we're getting.

It's also happening with investments as you know. We see John Paulson, one of the biggest hedge fund operators last week taking a $750 million write-down on Sino-Forest and more and more reports of Chinese stocks with huge losses from major fraud. It's almost like they decided to get us back for Lehman's and the mortgage fraud. But very, very significant fraud.

So, you buy an investment which you think is legitimate, and it turns out not to be. And to defraud Paulson for $750 million, it's not like they're not sophisticated investors capable of doing serious due diligence. And that's why it's very important whether you're doing the due diligence or somebody's doing it for you. And then the monitoring to follow it that you watch because the debasement is not just in the currencies. It's also in the assets. And it's not just at any particular time. It can be over time in ways that can be quite sneaky.

One of the things that most concerns me, and I keep coming back to this so I'm going to be redundant about this, is there are numerous newsletters and members of the blogosphere who get you to believe that collapse is literally only weeks or months away, and they're very, very persuasive. And one of the things that happens is one the collapse doesn't happen, they never stop to discuss, "Well, wait a minute. How come we were wrong?" And one of the things I love about my partner at Sea Lane, Chuck Gibson, is he always says, "What if we're wrong?" And then, "Wait. Let's do a lessons learned. Why did that come out differently than we thought it would?"

But they never stop to discuss why the collapse that they predicted didn't happen. You know, it didn't happen the last three times they predicted, and yet here they are predicting it again. So, remember, that is a serious distraction to you understanding your real day-to-day risks that are upon you now, and debasement is the big one. I would encourage you to get away from the more sort of adrenaline stimulating stuff of collapse and get back to the hard work of protecting yourself against debasement of both currency and deterioration in the quality of product and asset.

Takeaway Number 6: Learn to manage volatility.

All the investments that can protect you that have protected you against debasement are volatile, and that's not an accident. Precious metals, natural resources, new technology, emerging markets, they're all volatile. The more people want to shift their money into them, the more the system manages them in a way that's volatile, and that has a way of forcing retail out of them and back into same old, same old. Part of successful investment in this environment is learning to live and manage volatility intelligently.

We tend to think of speculative things as volatile and real investments as not volatile. This kind of market management is getting prudent and intelligent investments to look speculative from volatility. Futures are as crazy and as dangerous to the retail investor as they've always been. That's highly speculative if you're not hedging your corn crop. But there are lots of investments that now are looking volatile, but if you look at their long-term returns, you can either be debased or you can live with volatility. I would encourage you to think a lot about how to manage and live with volatility.

The *Wall Street Journal* had a great and very interesting investment survey from one of the big firms on Generation X. Generation X said what they most wanted was the capital value of their portfolios to go up, but they didn't want volatility. And I looked at it and I said, "You know, I empathize with your position, but you're going to get played." If you look at Geneen Roth's story in *Lost and Found*, what she said was Madoff offered certainty. What you got was something that brought steady returns and it never lost money, and there was a certainty with that. I will say one of the greatest needs in the human race that fraud plays on is the desire for certainty. So Madoff is a very important lesson to learn. In a world where literally a great deal of time and money is spent to prevent us from understanding the system and how things really work and where economics matter and in a world of seven billion people, things change.

Certainty is a complete illusion. If you want to learn how to manage a successful investment, you have to be willing to embrace uncertainty and view uncertainty as your friend. That's part of learning to manage volatility.

The advantage of focusing on long-term fundamentals is if you can value and you know what you're in and what it's worth. You have to learn to see real prices and value in a market where the prices are phony because they're being manipulated, and they're being manipulated to attract and manage you in ways that are not in your best interest.

Franklin Sanders on the Precious Metals Report always says measure your wealth in hooves, ounces and acres. The way Warren Buffett has said it – not that I'm a big admirer of Warren Buffett – is it's like a poker game. If you've been in the game for more than 20 minutes and you don't know who the fool is, then you're the fool. If you don't know the value of your stock and you let the market tell you, then you're going to be the patsy in the game.

