Buckle Up and Relax

By Lee Bellinger

- Politically driven dysfunction in the private economy will make some rich, and others dead broke, if not actually dead. Read this part carefully!
- It’s critical you get ahead of the curve now, so you’re not surprised by events later.

I’ve selected for your attention three critical areas of growing dysfunction with potential to become major threats to your safety, comfort, and way of life going forward.

The next four years are pregnant with danger and opportunity. Dangerous for the unprepared. And yes, significant opportunities beckon for those who understand the dangers and make measured and prudent preparations now.

Get started, because so much more regulatory dysfunction is coming. It has already zombified banks, hogged job-creating capital, and spawned an economy of huge taxpayer-sucking black holes such as General Motors. Government-caused dysfunction is rapidly spreading like dry-rot throughout many still functioning industries and fields.

WHERE TO INVEST IN 2013

Don’t Let Relatively Stable Markets Lull You to Sleep; Secure Your Portfolio for the Storms Ahead

By Seth Van Brocklin

- Has the Fed unleashed a “new era” of steadily rising equity markets – or set a bull trap for late comers?
- Inside: Opportunities in precious metals, food, international dividend payers…

For all the political drama that played out in 2012, the markets remained relatively calm. Stocks rose modestly, as did precious metals, while the Federal Reserve succeeded in keeping bond yields at rock-bottom levels. Have we entered a “new normal” – or is this merely the calm before the storm?

In my view, it’s just a question of when the storm hits and how it will affect various asset markets. As we’ve noted many times before, the status quo is unsustainable. The United States and most of the developed world face insurmountable debt crises, the political/monetary responses to which threaten to wreck the value of national currencies.

In a sense, we are already in a currency crisis. Most people don’t perceive it as such because it is playing out in slow motion. The price of gold rose (gained value versus...
a depreciating dollar) in 2012 for the 12th consecutive calendar year. This is unprecedented! One could counter with the fact that it has been more than a year since gold last hit new record highs, but the long-term trendline still points up.

Precious Metals Outlook

Precious metals remain one of the only safe havens in this environment. That’s not to say that they aren’t subject to volatility. But it is to say that a weak economy, trillion-dollar deficits, and currency depreciation as a tool for managing high unemployment and runaway government spending all favor few investments other than precious metals.

Silver delivered double-digit gains in 2012, outperforming gold. But many silver bugs spent most of the year frustrated, as the metal’s highs for the year were hit in late February. The frustration and negative sentiment that built as silver ground sideways is constructive from the standpoint of base building for the next major leg up.

We’ve also seen a large base forming in the silver:gold ratio. Although it’s more difficult to anticipate the move of one metal in relation to the other than to anticipate the general direction of both, silver does have the potential to generate much larger percentage moves than gold and outperform in the short-, intermediate-, and long-term. Our colleague David Morgan, editor of our Money, Metals, and Mining newsletter, expects big things out of silver in 2013 – including a likely break out to new, all-time highs.

The other white metals – platinum and palladium – also have the potential to outperform gold. Their fundamentals are different from those of gold and silver, though, as they are heavily dependent on the automobile industry on the demand side, and on South African mining on the supply side. Both the platinum and palladium markets face a 15% decline in output from South Africa due to labor problems and increasingly oppressive political disincentives for mining investment by white-owned and white-run businesses.

The platinum:gold ratio is on the verge of breaking out after platinum spent nearly all of 2012 trading at a discount to gold. Look for that discount to turn into a premium – which is the norm historically – in 2013.
Global Equities Outlook

Most stock market sectors appreciated in 2012. (A glaring exception was precious metals mining stocks, which may represent the best bargain hunter’s opportunity in 2013. (Next month’s issue will cover precious metals equities in depth.) Foreign stocks began outperforming in the second half of the year, and that fledgling trend could develop into a full-fledged one in 2013 for the following three reasons:

- Almost all foreign markets trade at significant valuation discounts to the United States. The once high-flying Chinese market is as cheap as it’s been in nearly two decades. Great bargain opportunities await long-term investors around the world, especially in Asia.

- More growth can be found overseas. An increasing share of global economic growth will come from the emerging world in the years ahead, where some countries with young demographics are growing at double-digit rates.

- Foreign stocks stand to get a boost from a decline in the value of the U.S. dollar. Most international stock mutual funds and ETFs as well as U.S.-listed foreign stocks give you direct exposure to the currencies in which they are denominated. Foreign currency exposure could give you an extra boost, but I’d caution against buying stocks for that reason alone. As Eric Sprott deftly warns, “Trying to pick the best currency in the world is like trying to pick the best looking horse in a glue factory.”

If you want to engage in currency speculation, then you can trade the Forex (which is basically a zero sum game that most amateurs don’t come out on the winning side of). Otherwise, the valuations and fundamentals must be favorable in the markets or in the particular stocks you are considering. Valuations and fundamentals are both at least relatively favorable in most foreign markets as compared to the United States.

The surest way to “own” the rest of the world is through Vanguard All-World ex-U.S. ETF (VEU). And more aggressive investors can focus on the higher-growth countries included in Vanguard Emerging Markets (VWO). I referenced VWO in the October 2012 issue and said, “I’d look for foreign stocks to break out and outperform as the dollar breaks down further.” Emerging markets broke out in December, and the U.S. Dollar Index remains vulnerable to a breakdown heading into the new year.

U.S. Markets Look “Toppy” – But Could Continue to Float on Fed Stimulus

Looking at a long-term chart of the S&P 500, it appears as though three ominous peaks on a mountain range are forming. No one wants to invest at a peak! Unfortunately, peaks can only be identified in retrospect. And patterns on long-term nominal price charts can be misleading, because they reflect not only the mood swings of market participants, but also the distortive effects of inflation. In real, inflation-adjusted terms, the S&P 500 trades much further beneath its old highs.

We can also look at decade-long, inflation-adjusted price/earnings ratios. According to Aaren Humphreys of the Deseret News, “The inflation adjusted P/E10 ratio for the S&P 500 is calculated by taking the monthly averages of daily closing prices divided by the 10-year average of earnings. If you’re an investor, this P/E ratio can be directly converted to how many years it would take for a company to earn enough profit per share to buy a single share. Historically, anything below 11 means the stock is undervalued, with the average being around 16 and anything more than 21 meaning it is overvalued.”

“This ratio reached an all-time high in December 1999 at 44.2. It sunk to 13.3 in March 2009 and rose again to overvalued territory, hovering for the past year around 21.”

What could cause P/E ratios to fall back from “overvalued territory”? The implementation of Obamacare and higher tax rates on millions of Americans could lead...
to worsening employment numbers, weaker demand, and lower earnings. Some indicators suggest negative momentum for the economy as it heads into 2013. Lakshman Achuthan of the Economic Cycle Research Institute believes that contrary to official pronouncements, the U.S. economy has already entered a recession. “The evidence is starting to mount, a recession is already underway, and we’re a few months into it,” he said in a recent interview.

