Independent Living Presents

THE FINAL DAYS OF THE DOLLAR

10 Last-Minute Preparations You Need to Make Now
For four decades, the U.S. government, untethered to any gold standard, has had an unlimited credit card. It is leading to insolvency. Foreign financiers of U.S. public spending are catching on that the U.S. dollar itself is a massive Ponzi scheme – one that is now beginning to unravel to the point that soon it will become impossible to deny.

Even the liberal Washington Post is sounding the alarm. In a November 14, 2009 editorial, titled “The Coming Debt Panic,” the Post editorial board noticed that U.S. debt had soared under one year of Obamanomics from 41% of the gross domestic product to a whopping 53%.

Peter Bernholz of the Center for Economics and Business at the University of Basel, Switzerland, has analyzed the 12 largest episodes of hyperinflation, all of which were caused by financing huge public budget deficits through money creation (20 hyperinflations have occurred globally since 1980). Bernholz concludes that the “tipping point” for hyperinflation, based on historic models, is when government deficits reach 40% of their annual outlays. For the record, even with all the phony budget gimmicks that vastly understate U.S. government spending, the Obama Administration’s own budget projections confirm deficit spending will amount to 40% of the federal budget.

As Federal Reserve Board Governor Richard Fisher (a rare voice of reason within the central banking cartel) notes:

Throughout history, many nations, when confronted by sizable debts they were unable or unwilling to repay, have seized upon an apparently painless solution to this dilemma: monetization. Just have the monetary authority run cash off the printing presses until the debt is repaid, the story goes, then promise to be responsible from that point on and hope your sins will be forgiven by God and Milton Friedman and everyone else.

We know from centuries of evidence in countless economies, from ancient Rome to today’s Zimbabwe, that running the printing press to pay off today’s bills leads to much worse problems later on. The inflation that results from the flood of money into the economy turns out to be far worse than the fiscal pain those countries hoped to avoid.

The U.S. dollar is at risk of a deliberate, perhaps globally coordinated devaluation as a last-ditch effort to stave off the solvency crisis. By declaring the dollar to be “worth less,” all debtors (including the government) would be in a stronger position to service an otherwise impossible debt structure in an environment of deflating asset values.
Interestingly, Federal Reserve Chairman Ben Bernanke himself spoke of this scenario in testimony before Congress:

…it’s worth noting there have been times when exchange rate policy has been an effective weapon against deflation. A striking example from U.S. history is Franklin Roosevelt’s 40-percent devaluation of the dollar against gold in 1933-34, enforced by a program of gold purchases and domestic money creation. The devaluation and the rapid increase in money supply it permitted ended the U.S. deflation remarkably quickly…the episode illustrates that monetary actions can have powerful effects on the economy, even when the nominal interest rate is at or near zero, as was the case at the time of Roosevelt’s devaluation.

The end of the dollar and the rise of precious metals and a global currency (or globally controlled currencies) may be the ultimate outcome of the next phase of dollar depreciation. Consider:

- **Bloomberg** recently reported, “European Central Bank council member Ewald Nowotny said a tri-polar global currency system is developing between Asia, Europe and the U.S. and that he’s skeptical the U.S. dollar’s centrality can be revived.”
• Shi Jianxun, a professor at Shanghai’s Tongji University, wrote in the Chinese state newspaper People’s Daily, “The U.S. dollar is losing people’s confidence. The world, acting democratically and lawfully through a global financial organization, urgently needs to change the international monetary system based on U.S. global economic leadership and U.S. dollar dominance.”

• The BRIC countries (Brazil, Russia, India, and China) have formed a new group to coordinate their interests in the global economy.

• On October 28, 2008, Russian Prime Minister Vladimir Putin proposed an alliance with China in which the two countries would use their own currencies in bilateral trade, thus rendering U.S. dollar pricing/settling unnecessary.

• Thailand’s Deputy Prime Minister Olarn Chaipravat recently told Bloomberg news that Asian nations were urging “China to consider whether or not China would open up its banking system and allow the strongest currency in the world, which is the Chinese yuan, to be the rightful and anointed convertible currency of the world.”