Takeaway Number 7: Keep taxes and losses in perspective.

Some of the biggest mistakes I see people make is a failure to get out at the right time because of taxes. So, you've been in something. You've gotten big gain. You don't want to leave it because you don't want to pay the taxes. Two times out of ten, it makes sense to let the taxes to stay in for a tax reason, but often times it's time to take your losses and go, and so don't be afraid. A lot of people lost a lot of money in 2008 because they didn't want to pay the taxes on their gains, and by the time they got out, they didn't have to pay the taxes on the gains 'cause they didn't have any gains. So, beware of taxes.

I have a general rule that I will never make an investment or not make an investment or not sell because of taxes. Taxes should be a secondary decision in most cases, although not all. It shouldn't be the primary.

The failure to get out because of a loss is another. Let's say I bought a stock at $20.00 and that stock is at $10.00, the most important thing for the performance of my assets is how's it going to do for the next year? Just because you haven't taken a loss, doesn't mean you haven't had a loss. It's $10.00. You lost your $10.00, and now you've got $10.00. You can either hold it if you think over the hold period it's going to outperform anything else you could do with that $10.00. If you know something that's going to outperform, well, take your loss and move it into that thing. Because just like today is the first day of the rest of your life, today is the first day of the rest of your investment horizon, and there is no point in staying in something until it comes back if you can make more in something else. Don't fall into the pitfall of failing to take a loss when the time has come to take it.

At the same time, beware of emotional attachments. For many of us, precious metals has done very, very well, but a day will come when it probably makes sense to sell a very large portion of our precious metals, and at that time, we need to move on. These are investments. They're not family members. There's a difference.

Takeaway Number 8: Beware of central controls and dirty tricks.

This is something I talk about a lot on the *Solari Report*, so I'm not going to belabor all of it, but let me hit some of the high points. The economy right now is much more centrally controlled and engineered than most people appreciate. That central control is engineering incredible change. And as that change happens, as one system comes down, the next system hasn't really come up, and in the process a lot of things can fall apart and a lot of people can get hurt.

One of the things that's happening is there are more and more capital controls being put in place. It depends on where you are and what place you are. It's different in North America than it is in Europe. North America right now, the capital controls are probably the worst of anywhere. For example, if you go to a brokerage account and try and buy a foreign stock or a foreign bond, the broker will come to you, and if he's honest, confess that he's got to mark those as speculative within the system. If I want to buy a Norwegian Sovereign bond, which is arguably from a credit rating standpoint the highest quality bond in the planet – you know, their wealth fund can pay off all their debt tomorrow in a snap and they've got significant oil reserves – it's got to be marked as speculative within the U.S. brokerage system. Well, that's an invisible capital control 'cause it has all sorts of implications for different accounts, and it excludes it from all sorts of different accounts. And those invisible capital controls are layering on more and more and more. They restrict capital flows for many people. They keep forcing you back into the same old, same old, and it's another argument for disintermediation.

I told the story last week of telling somebody who's complaining about their water bill going up and the yields on their stock portfolio going down. I said, "Look, just sell stocks and build a well." This is simple. That's disintermediation. So, paying off your mortgage rather than leaving the money in a brokerage account, that's disintermediation. So, the more capital controls the financial institutions put on, the better the economics of disintermediation work.

IRAs and 401(k)s, I've talked a tremendous amount about these. Make sure you have plenty of money outside these vehicles and understand what could happen with them. We have a couple of posts on the blog on IRAs and 401(k)s, and a very good piece that I had our intern David Liechty write for us – a special report on the proposals for changes to 401(k)s and IRAs that occurred during the election period in 2010. It scared me to death. I don't think those are going to come up until we have the big debate about Social Security probably in 2012 or 2013, but we do run the risk that the tax benefits you get, which particularly if you want to trade actively or are very attractive – there's an argument to be made. Whatever the benefits are, they'll make sure to claw it back. So, if there's a danger that that money can get trapped into annuity kind of structure like what they've proposed, you just need to be careful that the amount of money that you have in those vehicles is what you're willing to have subject to those rule changes. If that means you need to take money out, that's not a 2011 problem is what I think. But it may come up in 2012 and 2013, so it's something you can expect me to watch very seriously here. And I do.