Another headwind for the economy, and potentially for stocks, that not many people are paying attention to right now is a huge expected drop in refinancings following the refi boom of 2012. As reported on Yahoo Finance, “Months of record low rates have lured buyers, and even more so, refinancers, to apply for new loans. But the Mortgage Bankers’ Association expects the tide in refinancing applications to turn dramatically…. MBA economists expect refinancing applications will peak in the final quarter of 2012, and will fall 76% from Q4 2012 to Q4 2013.”

Bet on Prudent Diversification

On the bullish side, higher-than-average P/E ratios may be somewhat justified by the ultra-low interest rates. The earnings yield on stocks beats the yield on bonds. But were interest rates to rise, and were the economy to turn down, stocks could get hammered. With the Federal Reserve’s December announcement of “QE4” and an open-ended vow to do more stimulus schemes whenever Fed officials deem it necessary, betting against the stock market would seem to be imprudent.

Betting everything on it would likewise be imprudent. Regardless of whether the major stock indexes head higher or lower nominally, they’re still likely to lose value in real terms when priced in gold. And as I noted earlier, the white metals (silver, platinum, and palladium) are set up to outperform gold in 2013 – especially in the first half of the year. The white metals may represent the best opportunity to “solidify” your investment portfolio for 2013, especially if you lack diversification in them.

Food Stamp Stocks

Have you noticed a 51% surge in the number of poor people into your community in the past four years? Neither have I, but use of food stamps (SNAP) has surged 51% percent since 2008. Now more than one in seven Americans cashes in on “free” food. Food stamps have become a major revenue source for food suppliers, retailers, and transaction intermediaries.

See Where to Invest in 2013, page 20

Consumer Staples ETF

TOP 10 HOLDINGS

1. Procter & Gamble (PG)
2. Philip Morris (PM)
3. Coca-Cola (KO)
4. Wal-Mart (WMT)
5. Pepsico (PEP)
6. Altria Group (MO)
7. CVS Caremark (CVS)
8. Colgate-Palmolive (CL)
9. Costco (COST)
10. Mondelez (MDLZ)
Taxpayer Alert

Taxpayers beware! Now isn’t the time for complacency when it comes to tax planning. The IRS enters 2013 with a “mandate” to help the Obama Administration raise revenue. The dreaded agency is newly beefed up, ready to enforce a maze of new Obamacare taxes, and ready to slam millions of unlucky taxpayers with audits.

The tax code can trip you up in innumerable ways. A simple calculator mistake could trigger a full-blown audit. And an audit could result in taxes and penalties that you may not really even owe – notwithstanding a given IRS auditor’s interpretation of the tax code to the contrary.

The IRS operates on a “guilty until proven innocent” premise when dealing with taxpayers. The presumption of guilt is explicit and heavy-handed with regard to taxpayers who legally hold assets offshore.

But regardless of whether you’re a hedge fund titan with Swiss bank accounts who is automatically presumed to be using them to hide tax liabilities from Uncle Sam, or a waitress who is presumed to be underreporting cash tips received, being honest isn’t always sufficient to save you from the wrath of the IRS.

What, Me Worry?

Many Americans falsely believe that as long as they aren’t trying to cheat the system, the IRS won’t come down on them. This dangerous myth is even propagated by some popular, mainstream sources. We came across a Kiplinger article (November 30, 2012) that serves as a case in point.

Here’s the paragraph of interest from the article: “The IRS audits only slightly more than 1% of all individual tax returns annually. The agency doesn’t have enough personnel and resources to examine each and every tax return filed during a year. So the odds are pretty low that your return will be picked for review. And, of course, the only reason filers should worry about an audit is if they are fudging on their taxes.”

The part about “pretty low” odds of being audited, while true on average, is not true for everyone. As Kiplinger acknowledges later in the article, “…the odds increase dramatically for higher-income filers. 2011 IRS statistics show that people with incomes of $200,000 or higher had an audit rate of 3.93%, or one out of slightly more than every 25 returns. Report $1 million or more of income? There’s a one-in-eight chance your return will be audited.”

Hence, the IRS, far from being concerned merely with accuracy across the board, discriminates on the basis of income when selecting taxpayers for audits. It enforces the tax code selectively to try to boost the revenue generated from audits.

If you are selected for an audit, you may have reason to worry, even if you aren’t “fudging” on your taxes. Over the years, numerous General Accounting Office reports have documented an incredible 60-80% error rate in IRS calculations of taxes it alleges are owed by businesses and individuals.

Not even the IRS Commissioner knows the 73,000-page tax code inside and out, let alone how it applies in all circumstances. IRS agents count on taxpayers passively accepting their arbitrary findings and often resort to bluff and intimidation – the government’s own brand of “tax cheating.”

Dan Pilla, in his Taxpayers’ Ultimate Defense Manual (published by American Lantern Press) described one sneaky IRS tactic as follows: “For years, the IRS has used an obscure tool to collect money. The tool enables the IRS to administratively alter a tax return if it contains mathematical errors.
Audit Offensive
continued from previous page

[In] turn, IRS bills the citizen for the deficiency that exists after correcting the error. However, the IRS strays far beyond the limits of the law, employing the mechanism to alter returns that are not incorrect. IRS collection statistics reveal that it uses this technique to collect millions in taxes, most of which are probably not owed.”

Just because the IRS sends you a “bill” does not mean you have to accept it! If you disagree with the IRS’s calculations, challenge them. Taking on the IRS alone can be daunting, but a tax attorney or enrolled agent can help you win an appeal or a challenge in tax court.

Audit Triggers to AVOID

It’s best to avoid an audit in the first place. They aren’t 100% avoidable, but you can reduce your odds of being selected for one. Legitimate deductions rarely trigger an audit. However, IRS computers and bureaucrats do look for “red flags” that suggest (rightly or wrongly) that a taxpayer may be “fudging.”

We’ve identified some of the most common red flags on tax returns:

- Required forms are missing.
- Forms are not completely filled out.
- Forms are riddled with errors or omissions.
- Reported income is less than that indicated by tax documents (W2 forms, 1090 forms, etc.).
- All figures are “round” numbers (i.e., “$5,000” instead of “$4,997”), implying the filer is just guessing or outright making up the figures.
- A waiter fails to report tips or reports them as an unusually small amount.
- An income in excess of $200,000 is reported (this factor alone more than triples the likelihood of being subjected to an audit).

- Tax-protest literature or anti-IRS comments are included with a return (anyone who goes this route is waving a red flag in front of a bull; if you want to express your displeasure to the IRS for all it has done to erode your freedom, then do so in a separate mailing — better yet, do so anonymously).
- Business losses (even legitimate ones) are claimed to offset other forms of income.
- Itemized deductions appear to be arbitrary or phony.
- Itemized deductions are unusually high given the filer’s reported income.