• London Telegraph business editor Ambrose Evans-Pritchard warns that the International Monetary Fund may resort to creating its own currency to fund the ever-growing demand for bailouts. He writes, “The International Monetary Fund may soon lack the money to bail out an ever growing list of countries crumbling across Eastern Europe, Latin America, Africa, and parts of Asia, raising concerns that it will have to tap taxpayers in Western countries for a capital infusion or resort to the nuclear option of printing its own money.”

• Gold analyst Bob Moriarty said in an interview with The Gold Report: “The Middle East has already started to talk about not wanting to use the U.S. dollar anymore in currency transactions. It’s too dangerous. So we’re a lot closer to a default than anybody in government wants to admit.”

In this volatile environment, it’s tough to make predictions with a great deal of specificity. One thing is for sure, though: the number of new dollars that will be needed to keep our Ponzi scheme of a government and banking system going means that any dollars in existence today are going to be worth a lot less in the future.

Although it is impossible to predict when or to what extent even the U.S. currency will be devalued, it is possible to prepare for such an event now. Waiting until after it happens, when there is a panic, will be too late. This report will outline 10 preparations you should be making now to secure your personal and financial safety during the unfolding currency crisis.
1. Get Out of Treasury Bonds

U.S. Treasury debt is now on the verge of losing its “AAA” status due to years of accumulated fiscal recklessness on the part of policymakers. Upon the assumption of Fannie Mae and Freddie Mac’s obligations, America’s credit “profile is now weaker because contingent risks have become actual risks to the U.S. government,” said John Chambers, managing director of sovereign ratings at Standard & Poor’s. The credit default swap market is already effectively pricing in a ratings downgrade (something that would have been unthinkable just a couple of years ago).

There’s a good chance that foreigners will eventually start pulling out of the U.S. Treasury bond market as inflation and the government’s perceived credit risk rise. The U.S. bond market has steadily risen over the past 20+ years as interest rates have fallen. But bonds may finally be topping since the irrational panic buying began in late 2008. Bond prices may now steadily drop as the government is forced to pay higher yields to attract new buyers (when bonds with higher yields are issued, older bonds with lower yields correspondingly fall in value).

It’s not just the horrendous Obama budget deficits. Even if next year’s budget by some miracle came in balanced, servicing existing debts (well over $14 trillion) and meeting already accumulated unfunded liabilities (in the neighborhood of $100 trillion) represents a long-term financial hole that the U.S. can’t dig itself out of – at least not in honest dollars.

In other words, the government needs an unprecedented amount of new buying interest to step up to the plate to keep its Ponzi finances going – more “Quantitative Easing” from the Federal Reserve and other schemes which amount to debt monetization. (Economist John Williams believes that even if the government taxed all incomes and corporate profits at a 100% rate, it would still be running a deficit and, of course, still be facing long-term insolvency.) As the world’s appetite for U.S. debt dries up, the government will increasingly be forced to choose between defaulting on its obligations or honoring them with inflation (and eventually, hyperinflation). Either outcome would be catastrophic for holders of government bonds.

If you believe the U.S. government is going broke, then you have to believe that ultimately the value of its IOUs will collapse. And if you want to hedge yourself against and profit from such an eventuality, there are easy ways to do so: ProShares Short 20+ Year Treasury (TBF) and Rydex Inverse Government Long Bond (RYJUX). There are other inverse-bond vehicles which employ leverage, but the unleveraged options give you plenty of upside potential.

One caution about shorting bonds: The bond market is highly manipulated by the Treasury department, the Federal Reserve, and major foreign governments, who engage in such things as “swaps” and outright monetization to conceal and offset weak investor demand. And the big establishment ratings agencies (the same ones that conspired to help blow up the mortgage-backed securities bubble by slapping “investment grade” ratings on subprime garbage) may never formally downgrade the “AAA” rating on U.S. debt until after the market has rendered its verdict. The market will probably beat the politically compromised rating agencies to the punch.
The main thing for most investors is just to get out of long-term fixed-income instruments that are denominated in U.S. dollars. Stay liquid and diversify into alternative assets.

2. Invest Some of Your Cash in U.S.-Creditor Currencies

The next great currency may be the Chinese dollar – the “yuan,” also known as the “renminbi.” The Chinese currency had been artificially pegged to the U.S dollar, depressing its value. But now Chinese authorities are starting to let it rise gradually. It is believed by currency analysts to be at least 40% underpriced vs. the U.S. dollar.