Social responsibility, I think there are many people who want to make sure that their money goes into something that has a positive total economic return -- that is, a positive return to the ecosystem. There are an awful lot of socially responsible mutual funds. What I find is the result that they get in terms of social responsibility is not better than you can get for yourself just looking at your investments or looking at the funds that you buy. I'll tell you quickly how to do that. Basically, we're centralizing the economy. What you want to do is you want to decentralize the economy, so look for investments that in your mind are decentralizing. Part of the problem with the socially responsibility funds is they tend to invest in people according to what they say they do as opposed to what they do. So you see big investments in everything from JPMorgan Chase to Halliburton because of their official policy statements, so there's no real effort to look covertly at what these guys are doing on the covert side, which has to be done by estimation because obviously there's not enough money to try and prove these things out in the court of law. It's fair to say if you look at what happened with the housing bubble or bailouts, it's hard for me to argue that putting money in JPMorgan Chase is socially responsible.

Use your good sense just looking at, "Okay, who do I think is a clean player based on what I know, and who's decentralizing?" So, sticking with small caps, for example. But use your own good sense.

Understand that when you put money in a government bond or a mutual fund that puts money in government bonds, you're basically financing the government policies of that government, so use your good sense to whether you think that's socially responsible or not. But my feeling is that with your personal judgments, you will get a better result than you will going into many of the socially responsible mutual funds. I don't mean to underestimate the effort those people have made or that group has made to try and be socially responsible, but for a variety of reasons they keep getting squeezed back into the tapeworm.

One thing that inspired me to do this two part series on financial and investment advice is what happened with the last run-up on silver. We had two groups. One was the gold bugs along with Sprout who sponsored a silver ETF promoting higher silver prices. What I saw in the background I would say was a manipulation of the price up - a pump.

If you listen to a variety of the different radio stations that work internet radio that was covering this, they were describing a squeeze in the market that I didn't see in the physical market at all. I have to say I think this was a manipulated pump as much as the suppression to gold price during the '90's. So, what I saw was a pump and dump, and one that I didn't think was done very nicely. I think a lot of the effort to promote a higher silver price was irresponsible.

Now, one of the people who promoted a higher silver price who I like very much is Max Keiser. I publicly said I thought Max's idea of crashing JPMorgan Chase wouldn't work. Franklin and I covered it on the Precious Metals Market Report. Then I got on the Max Keiser show and debated it out with him. And here was the issue. What Max was saying is, "Let's squeeze JPMorgan Chase," which was managing big silver shorts and was managing the silver SLV ETF, which I'm not a fan of if you've read my article about the precious metals puzzle palace, which goes into the SLV and the big gold ETF GLD. And, what I said to Max is, "Look, I'm interested in helping people protect their assets, so a political agenda of talking everybody into buying silver to make life difficult for JPMorgan Chase is not investment advice. It's promotion of a political agenda," which is fine. It's fine to do that, but it's very important that investors understand that's not investment advice. That's something else. That's a political agenda. And if you want to use your money for a political agenda, that's fine, but don't think it's investment advice.

And the same with Sprott. Sprott was promoting his silver ETF, and when the market hit the peak, he sold as he said he was going to. But, again, he's promoting his "book." Now, somebody would say to me there's nothing wrong with that. Absolutely not, but don't think that's investment advice. That's somebody who's developed an ETF. They're promoting their point of view and they get out at the top because you've come in and helped moved that stock up. So, I think it's very, very important to understand where somebody's promoting their position "book" or where they're promoting a political agenda, and that is very, very different than investment advice because investment advice is supposed to be what's in your best interest given your unique situation, et cetera, et cetera, et cetera. There are a lot of people who took a real nose dive on silver because they didn't understand the difference between promoting a financial position "book" or promoting a political agenda and investment advice in the best interest of the listener.