As you can surmise, the single biggest audit trigger is inaccuracy. So don’t try to alter or scale down your legitimate deductions just to make them appear more “normal.” If you can back up each of your deductions, go ahead and take them. On the other hand, if you don’t keep good records, your perfectly legitimate deductions could be disallowed after an audit.

Obamacare Surtax Goes into Effect

Starting January 1, 2013, a 3.8% Obamacare surtax on investment income hits individuals with more than $200,000 in modified adjusted gross income – and married couples filing jointly making more than $250,000. The tax applies to capital gains and dividend income gleaned from annuities, stocks, bonds, and other securities, as well as investment real estate. In December, the IRS produced 159 pages of rules to enforce the new tax.
Shocking Admission by Retired Lt. General:  
“A major disruption of the distribution of food.”

Preparedness Tips

Holding a few months’ worth of non-perishable food reserves provides some measure of security to you and your family in the event of an emergency. Stocking up can also make sense from a purely home-economic standpoint. Buying in bulk is the most-cost effective way to go. And buying in advance of your expected needs keeps you a step ahead of food-price inflation and potential shortages or disruptions in the supply chain.

The economic threats on the horizon are serious, and the risks of worst-case scenario outcomes increase the longer our country’s problems go unresolved. Consider what retired Lt. General and former CIA official William Boykin had to say in a 2012 interview:

“I’ll be very honest with you. The situation in America could be such that martial law is actually warranted, and that situation in my view could occur if we had an economic collapse... The dam is just about to break on our economy, and I think when it does, there’s going to be a major disruption of the distribution of food. And I think what you’ll see particularly in the inner cities is riots, civil unrest that ultimately might justify martial law.”

It’s a good idea to stock up on guns and ammunition. Not for the dramatic purpose of taking on the government, as some gun control advocates suggest. But for prudent home defensive or deterrence usages. Sales of firearms hit a record for the month of November following Obama’s re-election. And sales of Gold American Eagles surged in November – nearly triple October’s sales total and nearly quadruple the numbers sold in November 2011. Perhaps these buyers are onto something.

Even if the Obama Administration isn’t successful in restricting Second Amendment rights, the government’s inflationary policies could succeed in driving up the costs of arming yourself. Most guns retain value over time. Ammunition has a long shelf life – and could even be used for barter, especially if ammo restrictions/shortages emerge, as appears likely.

These Food (and Drink) Items Store Well

As for stockpiling food items, staples such as canned foods, meals ready to eat (MREs), and raw grains are the place to start. To preserve your own homemade foods (free of unhealthy additives and preservatives), consider getting a home canning kit. It’s a good idea to sort your stored food items by date, as most won’t have infinite shelf lives (canned foods are usually good for about two years; grains longer if sealed up).

Dried/dehydrated foods can also be stored as a cost-effective and healthy alternative to factory-produced foods. You don’t need special equipment, either. As Self Reliance Illustrated (March/April 2012) noted, “Fruit can be placed in the oven at about 130 degrees or on a cookie sheet in the sun under a sheet of loose plastic until dry.”

To make sure none of your food stores go bad or go to waste, rotate portions of them into your kitchen pantry for immediate use and replace them with fresh stocks every couple months or so. You might even create a side business selling your own freshly dried or canned foods at farmer’s markets or community arts and crafts fairs.

Besides food, you might consider wine or spirits. Even if you don’t drink, you can benefit from the fact that many types of wine and liquor become more valuable as they age, or simply due to crisis/shortage conditions. Though not the first barter instrument to come to mind, you could potentially haggle with bottles of liquor in certain quarters.

George Washington is known to have traded gallons of whiskey for medical services – though given the primitive state of medicine in the 18th century, he may have been better off holding onto his booze. 🍻
Advice Wanted for the Dollar’s Crash

Marilyn F. writes: Is it a good move to save American dollars for when the crash comes?

It depends on how the crash plays out. I recommend holding onto some physical cash in case of a banking crisis or other disruption in the financial system. And also for unexpected personal emergencies.

Don’t overdo it, though. For most people, a few hundred dollars, mostly in the form of $20s, should provide an ample reserve of liquidity on which to draw during emergencies. Dollars are a poor long-term store of value and are at risk of depreciating on an accelerated scale in the near future, so your primary long-term “cash” holdings should be in precious metals bullion coins and rounds. Start with pre-1965 90% silver dimes, quarters, and half-dollars, along with one-ounce pure silver rounds, which are handy for bartering. Consider adding a few tenth-ouncers of gold too.

Yes, Emergency Water Planning Is a Must

John R. writes: Question is on emergency food supply. The concept is fine, but without potable water, not too useful. How do you safely store water?

I recommend storing jugs of water by the gallon in a cool, dark place (for up to a year before being rotated into use). In addition, you should own a portable water filter in case you are able to access tap water or river/lake/pond water that may otherwise contain harmful contaminants. In a pinch, you can use iodine or bleach (8-10 drops per gallon; more if the water appears cloudy) to disinfect water, or you can boil it. But you’d need a quality filter in order to remove heavy metals or other pollutants.

A handy way to purify water for drinking on the go or during emergencies is through a device called SteriPEN. The SteriPEN employs ultra-violet light to kill any microbes that are in a container of water. The water must also be relatively free of salt, mineral and chemical contaminants in order to be potable, as the SteriPEN eliminates only microbial contaminants.

Also look at larger volume water storage options for personal hygiene or watering your garden. Used 275-gal. plastic totes are cheap and easy to find, as are lightly used 55-gallon food-grade barrels.

What Is Your Take on Bonds?

Ray M. writes: Lee, we bought Savings Bonds monthly for years. Please give me your thoughts on their stability. I am wondering if it would be best to move our investment elsewhere or hang in with the ones we have.

They are stable insofar as they pay a predictable rate of interest and aren’t subject to market fluctuations. They are risky insofar as the issuer is going broke and will likely continue to resort to deprecating the currency in order to pay its bills, meaning the real value of the interest paid by Savings Bonds may fall precipitously.

Key considerations for deciding whether to hold onto U.S. Savings Bonds include how long they have until maturity and how much they yield. I can’t think of any good reason to actually buy Series EE Savings Bonds that today carry an absurd 0.20% fixed yield. The 1.76% yield currently offered by “inflation”-adjusted I-Bonds is more plausible for investment, but it’s still likely to lag actual rates of inflation, regardless of how
the Treasury Department markets them.

Some of your older Savings Bonds probably carry significantly higher yields than those that are available presently. So they may be worth holding onto until maturity, provided you have a diversified portfolio of other assets (dividend-paying stocks, foreign stocks, precious metals, etc.) and don’t need to cash out of the Savings Bonds in order to get diversified.

What Is Obama Going to Do about Gold?

Barbara T. writes: What keeps the fed government from TAKING our gold again like they did during the last Depression?

The answer is simple, in my opinion. There is less benefit to the government and a higher likelihood of public resistance to gold expropriation today than during the 1930s.