We are now running a current account deficit (the difference between what we consume and what we produce) of 7% annually, made possible only by the perceived value of our dollars and the relative weakness of the currencies of our trading partners. Our Asian creditors are absorbing hundreds of billions of our excess dollars and hoarding them, which has kept the dollar from falling as hard as it otherwise should against their currencies. But if (when) China and Japan lose their appetite for dollars, their currencies will skyrocket (along with prices for heretofore cheap Asian-produced doodads at Wal-Mart).

The currencies of emerging Asian economic powerhouse nations such as India and China would seem to have strong fundamentals going for them in relation to the dollar. In April 2008, a new mutual fund called the Merk Asian Currency Fund (MEAFX; 866-MERK-FUN; www.merkfunds.com) was introduced. It holds several Asian currencies. The largest weightings belong to: Chinese yuan (44.0%), Hong Kong dollar (10.6%), Japanese yen (10.6%), and Korean won (10.6%). This fund may be one alternative way to shelter yourself from the U.S. debt crunch and its inflationary unwinding besides owning gold and silver – the only true sound money.

The Chinese currency is still being artificially suppressed. So investing in it hasn’t been very rewarding up to this time. But when the currency starts to float more freely, which it eventually should, owning it could be very rewarding.

3. Open an Offshore Bank Account

Putting your money in someone else’s hands is never without risk, but banking overseas is not necessarily any riskier than banking in the United States. After all, the dollar is losing value and FDIC “insurance” is little more than a house of cards. In actuality, having some of your money offshore can be much safer than having it all at risk within the U.S. legal, tax, and monetary regime.
There is no truly sound currency in the world today. But at least one stands a decent chance of retaining value in the crisis years ahead – the “safe haven” currency, the Swiss franc. It is famous as a safe-haven currency due to Switzerland’s political stability, monetary prudence (at least relative to most countries), and long history of avoiding international conflicts. There’s also a fair amount of gold in Swiss bank vaults!

If you have some serious cash, you should consider opening up a Swiss bank account – not only to get some of your wealth denominated in francs, but also to protect it to some extent from possible asset grabs in the U.S. It is increasingly difficult for Americans to open overseas accounts due to U.S. regulations, but it is still possible. A firm to contact to learn more about Swiss investments and related compliance issues unique to Americans is Zurich-based NMG International Financial Services (+41 44 266 21 41; www.nmg-ifs.com). (We do not recommend annuities or any other fixed income investments, regardless of the currencies in which they are denominated, but look for other investment options.)

4. Keep a Foreign Currency Stash

The chances of you actually needing to use a foreign currency as spending money in the United States may seem at the moment to be slim. But the chances of foreign currencies rising in value against the U.S. dollar are pretty good. So holding foreign cash in limited quantities can be a good way to stay liquid without being tied to the dollar.

Widely recognized, easily exchanged, relatively stable currencies suitable for hoarding include the Canadian dollar, euro, Japanese yen, and Swiss franc (arguably the world’s soundest currency). If you live in a state that borders Mexico and/or live in an area with a large Mexican immigrant population, you might even keep some Mexican pesos, as they may come in handy at some point.

In an environment in which interest rates around the world are extremely low, you’re not sacrificing much by holding actual physical cash in your possession instead of having it tied up in bank accounts, bonds, or other investments that could become “illiquid” in a financial crisis. So instead of holding just U.S. dollars, hold foreign currency notes as well. They could gain relative value even though they’re not paying any interest.

5. Keep a Silver Coin Stash

An “old” use for silver that may soon be discovered anew again is as money. Throughout most of our history, silver has been widely used as money. Until the Coinage [Debasement] Act of 1965, dimes, quarters, and half-dollars were 90% silver. Bags of 90% silver coins (also known also as “nineties” or “junk silver”) are still sold by most coin dealers. They would be especially useful for bartering and making relatively small purchases during an emergency. Their value resides in their actual metal content, which has long since surpassed their face value. One of the best sources for this or other forms of low-premium silver coins, rounds, and bars is
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Not only is the fundamental case for higher silver prices even greater than the strong case for gold, silver is also more convenient than gold to hold in amounts suitable for everyday transactions. Silver coins will almost certainly continue gaining value… or at least hold their purchasing power over time even as dollars continually lose value. They can be converted back into dollars when the time comes or used directly as money, if necessary.

