

# BAD THINGS HAPPEN TO GOOD NATIONS

By Ernie McDaniel

In last month's column, we addressed the issue of "there's no safe place", the third of the seven secrets discussed in my upcoming book *Three Miracles and Seven Secrets*. Today, we discuss the fourth secret, that being citizens of the greatest nation of all time fails to insure us against widespread financial calamity.

We don't always get what we deserve. Bad things happen to good people--and to good nations. We cannot afford to be complacent. Our American government, even at its best, which is not always its performance level, cannot control El Nino, global economic crunches, earthquakes, war or energy shortages. Nor can it control seismic cultural shifts such as those that sprang from the invention of birth control pills and from the extension of life expectancy with improved healthcare. Similarly, the longer term ramifications of computer and internet and cell phone technologies--the new wired, wired world in which we find ourselves, like it or not--may be beyond control of our government.

Forces of change may be for good or bad or both. No matter what, they will likely be indifferent to you and me. The best efforts of our government often fail to protect individuals from the worst. What worst? Severe nationwide economic depression, say some experts. Devastating hyperinflation, created by the government in a desperate effort to prevent depression, declare others. A disappearing middle-class, the creation of a poor and angry and threatening subclass, still others predict. These men and women are not crazies. These are serious-minded, intelligent people who have observed extremes in the past, have noted the causes, and who see causes today for likely new extremes in our future. Bad things happen to good nations. They have. They will. What we don't know, and no one can ever know, is exactly what and when.

When the world runs out of oil and gas, what then? World supplies are finite and supplies in the United States already quite limited, so we must do something. Whatever that something may be, how will it affect your personal financial security?

What will be the long-term consequences of the movement of our industries, our jobs, and excessive amounts of our American dollars to countries such as China and India? This shouldn't be happening, you say. Well, maybe. But you and I want lower cost goods, and it is cheap foreign labor that makes this possible. You and I decide where the money goes with our purchases. On a related matter, you and I want the stocks in which we invest to grow in value, which means the companies we own have a mandate to increase profit. To achieve that higher profit for you and me they choose the lowest cost labor force available. That is not in the United States. (Not yet, anyway.)

You don't like the apparent insecurity of the Social Security system? And you don't like the taxation of your SS benefits? Neither do I. But, where should we expect the government, already deeper in debt than ever before, to get this money instead? Should it take more and more money from people still working? From married men and women with small children, who both work outside the home, who struggle to feed, clothe and educate their little ones, who hardly have time to be good, attentive and affectionate parents? From single moms who are barely making ends meet? Or, here's another possibility. The government can remove the Social Security cost of living adjustment (COLA) then simply print more money to pay benefits due. This would cause every dollar received to be less valuable, to buy less. Such monetary inflation would allow our government to keep its promise but take away with one hand what it gave with the other. (Again, this would only work well if the inflation adjusting COLA was removed from the benefits.)

The likely future difficulties described here may seem to predict the end of the world as we know it. And that's exactly what they do. Reflect upon our American culture one hundred years ago and certainly you will agree that we live in a different world now than then. In recent years, the rate of change has increased rapidly. The world may change as much in the next twenty-five years as in the previous hundred. The last century of change included several major wars, the rise and fall of nations, a global depression, stock and bond market crashes, horrendous acts of terrorism-all of these despite a general trend of improvement in quality of life, at least here in America. What extremes will be compressed into the next twenty-five years, and what will be the general trend?

No one can know the future. As mentioned above, some changes we will applaud and others we will deplore. Any given change may benefit many and harm many others. Our American culture will not end, but it will be transformed-and at an enormous cost to some people. My goal in writing this is to help you avoid being one of those people hurt in the grand shuffle.

What precautionary measures might you take? Step one might be to pay attention. We all want our retirement to be relaxed and entirely headache-free, but there is too much at stake to be lackadaisical. Stay informed--and that's not easy. The truth is, you should accept at face value little of what you see and hear in the daily news. Even absolute fact is subject to the misinterpretation and prejudice of the deliverer. Often the larger and more important issues are lost in minutiae.

If that sounds like a daunting task, another important step might be to find someone you trust whose responsibility it is to keep up with the ever changing investment environment for you. Warning: Don't seek out someone who merely agrees with you, who tells you what you want to hear. Don't chop off the head of those messengers bearing bad news. (See more on this subject in next month's column when we discuss the fifth of the seven secrets, "Beware The Cheerleaders".)

Thirdly, remember what money should do for you, and what it should not. I've said there is too much at stake to be lackadaisical. But what should not be at stake is your ego. Your task is to preserve your retirement security, to prevent running out of money. Your money is stored power, power over your destiny. Your money is there to work for you when you cannot. Impressing your friends with stock market returns is not your money's purpose. Always, your financial need must be kept foremost, no other. Refusing to make an investment change because doing so would force acknowledgement of a mistake, of a loss, is also about ego, not about financial security. A loss is a loss. Don't pretend to yourself it isn't because you haven't "taken it" by selling.

You should also take care to know your true financial needs. While we would all like more money, your greed can be a real threat to your need. Knowing well how much money it takes to live your lifestyle helps you to set priorities, to choose a strategy and to act quickly and confidently when the time for change arises.

Also, clarity of values can be important. Know who you are and in what you believe. Most Americans live easy lives where our fundamental values are seldom harshly tested. I hope we never suffer cataclysmic events that test them, not in our lifetimes or our children's, but every nation faces such difficulties sooner or later. In economically depressed, pre-World War II Germany, a population under enormous duress was rallied into choosing between US and THEM, and the result was a Christian people who supported a murderous, warmongering regime. The Great Depression here in the United States certainly caused profound suffering as well. Who might be the victims (the victimizers?) were new economic extremes to develop in our culture, our country? What extremes beyond murder and war, famine and hunger, might there be? What tough decisions might a retired person be forced

to make in order to preserve his financial security? Might there be higher priorities than financial security? Higher priorities than physical wellbeing? If the event we must face these questions, your answers, your actions, your financial decisions, will spring from who you are. Self-knowledge could save you--and your savings.

After reading this today, I encourage you to review my column in recent issues of Best of Times for a better understanding of how to minimize harm to you and your investments were an ill wind to blow across America. Future articles will be relevant, too, as they discuss the final three of "the seven secrets".