During the Great Depression, gold accounted for more than 25% of all private wealth, and the government needed to get its hands on the people’s gold in order to revalue the dollar while retaining the world’s confidence in it. Today, gold accounts for less than 1% of all private wealth. We operate on a completely fiat system whereby the government can effectively issue new debt at will and the Federal Reserve can expand the currency supply in unlimited quantities.

I can’t say categorically that the government will never again ban private gold ownership or try to force people to turn it in. But from the standpoint of raising revenue, gold is a less attractive target than the much larger pool of conventional non-tangible financial assets that can easily be traced to individuals and taxed at punishing rates for “the rich.”

Sage Travel Advice When Carrying Precious Metals Abroad

Allen C. writes: I recently was reading your Q&A on “Transporting gold coins” and wanted to say something concerning this topic. I often travel by air and ground in some of the, to say the least, not so friendly countries. I have found that by using a small change purse kept on my person or pack when going through scanners, with a mix of foreign coins (depending on the country I’m in) as well as a few U.S. coins mixed in with my gold coins to be a great way of disguising them. I too would agree never place them in check baggage as the temptation to steal them would be extremely high. Just some food for thought. Thank you for your time.

Thank you for sharing your suggestion! The less attention you draw to your gold – whether when kept at home or transported with you – the less likely you are to attract the suspicions of authorities or the temptations of thieves.

About 401(k)/IRA Safety Issues Right Now

Tim O. writes: Thank you for your very helpful and informative newsletter. I’m enjoying my subscription.

Could you comment on the safety of investments in 401(k)s and IRAs in light of all the renewed reporting (people within the government have indicated there’s legislation being “crafted”) regarding “nationalizing” (taking and redistributing) individually owned retirement accounts? This is not related to the relative strength of these types of investments, but to the nature and legalities of the investment vehicle (401(k) and IRA accounts) and the confiscatory power of the Federal government over the funds in these types of accounts. There was talk of doing this 2-3 years ago but was tabled until after the election. Now, given the current dire federal financial situation and this corrupt and tyrannical administration, it appears to be very active and moving forward again.

Any defensive actions necessary? Are my investments “safe” from seizure? How do we best protect our funds in these types of accounts?
Team Obama managed to eke out re-election in part by cleverly packaging their non-Obamacare tax hikes as only hitting the top 2% of taxpayers. It’s easy to explain to middle-class voters that their marginal rates won’t rise but difficult for the other side to get them to grasp that hitting the wealthy with more taxes will impede capital investment, curtail private-sector job growth, and hurt the economy overall.

The Democrats think they have a political winner in targeting “the rich.” So next they may propose, for example, restrictions or excise taxes on retirement accounts above certain balances, larger required minimum distributions, or the imposition of special taxes on withdrawals made by the highest earners.

Ultimately, they’d like to merge private retirement accounts into the Social Security system. But that’s a tall order given the mountain of resistance they’d encounter from the middle class. According to the Investment Company Institute, “Total U.S. retirement assets were $18.5 trillion as of June 30, 2012... Retirement savings accounted for 36 percent of all household financial assets in the United States at the end of the second quarter of 2012.... Assets in individual retirement accounts (IRAs) totaled $5.1 trillion at the end of the second quarter of 2012, a decrease of 2.0 percent from the end of the first quarter. Defined contribution (DC) plan assets fell 2.2 percent in the second quarter to $4.7 trillion.”

Short a merger of private retirement accounts into a government run pension, we can see requirements that these private accounts hold a certain percentage of federal government bonds in order to maintain their tax advantages. Ideas such as this are under direct consideration at the U.S. Treasury and Department of Labor.

Washington isn’t going to be able to nationalize IRAs and 401(k)s in one fell swoop. But the government could substantially increase its cash flow just by tinkering with some rules piecemeal, and that’s what may be coming. I don’t suggest paying the government taxes and penalties you don’t need to pay at this time just to get your money out of retirement accounts. You might as well enjoy the tax deferral while you still can, but keep your eyes open for alerts from us that such threats are becoming closer to reality. In any event, I wouldn’t max out these highly restrictive accounts with new contributions unless I also had a sizeable asset base safely outside of them, including especially a readily accessible precious metals stash.

Foreign Financial Assets and What You Don’t Have to Report

Frank S. writes: What are the risks of owning precious metals via Fidelity and Sprott’s PSLV in my Roth IRA? Please describe IRS Form 8938 and what constitutes “foreign financial assets.” Does that phrase include Sprott or Mosaic or Potash?

The risks of owning precious metals through an exchange-traded product or financial institution’s program include counter-party risk (the risk that entities involved in the acquisition and storage of the metal will fail to meet their obligations fully) and inaccessibility (it is difficult or impossible to take physical possession at a moment’s notice, and with some ownership vehicles impossible ever to do so).

You aren’t required to report foreign stocks or other securities that you hold within U.S. brokerage accounts on IRS Form 8938 (Statement of Foreign Financial Assets). Here’s what the Internal Revenue Service says on the matter:

You do not need to report a financial account maintained by a U.S. financial institution or its holdings. Examples of financial accounts maintained by U.S. financial institutions include:

- U.S. mutual fund accounts
- IRAs (traditional or Roth)
- 401(k) retirement plans

Continued from previous page

Continued on next page
Independent Living

January 2013

Independent Living

• Qualified U.S. retirement plans
• Brokerage accounts maintained by U.S. financial institutions

…If a financial account, such as a depository, custodial, or retirement account, is held through a foreign branch or foreign affiliate of a U.S.-based financial institution, the foreign account is not a specified foreign financial asset and is not required to be reported on Form 8938…

About Third Party Precious Metal Storage

Dean writes: I have been an Inner Circle member since 2011 and have enjoyed your publication.

I would like to invest in physical gold for my IRA but ONLY if I can personally take possession. I want the tax advantages of the IRA but do not want to trust the storage to anyone else. I know you speak highly of Gold Star, etc., and I do not specifically doubt them but I would feel best if I have direct possession. I like the idea of “Checkbook IRAs” since they would allow me to take possession, but I am aware of some of the potential pitfalls. Is there any way of keeping possession of physical gold, in my IRA, that you would feel comfortable recommending?

I do suggest that people acquire an easily accessible gold and silver stash of their own before owning precious metals through third-party storage facilities or holding them in IRAs. After establishing a core position in your direct possession, I think it makes sense to diversify your methods of ownership and own some bullion allocated or segregated inside secure vaults so that you don’t bear the burden of securing your entire stash. In addition to Gold Star, there are other reputable precious metals IRA custodians, including New Direction IRA. However, if it is highly important for you to use IRA assets to purchase bullion which you can get your hands on, there is a structure that you can set up through a company called Passport IRA. The set-up fees are more significant (in the thousands), so you need to weigh the costs. However, their trustee/custodian/LLC structure has held up to IRS scrutiny. Under Passport IRA’s approach, your IRA owns an LLC, and the LLC’s assets are managed by you. For more information, visit www.passportira.com or call (800) 573-9912. Tell them that Independent Living sent you.