6. Keep a Gold Coin Stash

Gold coins are most useful for protecting/storing/concealing larger amounts of wealth. When the dollar decline enters the “panic” phase, that’s when you’ll see gold emerge as the premier asset to own. (Of course, both gold and silver have been phenomenal investments over the past decade already.) Explosive gains in the precious metals are certainly possible, but just think of gold as insurance – as the worst-case-scenario vehicle for protecting your dollar-denominated wealth against a dollar devaluation.

Gold at today’s price (still less than half the true inflation-adjusted high seen in 1980) is cheap relative to the protection it provides. Think of gold as “crisis insurance.” Even if there is no crisis and your other investments perform better than gold, you will be no poorer. But since fiat currencies and various financial instruments can crash to worthlessness while gold cannot, gold gives you a sense of security that helps you sleep well at night.

Independent Living Bullion (1-800-800-1865; www.IndependentLivingBullion.com) is a fantastic, low-cost service for obtaining gold bullion coins or bars.

Meanwhile, stay away from investing your “safe” money in rare coins. They are highly speculative, involve very high premiums above their actual metal value, huge bid/ask spreads, and usually come along with high-pressure sales tactics.

7. Keep a Food Stash

During an economic collapse, supply and distribution of the most basic necessities could be disrupted. The most important concerns are food and water.

Stockpiling food just makes sense economically, even if there are never any shortages. Think about it: If food prices rise 6% annually and you buy enough food to last you a year, you’re effectively getting a 6% discount by the end of the year. Another way of thinking about it is that you’re effectively getting a 6% tax-free return on your initial investment. As long as the
rate of food inflation exceeds the rate of return on a one-year CD at your local bank, stockpiling makes economic sense.

Many types of food, properly stored, can last several years. The “best by” labels printed on packaged foods can be misleading in that just because the date has passed, it doesn’t mean that the food needs to be thrown out. Eventually, it will start to degrade, but only very slowly. Most foods that are stored in a cool, dark place will last much longer than the date stamped on them, even if they become slightly less than “best.”

If you keep your food away from high temperatures and keep any food that is not enclosed in an airtight seal away from sunlight, moisture, and humidity, you can maximize its shelf life. Obviously, purchasing foods with longer shelf lives means less care is needed in “rotating” food stores (i.e., eating your old stocks of food and replacing them with new food). The longer the shelf life of food you store for an emergency, the less time you have to spend replenishing and rotating.

Unprocessed grains give you the most nutrition for your money. And when they are stored properly, they last almost forever. This makes them ideal for people who have the space to store them. As medical and survival expert Bob Livingston wrote in the July 2009 issue of his Bob Livingston Letter: “I bought a ton of brown rice 40 years ago and I am still eating it, after raising my children on it. I used diatomatious earth to preserve it.”

The point here isn’t that you need to erect a silo in your backyard to store 40 years worth of grains. The point is that it’s possible to store enough food to feed you and your family through any potential crisis period. A year’s worth or even a few months’ worth of emergency food supplies will give you a great deal of personal and financial security as compared to wholly depending on “just in time inventory” at the grocery store and the buying power of depreciating dollars.

8. Secure Your Supplies of Drinking Water

Although water itself is more plentiful than dirt, covering some 70% of the Earth’s surface, potable fresh water makes up a small fraction of that. And the world’s growing population is rapidly consuming it. Lakes, rivers, and aquifers around the world are drying up, while pollution in industrializing nations such as China and India is rendering rivers and streams too toxic for fish – let alone human consumption.

Without expensive new water infrastructure investments, millions may lack access to running water in the years ahead. Scientists now warn that Lakes Mead and Powell – major water sources for the Southwest – are on track to dry up completely within 13 years. Some 36 states in the U.S. will face water shortages within the next few years, according to Environmental Protection Agency studies.
One of the simplest and most important precautions you can take to preempt increases in water costs and to stay safe during an emergency of any kind is to keep plenty of bottled water in your home.

A lot of people make the mistake of waiting until a disaster is imminent and joining in on the mad rush to the grocery store, where shelves are already empty. You should have several gallons of drinking water on hand at all times. Rotate in new jugs of water at least every six months to ensure that your supplies stay fresh (plastic containers deteriorate over time and can produce an unpleasant aftertaste).