Now, I say that and I still believe there's a very good chance silver's going to do quite well over the long haul. So if you got pumped and dumped on silver, don't worry. I think the long haul will dig us out of that particular roller coaster ride.

I talked last week about the use of entrainment in terms of marketing investments, including hedge funds, private equity, some social responsibility investments. I won't go into detail now, but you need to be very careful that when you are investing and you're using electronic communications, whether it's phone or video, you need to understand that these technologies exist. You need to make sure that you are making your decisions with a very cool head. As soon as you start to feel fear or greed or powerful resonation, you need to step back and make sure that you sleep on it and you think about it and you look at it with a cool head.

One of the things I suggested last week is don't be alone. I have a Solari Circle. It's a group of us who get together on the phone. We have a little investment club, so a little partnership and we invest together. It's a group of people to talk things through. Whether you partner up with other people to do investment, whether you put together a Solari Circle or investment club, whether you use an investment advisor, one or more – some people use multiple, think coolly, come from a clear mind, and if you're feeling fear or greed, watch out because these are the ways that you get hooked. You don't want to come at these things from emotion. You want to test them out in very cool ways and make sure whatever you're doing doesn't just past the test of resonation. It's just not response to somebody pressuring you. It ultimately passes the test of the cool intellect who's looked at things from lots of different points of view.

Takeaway Number 9: If you use an investment advisor, find someone who is ethical, competent and philosophically aligned.

There are many ethical, competent people who may not be philosophically aligned with you. You want to make sure you're philosophically aligned.

I wanted to tell the story and that connection of a client. It's a perfect example. I have a wonderful client who's unbelievably thorough. At the time I wasn't managing money, I was just consulting. He wanted someone in California where he lived – an investment advisor to do the transactions. For years I've been looking for somebody in California. I couldn't find anybody I trusted. It was just hard because there were so many people who they wanted to drink the Kool-Aid and they weren't willing to face what was really going on.

He went to the state regulator in California. He identified all the independent firms in the San Francisco Bay area. He understood the advantages of when you're with somebody who is associated with a large institution, often they're pressured to hoe the party line or push whatever the institution is pushing, so he knew he needed somebody who was independent. He culled the list down to 13 firms, and then went and interviewed them all. So, he called me up and said, "You know, I've got this guy, Chuck Gibson. Could you check him out?" So, I checked him out, talked to him and checked his references and kept talking to him and looking at his work. I came back the client back and said, "You know, this guy's absolutely fabulous." This was a person who did a real serious search, and we're all the beneficiary of it now.

You want to do that if you can. You want to take the time because this is a very important decision. You want to make sure it's somebody that you're aligned with in terms of sort of where you see the world going and you're comfortable that they're philosophically aligned with you. Part of that is it's a managed economy as I said. So you want people who can do the fundamental and technical analysis that's required by economics and markets, but also the political and geopolitical analysis that's warranted by the political controls and the greater governmental and secret intervention in the economy.

Okay, a quick rollup of experts. I spent a lot more time talking about experts last week than I will this week, and that's because there are a lot of people I like on particular pieces. There are fund managers I like on mining stocks or natural resources, or in particular, parts of Asia, but it's very rare I find somebody that I trust to see the whole game and be competent and ethical to manage the whole picture, and that's one of the reasons I started Sea Lane. I was trying to find a fund to replace one that I'd been using in Europe, and literally I couldn't find one. So that's when I decided to gather a team who could do the kind of approach that I thought I really needed.