What Are the Risks of Holding Onto Large Amounts of Cash Right Now?

Jean L. writes: I have been a longtime subscriber and have benefited greatly from your writings. Now I desperately need a few suggestions to help me sleep at night. I am alone, 78 years old, with excellent health, and working full time. I have held back some cash for emergencies. Is my emergency cash going to be worthless as it was in Germany 50 years ago? If so, what to do?

Congratulations on staying self-reliant at 78! If our country had more people like you, we wouldn’t have a $16.4 trillion (official) national debt and a looming demographic-driven entitlement cliff to worry about. As to your question, a Weimar Germany-style hyperinflation would obviously be the worst-case scenario for holders of U.S. dollars. It could play out in the future, but the more immediate threat is simply that your living costs will rise a few percentage points every year, while your cash in the bank continues to earn nothing thanks to the Federal Reserve’s zero interest rate policy. The way to sleep well at night is to broaden your definition of “cash.” Include gold and silver and perhaps some foreign currencies as well.

“Ask Lee Now” is presented for general educational purposes only. Because we don’t know enough about readers’ personal situations, the opinions expressed here should not be construed as a recommendation to buy or sell any financial instrument at any time. We will not be responsible for financial decisions that readers make, and they should be made in consultation with their own advisers.
Your “Ticket” to Offshore Medical Care

By Stefan Gleason

The rise of politically controlled medicine has many smart Americans looking for better care going forward.

So it is no accident that medical tourism has become a thriving business with numerous organizations, companies, web sites, and magazines involved. Medical tourism means travelling to another country to receive medical, dental or surgical care because of the affordability, better access to care, or a higher level of care. The most common reasons for medical travel are cosmetic and obesity surgery, fertility treatment, dentistry, other non-insured procedures and alternative therapies such as stem cell treatment not readily available in the U.S.

The 2012 Milliman Medical Index estimates the annual medical costs for a typical American family of four to be $20,728. The Commonwealth Fund reported over 25 million Americans are underinsured. Maybe you’re one of the underinsured adults who doesn’t want to refinance your home or deplete your savings to pay for surgery.

The Coming Obamacare-Induced Physician Shortage

Dr. G. Richard Olds, dean of the medical school at the University of California stated, “We’ll have a 5,000 physician shortage in 10 years no matter what anyone does.” A growing shortage of doctors, longer hospital waits, and the possibility of insurance companies extending coverage for Americans’ international medical bills is making medical tourism more popular every year. With more countries depending on medical tourism, they are making sure their patients receive the best treatments possible.

In 1999, the U.S. launched the Joint Commission International (JCI) to set rigorous standards that international hospitals must meet for accreditation. Currently over 400 accredited facilities are in operation, and the number is growing by 20% per year. Five JCI accredited organizations were named on the list of the 25 most beautiful hospitals in the world (listed #21 was Hospital Punta Pacifica – Panama City, Panama, affiliated with John Hopkins Medicine International). Many hospitals also have International Patient Services Certification.

Before Venturing Abroad for Medical Treatment…

…Remember first to research, research, research:

• Find out all costs involved with the medical procedure in the U.S., so you can compare.
• When will you be able to have the procedure done at home compared to away?
• Search for the best countries to have your procedure done overseas.
• Check on the qualifications of the doctors, hospital (JCI accredited) and medical staff.
• Do they speak English?
• Do you want or need to use the services of a medical tourism facilitator and what services do they provide?
• What will be the costs for travel, for yourself and a companion – air, hotel, and meals?
• Medical costs – doctors, hospital, medications, ask for a list of all costs involved.
• Length of time you’ll need to be in that country for treatment and recovery.
• Will you need after care when you return home and what will that cost?

Next time you’re going on vacation, consider what dental work you may need done, or that nip and tuck you’ve been contemplating. The money you save could easily pay for your trip.
The Air in Your Home Could Be Making You Sick

Steps to Improve the Quality of the Indoor Air You Breathe

By Heather Robson

In this article, I’m going to share with you six ways you can instantly improve the quality of the air you breathe. But first, let’s take a closer look at why this is so important.

Fine particulates in the air you breathe may form deposits in your lungs and brain. The higher the levels of fine particulates in the air, the greater the impact on your cognitive function.

High levels of carbon dioxide that build up in indoor spaces – especially in energy-efficient buildings with lots of people, like your average office building – also impair your cognitive abilities. The decision-making abilities of people working in such circumstances tend to suffer under even moderate exposure to carbon dioxide. So, if you ever wonder why so many people at your work make dumb decisions, it might literally be something in the air!

Particularly at this time of year, when we seal our homes up tight against the weather, the quality of the air can drop rapidly. That can have serious consequences for your health, both in the short term and for the long haul.

These Facts Will Make You Want To Step Out for a Breath of Fresh Air

The Environmental Protection Agency lists indoor air pollution as one of the top environmental public health concerns. Common sources of indoor air pollution include mold, bacteria, dust mites, pollen, animal dander, cigar/cigarette smoke, chemicals left behind by cleaning products, and byproducts produced from heating and cooking.

The average person spends nearly 90% of their time indoors, and many studies estimate that indoor air in the typical home or building is at least 25 times more polluted than the air outside. The American College of Allergists states that half of all diseases are either caused by or aggravated by poor indoor air quality.

Yes, I Have Solutions for You

Fortunately, cleaning up the air quality in your home isn’t difficult or expensive to do.

First, check your ventilation. Today’s energy efficient homes tend to trade high efficiency for poorer air quality. Not enough air from outside enters the home to dilute pollutants and not enough air escapes to allow the pollutants to leave. One of the easiest ways to improve air quality is to simply crack a window or two for a couple of hours each day. Your furnace will have to work a little harder to heat your home during the day, but your home’s air will be much healthier.

The second thing to do is keep your floors clean. Most pollutants settle out of the air when left undisturbed. But then people walking through the home, the furnace kicking on, the front door opening and closing – these can all stir up those pollutants.

If you clean your floors regularly, you’ll trap many of the particulates and get rid of them. That’s good news for the air you breathe. Use a vacuum fitted with a HEPA filter that you replace or clean regularly. Mop at least once a week. And put down welcome mats for people to wipe their feet on before entering your home. These easy steps can dramatically reduce the indoor pollution in your house.

Test for radon. Extreme levels of radon can be a dangerous indoor pollutant – it can cause lung cancer. You can pick up a radon testing kit for under $30. The test is easy to do, and can help you identify whether or not this dangerous pollutant is a problem in your home.

Another effective way to reduce indoor pollutants is to switch to natural cleaners. A lot of chemical cleaners leave behind harmful compounds in the air. Something as innocent as a plug-in air freshener, for example, can release more than 20 kinds of volatile organic compounds into the air.