What if you must rely on sources of water that may be impure?

Boiling water generally kills all potentially harmful bacteria and microbes. But it cannot eliminate all harmful chemical pollutants that may be in the water.

In case boiling isn’t possible or practical, keep some stocks of water purification tablets. They can be bought fairly cheaply at most stores that sell camping gear and will make your life immeasurably easier during a time when you need to ensure the safety of your water. You’ll probably see some purification tablets based on chlorine compounds and others on iodine; the iodine tablets taste fouler but do a better job of killing parasites. (One trick is to mix sugar-free Kool-Aid or other instant drinks into the water to mask the taste of the iodine.) Regardless, be sure to follow the directions provided with the tablets.

A few drops of chlorine bleach can also be used, in a pinch, to sterilize water for drinking.

Another great option is colloidal silver. Used by NASA to purify astronauts’ drinking water, colloidal silver can be made in minutes with a home generator kit available through Independent Living (call 1-877-371-1807). For $179, you can obtain your own generator, silver rods, and a manual on the history and many uses of colloidal silver written by a medical research expert. Colloidal silver is nature’s best natural antibiotic and antiviral substance.

9. Keep a Well-Stocked Medicine Cabinet

Medical inflation is running rampant due to over-regulation and over-subsidization, which encourages waste. With the federal government facing trillions in unpayable Medicare obligations to millions of Baby Boomers in the years ahead, rationing may be the only viable solution for policymakers. Quality professional medical care may become impossible, or at the very least much more expensive, to obtain in the near future. Even drugstore items will be costlier and will perhaps even get rationed.
That’s why a well-stocked medicine cabinet is essential. In addition to having plenty of supplies of any prescription drugs you need, keep plenty of pain relievers, cough medicine, anti-diarrheal medicine, and a fully stocked first-aid kit. Keep supplies of multivitamins and vitamin C supplements. Be sure especially to stock up on special medications needed for any member of your family.

The homeopathic flu medicine Oscillococcinum (“Oscillo”), available over the counter, should also be in your medicine cabinet. Oscillococcinum should be taken at the first sign of flu or other viral infection. It helps stimulate your body’s defenses and is typically effective within 48 hours (though it will not necessarily eliminate a severe infection).

**10. Store Your Own Gasoline to Beat Price Spikes, Lines, and Rationing**

You surely do not want to participate in the coming rerun of the 1970s, during which people stood in long lines to get a few gallons of available fuel and watch all the fist-fights among members of the public caught clueless and flat-footed by the “surprise” energy shortage. Consider stockpiling a few weeks worth of gasoline on your property if possible, or extra heating oil if you are dependent on it.

There is ample reason to believe per-gallon gasoline costs are going to move to the $6.00-$8.00 range in the relatively near future. Flattening global oil production combined with chronic under-investment in energy infrastructure combined with growing Third World demand spells big trouble ahead. The U.S. is extremely vulnerable to an energy shock, long gas lines, and, yes, rationing at some point in the future.

In the event of shortages and rationing, anyone who has his or her own supplies is able to offer them (at a premium) to others. Obviously, unless you’re planning on becoming a gas station, you don’t want to advertise to the public the fact that you have fuel on your property. But if a small section of your neighborhood knows, that can be to your benefit, because then they’ll be offering you money, goods, favors, or services for the privilege of being able to fill up in a pinch.

For about $600 you can purchase a state-of-the-art above ground 200-gallon fuel storage tank. (Hand or small electrical pumps cost about $100.) Obviously, you need a safe and discreet spot to place such a storage tank. But the benefits will become obvious when fuel is $7.50 a gallon and you have a couple hundred gallons, which you snagged for less than $4.00 per gallon.

Here are some pointers for consideration if you want to take the step of hoarding your own private fuel supply:

- Local gas companies will deliver unleaded fuel to your tank. All you need do is consult the yellow pages.
• To keep your stored fuel fresh, draw from your supply every third fill-up and replenish the tank as necessary.

• Ask your fuel supplier for suggestions on gasoline preservatives. Another option is to go to your local auto parts store.

If you think fuel storage is an option for you, make certain you get a high-quality storage tank system. Northern Tool and Equipment is a reputable firm that offers many choices in a very useful catalog. You can order a catalog by calling 800-556-7885.