Now, there are insiders who know what I know, and there are insiders who have a team that could do what I'm describing, but the fact is, I don't trust them to respect the rights of their investors. I think they see the whole game, but I don't trust them to be honorable to their investors. I've given you plenty of examples, but the one I love is the guys who sold their business on the New Jersey ports made more than a billion dollars, turned around and put the money in Lehman who lost a great deal of it right away. You know, it's right out of *The Godfather*. You'd think that making a billion dollars on the New Jersey ports would tell you you should never put all your money in one place, but I guess they couldn't translate what they learned on the ports to what was going on on Wall Street.

Another is the story we talked about recently about Goldman Sachs. Losing a billion dollars plus for the Libya well fund in under a year. Or another example in 2008 is all the investors who lost money and put bonds in Enron and Madoff. I could go on and on.

So, there are plenty of insiders who have extraordinary information about what's really going on. At the same time, I think you have to be very careful about playing with them.

I got some questions on Jim Cramer, which really surprised me. It never occurred to me that Jim Cramer was giving investment advice. I just assumed everybody knew it was entertainment. But I never thought of it as investment advice, and I don't think of Jim Cramer as somebody who's watching out for your personal best interest, so I would take it as entertainment. And I think in entertainment he's quite entertaining.

I got some questions on Peter Schiff, who I think has a good approach to equities in the emerging markets. He's very focused on long-term value. His effort to take a long-term almost Templeton kind of approach to what's going on in the emerging markets and how to approach that in a very conservative way, so I think Peter has some good takes. I don't always agree with him, but I think he's fundamentally got a sound idea.

Then a lot of questions on SRI. I addressed that earlier I think. SRI often times is the Suze Orman of mutual funds that makes you feel good and says all the right things and then channels you right back to the tapeworm. At the same time, I'm very sympathetic with a lot of good people in that industry because given the sort of invisible capital controls it's very hard for them to not do that and it's very hard not to fall into that trap, and that's why I think greater transparency can help change a lot of this. If we get really serious transparency both in the media and in the financial world, that industry could go in an extremely positive direction. Right now it doesn't look like it's going that way. If anything, the whole green movement and sustainable looks like it's going to evolve into the next big scam and quite the opposite is going to happen. But it's never over till it's over. This is why transparency is so important because there's a lot that industry could do to rock and roll if transparency really started to happen.

Takeaway Number 10: Let's talk about the big long-term opportunities, because there's some very big opportunities, and these are going to be very, very long lived.

Just as precious metals has been very long lived, these are going to be very long lived. One is new technology, which can be nice or not so nice. Nice is if we could unsuppress energy technology and healthcare technology and use it to address a lot of the aging issues and solve what are just terrifying environmental problems. There's a lot of very positive stuff that could go on. As everybody says, "When should I sell my precious metals?" Well, if Tesla energy becomes available, you probably want to get out of precious metals and get into certain kinds of equities pretty quickly.

There's a lot of not so nice technology. We've talked about GMO. Really frightening. Up on the blog I've put up stories about the Japanese scientist who's figured out how to turn human excrement into food and lab grown meats. It's frightening. The Yes Men, who I love, had a spoof pretending they were from the World Trade Organization in proposing we turn human excrement into hamburgers. I think they'd be appalled to realize that some scientist is really trying to do this.

It's important to remember in new technology, if you look back at recent stock market history, gold has done well and precious metals has done well, but Indonesia beats precious metals and Netflix beats Indonesia. So, new technology, it's tricky to figure out, but it's always an area of opportunity, particularly when we start to bring it to bear, not just on delivering you and I movies faster, but really addressing the real problems of the world.