Using cleaners and air fresheners that contain mostly natural ingredients can be a big help in terms of air quality. Seventh Generation products are a good choice for natural cleaning supplies. When it comes to freshening the air, try bringing a small pot of water to a simmer. Drop in a couple of cinnamon sticks and apple slices. The scent will beat the socks off artificial air fresheners and it’s better for you, too!

Change your HVAC filters often. Many folks procrastinate or forget about this obvious way to reduce
Global Authoritarians Push for Internet Controls; Obama Administration Pitches in with Internet ID System

The Internet has remained as free and open as it has because its basic infrastructure has been controlled by an independent entity called the Internet Corporation of Assigned Names and Numbers (ICANN), based in the United States. However, the United Nations would like to change all that, and soon.

In December, the United Nations International Telecommunications Union treaty conference took place in Dubai. On the agenda: wresting control of the Internet. A cadre of authoritarian governments sought greater ease with which to spy on citizens, restrict online content, and impose “fees” (taxes and penalties) on companies whose sites are accessed overseas.

Both chambers of Congress unanimously expressed their opposition to the treaty. Rep. Anna Eshoo (D-CA) said, “There is not only bipartisan, but bicameral support underlying this resolution, and there is complete support across the Executive Branch of our government... In other words, the United States of America is totally unified on this issue of an open structure, a multi-stakeholder approach that has guided the Internet over the last two decades.”

Can the U.N. Really Get Control of Your Internet Connection?

Instead of completely disassociating itself from the whole effort to forge global controls on the Internet, the Obama Administration engaged the conference and focused on particular objections. State Department officials who insist they are opposed to UN control of the Internet sent a delegation to try to protect Google, Facebook, and other Internet titans from the most egregious of the proposed international controls.

What sorts of UN controls would the Administration be okay with? They won’t exactly say. But domestically, they’ve tried to ram the privacy-gutting bills SOPA and PIPA into law (aimed at protecting the copyrights of Hollywood), they’ve pushed for an Internet “kill switch”), and they’ve championed the Cyber Intelligence Sharing and Protection Act (CISPA).

When CISPA, which would give the feds backdoor wiretaps into our personal communications, failed to clear the Senate, President Obama threatened to issue an executive order to accomplish some of the law’s objectives. According to the Electronic Frontier Foundation, a digital rights advocacy group, CISPA contains “sweeping language that would give companies and the government new powers to monitor and censor communications for copyright infringement. It could also be a powerful weapon to use against whistleblower websites like WikiLeaks.”

Your Government-Issued Online ID?

Meanwhile, the Commerce Department is discreetly organizing a campaign to create a unique Internet ID for all Americans. Operating under the guise of protecting us from fraud and online identity theft, the federal government wants to impose an entire, centralized, online identity ecosystem.

Participation in such a system would purportedly be voluntary – at least at first. So be prepared to exercise your right to opt out. In general, the fewer identities you create for yourself online, the less of an electronic footprint you’ll leave for snoops, identity thieves, and government agents to track.
Secure Your Retirement with a Precious Metals IRA

There is no substitute for holding physical precious metals in your IRA. It’s a safer approach than owning paper alternatives such as precious metals ETFs or even mining stocks.

Not only can you purchase, hold, and sell physical precious metals using a tax-advantaged Self-Directed Precious Metals IRA, but also you can withdraw your bullion and take direct physical possession of it under normal IRA distribution rules. Few Americans have any idea about these fantastic options, because their brokers have never told them!

Here’s how easy it is to get started:

**Step 1: Establish and Fund a Self-Directed IRA.**

Choose one of the following trustee companies that have been fully vetted and approved by ILB.

**New Direction IRA (NDIRA)** is a Self-Directed IRA provider specializing in holding physical precious metals as well as other assets like real estate and private loans. NDIRA is unique in that it allows clients to use the depository of their choosing and still has highly competitive fees (starting at only $75/year). Diligent customer service and quick processing speeds are among NDIRA’s core strengths. To obtain a NDIRA application, call and ask that it be mailed to you, or simply download a copy from www.IndependentLivingBullion.com.

**GoldStar Trust Company** is an independent trustee that charges very low fees and provides flexible IRAs to hold physical precious metals. Your metals are stored in a maximum-security depository in Delaware in either an allocated or unallocated account (your choice). You can call Independent Living Bullion (1-800-800-1865) and ask us to send you either a traditional IRA or Roth IRA application, or simply download it from our website at www.IndependentLivingBullion.com and begin the process of establishing and funding your precious metals IRA.

**Step 2: Designate Independent Living Bullion as Your IRA Precious Metals Dealer.**

ILB is an approved dealer at New Direction IRA, GoldStar Trust, and other trustee companies as well. Under your direction, we can facilitate your IRA’s purchases (or sales) of gold, silver, platinum, or palladium.

**Step 3: Purchase the Precious Metals Bullion Products That Fit Your Needs.**

Your IRA may hold a wide array of bullion coins, rounds, and bars offered by Independent Living Bullion.

**Step 4: Receive Payment Confirmation.**

You’ll receive payment confirmation from ILB and be able to track your shipment all the way to the depository.

**Please Note: We can partner with ANY self-directed IRA custodian. Here are examples of other firms with which we have worked:**

- Sterling Trust
- Entrust
- Millennium Trust
- IRA Services
- Ramsey National Bank
- Mountain West IRA

Regardless of which firm you choose as custodian for your IRA account, Independent Living Bullion can deliver the physical gold, silver, platinum, and palladium bullion you want – and at great prices!

**To Get Started, Call ILB at 1-800-800-1865!**
Fed Launches “QE4”
“Unsanitary” Monetary Policy Puts Dollar in Jeopardy
By Mike Gleason

Markets often move counter-intuitively. They can zig when you think they should zag, and zag when you think they should zig.

A case in point is Thursday’s market action in the precious metals. Instead of rising on the Federal Reserve’s announcement of more Quantitative Easing the day before, they fell. Silver got whacked especially hard, falling nearly 3% and currently trades at $32.60 an ounce. Gold settled back down into the high $1,690s.

You’d think silver would have moved in the opposite direction. It’s hard not to interpret the Fed’s latest round of QE as being damaging to the value of the dollar and bullish for precious metals. The Fed will buy $45 billion per month in U.S. Treasuries. That’s on top of its previous commitment of $40 billion in mortgage-backed securities, for a total of $85 billion per month. The Fed’s balance sheet is set to expand even further to an astonishing $4 trillion in 2013.

Talk about excess leverage! Far from ensuring stability in the markets, the Fed is transferring and concentrating risk on its balance sheet, forestalling the day of reckoning. But make no mistake, the Fed is putting all holders of dollars at greater and greater risk with each new vow of asset purchases paid for by dollars created out of thin air.