A second very important opportunity is trading places. Now, this one is deep, so hold onto your hat. If you look at how we've governed assets on planet Earth, we've had governments run places, so municipalities or states or counties or countries, and so places are managed by governments, and assets, enterprises are managed by corporations, so corporations make technology or they make weapons or they distribute food. The functional areas have traditionally been corporations and the places have been governments. What privatization means at the root is we're going to start trading places, so more and more what you see – and you'll see this in the exchange traded funds and in the mutual funds – is there's an ETF for Korea and there's an ETF for Indonesia and there's an ETF for China. So more and more you literally can trade places. In theory, we're going into a world where you can go long London and short New York, and I suspect that's going to drill down. There's absolutely no reason why there shouldn't be a venture fund or a mutual fund for your county or for your state. In fact, we've seen a few people dabble and try to do these things. But what's going to happen more and more is we're going to start looking at places on an equity basis and investments are going to start essentially optimizing and trading places.

One of the things that's very important to this development is going to be transparency because one of the reasons this hasn't happened, and there's several, is that governments have done a very good job of keeping the information you need to map out your economic and financial eco system under wraps. So even though we vote for political representation within our congressional district and we spend a fortune in taxes and the government then spends a fortune in our congressional district, we can't see a financial statement for our congressional district. If you're going to hold your representatives accountable in a democracy, that's the first piece of information you need. You need to know, "Okay, well, we put in this much taxes and this much money came around to our congressional district." And what happened? What was the performance?

I mean just like you need a financial statement for a company you put money into, you need financial statements for a government, and you need it contiguous to the areas that you walk around and see in the real world, because that's the ultimate financial control when you can see a relationship between the roads that aren't working and the bridges that are falling down and where the money that went to the government went and why it didn't go there.

New technology and trading places: two enormous opportunities very, very long lived. And number three, we've talked a lot about big long-term opportunity. It's the switch from paper to tangibles, and those could be very, very impacted by these other two – both the new technology and trading places. So, change is happening.

You've all heard me talk about the central banking warfare model. The central banking warfare model is the fundamental investment model that this planet has been managed on for about 500 years, and that is the central banks print money, and then the military makes sure that other people take that money, and then they get natural resources back for cheap. What we're watching globally is the death of that model, because that model can't keep working. It's not sustainable, for a variety of reasons. Unfortunately, we've created a financial mechanism that can print paper which is worthless and extract natural resources *ad infinitum*, and all around the world you're seeing more and more people feel the pain of that and getting quite fed up with it. It's not just countries that can't do anything about it. It's countries that have nuclear weapons and can do something about it.

Not surprisingly, we've seen the market share of the dollar fall significantly in trade and in financial transactions. We're really looking at the end game of something that's been going on for very, very long, and that's the question we're talking about. That system is coming apart and the new system is forming. What we need to do in investment is manage our assets from the old system to the new system. That's why I keep talking about positioning and repositioning. I feel like a squirrel and I need to pick up my nuts and transfer them from the tree that's falling down and get back over underneath the tree that's growing. It's tricky because when things come apart, the internal controls come apart and the risks skyrocket and the lawlessness skyrocket, and that's what we're all dealing with.

I have a wonderful ally, Thomas Hupp. He is the head of marketing at Book Publishing Company at the Farm in Tennessee. He says something that I try to always remember when I sit back and I look at our investment system, "You know, the bigger the breakdown, the bigger the breakthrough." And the reality is, if we're going to change the model, which we have to do, then things have to come apart. The opportunity for all of us is if we can protect our assets from that coming apart and shift them over and get them on a diversified basis invested in helping the breakthrough, but in a way that's going to make money.

One of my favorite quotes is from H.L. Hunt, and it's up on the blog. He says, "If this country is worth saving, it's worth saving at a profit." To get to a sustainable model, it needs to be a financially sustainable model, which means it needs to have a positive return. And that's one indication that it is sustainable.

I don't estimate the potential cruelty of this change for many of the people who were not anticipating it or for a variety of reasons and for no fault of their own cannot make the shift into the change. However, I don't underestimate the potential opportunities if you can and do.

In closing this segment I would say I wish you good hunting and good luck because ultimately in investment a little bit of luck can help a lot.

Please remember don't worry about whether or not there is a conspiracy. If you're not in a conspiracy, you definitely need to start one.

Ladies and gentlemen, goodnight and good luck.

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