In the Fed’s new bond-buying campaign, it won’t be “sterilizing” its purchases, meaning offsetting them with sales of short-term obligations. Some are calling this “unsterilized” program “unsanitary” – not to mention unsound as monetary policy. The Fed is effectively monetizing the government’s debt, something Fed Chairman Ben Bernanke previously vowed he wouldn’t do.

Nobody can predict what the markets will do with certainty, especially on a day-to-day basis. We’re bound to experience more counter-intuitive takedowns. And we’ll eventually see moves to the upside that surprise you with their ferocity and persistence.

The name of the game in volatile and unpredictable markets is diversification. Most investors aren’t well diversified. They’re overexposed to dollar-based assets such as bonds and equities. When conventional markets zag, it’s often the case that gold and silver zig. That’s why it’s important to maintain a core position in them. And to keep accumulating precious metals on a regular schedule or when you are able – especially when the market puts them temporarily on sale.

Get Urgent Updates with Lee Bellinger’s Executive Bulletins!

✔ Stay updated on critical new developments of direct importance to you.
✔ Receive warnings about new threats or a “heads up” about new opportunities.

To start receiving this supplemental email newsletter (generally twice a week), email your request right away to IL@American-LanternPress.com and type “LBEB Request” into the subject line. Provide your name and zip code so we can confirm you are a subscriber. That’s it!
Beware Regulators and Overseers Who Think They Have a Mandate

The election year leashes have now been removed from Mr. Obama’s uber-regulators. For example, the bullysome TSA has just formally unveiled its plans to expand its airport checkpoint and citizen groping system to all forms of travel in the U.S., just as we predicted in the briefing we mailed and emailed in November regarding The War on Freedom.

And it goes without saying, honest businesses and citizens, beware. Difficult-to-defeat fines are to become a major source of federal revenue going forward. Let me spell out three key areas where I have particular concern.

Dangerous Dysfunction #1: FOOD SUPPLY

Area One is the cumulative damage of government policies on food supply. This is not an obvious problem yet. In fact, even the most informed of people could be forgiven for not seeing a food crisis in America’s future.

The cumulative effect of disastrous government policies – especially the enactment of the 2005 Renewable Fuel Standard Mandate – is rapidly changing the food outlook, big-time.

The Ethanol Scam Makes Reckless Squandering of Farming Resources Profitable

Let’s start with every reformer’s favorite whipping boy: ethanol. Its critics seem to miss the most dangerous aspect of this crony capitalism. Yes, they almost always mention the waste of taxpayers’ dollars, and that is indeed awful. Others correctly point out that producing a gallon of ethanol consumes more energy and resources than it produces. Again, deplorable, and typical of the politically driven “science” coming out of official Washington.

And some observers even get around to underlining that ethanol is a hidden tax on food. And boy is it a high one! But none of these facts by themselves explain the more profound danger.

What few point out is that government-directed farming and perverse ethanol mandates have created an all-powerful lobby. One with an insidious vested financial interest in wrecking vast swaths of precious farm land and squandering irreplaceable underground reservoirs of water. The government has made such practices artificially profitable.

Under the 2005 mandate, more and more farmers are abandoning traditional crop rotation. So now corporate farming giants have far greater reliance on soil-damaging chemicals to maintain soil fertility. And in the process, squandering America’s precious underground water reserves.

You might ask, why have government-dependent corporate farming interests become so short-sighted? Because perverse government incentives and other

Treat Your Feet to Socks Threaded with Silver

Is it time to upgrade your sock drawer? If you’d like to experience less foot odor, less blistering, and a lower risk of infection, then it may very well be worth considering premium socks that are threaded with silver.

Often marketed as “diabetic” socks because people with diabetes are vulnerable to foot problems, the silver contained in them acts to thwart the growth of odor-causing bacteria and prevent fungal infections.

And if you get “cold feet” during the winter, silver-laced socks can help your toes retain heat. Silver being an outstanding conductor, it actually reflects heat radiating from the skin back into the interior of the sock to keep your feet warm.

Silver-lined socks are available at some retailers and through Internet super-stores, along with some specialty e-tailers that cater to diabetics.
forms of institutionalized bribes to grow lots of corn are absurdly lucrative. Under the 2005 mandate, it “is possible for a farmer to use more than a gallon of fuel to make a gallon of biofuel and still make a profit,” notes one compilation of research on the subject.

government-directed resource squandering flattens farm output as demand grows

Even the pro-government World Bank has released a report admitting that food prices jumped by 35-40% between 2002-2008, most of which their analysts attribute to the U.S.-centric biofuels scam. I believe these numbers to be somewhat understated, as anyone who shops has probably noticed – smaller and smaller portions of food for the same price.

Here’s the rub: As I’ve pointed out, the government-directed shift away from crop rotation has proven to be a boon to politically connected chemical fertilizing interests and pesticide makers. The end result is the over-use of these chemicals, which has rendered massive amounts of topsoil increasingly inert – that is, lacking in natural organic activity.

A recent article by investment strategist Grantham Mayo Van Otterloo in the Financial Times of London notes what U.S. financial reporters will not about the reckless squandering of precious land and water:

“The world is depleting its mined fertilizers – potash and phosphate; chemically-resistant bacteria and pathogens are on the rise and agriculture input costs, such as oil and fertilizer, are forecast to increase. Growth in grain productivity per acre of farmland is slowing and the marginal productivity of fertilizer has declined toward zero...”

Put this supply flattening trend against obvious coming global demand growth and you can reasonably anticipate that food is going to lead the way of the next inflation bubble.

Now let me stress that all inflation bubbles are caused by monetary policy; i.e., the overprinting of money by the government’s central bank. The expanding money supply distorts the price signals needed for efficient markets.

As Uncle Sam conjures up trillions of new currency units, it takes more dollars to buy tangible goods – including the chemicals, fuel, and water on which crops are very dependent.

Compounding the problem, the National Council of Chain Restaurants notes that the ethanol mess has used up corn supplies and contributed to “higher prices across the entire food chain...this includes the bread on the table, the eggs at breakfast, the chicken or steak at dinner, and almost all dairy products.”

What this boils down to are significant market fundamentals for food price escalation. Driven in part by rampant money creation, this dynamic will soon join forces with government-created supply and demand disruptions that are already in the food production and distribution pipeline.

As food price inflation accelerates, there will likely be a public outcry. Which in turn will give the government the excuse it craves to further meddle in already distorted markets. And what a ripe opportunity for food price controls it will create. Which in turn would crimp supply. Which ultimately leads to some form of rationing. Don’t forget the government-created gas lines of the 1970s, an era in which Republican Richard Nixon slapped wage and price controls over the economy to “fight inflation.”

If food prices do skyrocket in an inflationary bubble, there is ample precedent to anticipate price controls and even shortages.

How much or when this all shakes out, I do not know. Each home needs a food security plan. At minimum, you should secure for your family a long-shelf-life 30-day food supply that they would want to eat even under normal, non-emergency conditions.

Dangerous Dysfunction #2:

ELECTRICAL POWER GRID

For some time, I’ve been warning that in spite of the large spike in the typical consumer’s utility bills, the nation’s power grid is not being upgraded to accommodate even basic population growth, let alone aging equipment. Forbes magazine recently observed that since 1990, the demand for electricity has jumped by 25%. While infrastructure upgrades have increased by a
mere 7%. You don’t have to be a rocket scientist, or even an engineer, to understand that if you put ten pounds of potatoes in a five-pound sack, something has to give.

Political, financial, regulatory, and legal obstacles have made electrical grid upgrades uneconomical. More recently, the Obama Administration’s regulators have made cost-effective power generation options uneconomical – namely coal and nuclear – crimping the power grid even tighter.

And a new post-election initiative from the Obama Administration gives the U.S. Department of Energy absolute new power over the approval of power grid construction projects, until now a state-level decision.

Let me shed some needed politically incorrect light on DOE’s history. When Jimmy Carter created it in 1979, ostensibly to reduce America’s dependence on foreign oil, the U.S. imported a then-scandalous 28% of its energy. Our foreign oil dependence then proceeded to rise to about 70%. (Some recent headway has been made on private lands through shale development and advanced fracking techniques. But these sources of oil and gas are controversial and vulnerable to clampdowns by state and federal regulators.)

My point is this, stepped up political meddling in how energy raw materials are extracted and how electricity is to be delivered could reach a disastrous zenith in the coming years. In addition to the regulatory assault, my research suggests that the fragile and aging U.S. power grid is becoming increasingly dysfunctional, which is likely to result in three unpleasant consequences:

- Rolling blackouts and greater recovery times from storm-related damage.
- Increased cost of electricity
- Ultimately, power monitoring and rationing.

Travel the country as I do and you’ll discover that severe water rationing is already being imposed. It takes seemingly five minutes to wash your hands in an airport restroom because “green” plumbing fixtures ration out water in short bursts only. Same for the constricted shower fixtures in many hotels. It’s only a matter of time until electricity, too, is doled out in brief spurts rather than supplied continuously.

In an important and eye-opening free report I will be making available to subscribers in the near future, I will explain how the Administration is anticipating a breakdown in the power grid. At first rolling blackouts. But people will get used to it. Even though at first most people will blame their utility companies for the higher prices and blackouts.

Unfortunately, central planners have a “solution.” Because by then there will be no quick fixes to the rolling blackouts, save for some form of rationing.

As my report shows, central authorities are pushing so-called “smart meters” very hard. They seem quite excited that these devices can monitor each customer’s power usage habits and may have the potential to centrally manage and ration how much power can be distributed to each home or neighborhood in the event of breakdowns in the power grid, or merely the demand for “too much” power.

Dangerous Dysfunction #3:

CANCER AND PAIN
DRUG SUPPLY CHAINS ARE COLLAPSING

The third area of dangerous dysfunction is government interference with the nation’s drug development and supply chain. I’ve been writing about this one for a while. For example, even without a national crisis, 95% of hospitals are experiencing shortages of lifesaving medications under routine conditions.

Let me stress again that all of these shortages are occurring without an official crisis of any kind; it’s become par for the course.

The de facto price controls on critical drugs that Republicans imposed on America in 2003 (in order to provide a “free” Medicare prescription drug benefit) have undercut the opportunities for profit by those who make advanced cancer treatment drugs. A profit-based model that once spawned the robust creation and distribution of relatively inexpensive cancer and pain drugs is now defunct.

A shocking Wall Street Journal editorial recently noted that more and more cancer patients are being denied access to critical drugs due to the shortage and are being short-shrifted with inferior substitute treatments.

See Buckle Up and Relax, next page
**Where to Invest in 2013**
continued from previous page

Food stamps account for as much as 40% of revenue in some Wal-Mart stores. According to the Department of Agriculture, Wal-Mart receives nearly half of SNAP expenditures in some states. If you think food stamp rolls will continue to grow, Wal-Mart (WMT) is the type of stock that could benefit. It could also benefit, at least relative to higher-end retailers such as Target and Whole Foods, from upper- and middle-class budget-tightening that forces more people to economize.

Companies whose staple food products fill superstore shelves, such as Kraft Foods (KRFT), are also worth considering. Kraft’s CEO recently told the Financial Times that food stamp users “are a big part of our audience.”

Kraft and Wal-Mart are both holdings of the Consumer Staples Select Sector SPDR (XLP). The ETF has $6.7 billion in assets, carries an expense ratio of 0.18%, and yields 2.7%. It carries a “beta” of .44, meaning it’s only about 44% as volatile as the broad stock market. So even though XLP has had a run-up to new highs, it hasn’t moved all that dramatically in percentage terms and is less vulnerable to big drops than most other sector funds.

---

**Buckle Up and Relax**
continued from previous page

Patients suffered through some 250 generic drug shortages in 2011. So many companies have left the business that by 2010, over 90% of all injectable generic cancer drugs were produced by three or fewer manufacturers.

**Once-Stellar Medical System Is Being Derailed**

Few people understand that Obamacare is designed to put private healthcare providers out of business. And those who understand it (because they planned it) won’t admit it. And I don’t have space to talk about all the doctors fleeing their political overlords and the resulting shortage of physicians. An ugly scenario now that an estimated 30 million new dependents will be entering the Obamacare system with no ability to contribute to the substantial costs of their care.

Watch for flash updates on this subject by making sure you get your email subscription to my free-to-subscribers HealthEdge e-letter. To sign up, just send an email to me at IL@AmericanLanternPress.com and put “HealthEdge” in the Subject Line.

There has never been a more important time to take charge of your life and become more self-reliant. Independent Living exists to help you do exactly that – to step up for your family to nurture and harvest hope and success. Thank you for considering my ideas, and let’s get started.

Yours in Prudent Preparedness,

Lee Bellinger

P.S. Enclosed with this issue is a briefing on how to make your own antibiotic substitutes in the safety and privacy of your own home, without the need to obtain bureaucratic permission. What I have to show you could be declared illegal at some point in the future. So please do make full use of the information in the enclosed briefing. Thanks!

---

Lee Bellinger is Editor and Publisher of Independent Living. A 23-year veteran to newsletter publishing, Bellinger has made it his life mission to help his subscribers protect their freedoms, assets, privacy, wealth, and health from geometrically increasing threats, especially from the federal government and its corporate cronies and other “stakeholders.” A Capitol Hill insider for 30 years, he is a graduate of Hillsdale College in Michigan, worked as an aide to two congressmen, and led a grassroots advocacy group.

Stefan Gleason is President of American Lantern Press. He previously served as Vice President of the National Right to Work Foundation where he defended individual liberties and the free-enterprise system from union coercive power. Gleason has frequently appeared on national television networks such as Fox News, CNBC, MSNBC, CNN, and C-SPAN. He has often appeared in The Wall Street Journal, among thousands of other newspapers and wire services. Gleason is a graduate of the University of Florida.