

THE “NEW” GULF WAR

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On August 29, America came under attack. Great loss of life, property and resources ensued. As in the 9/11 attacks involving hijacked passenger airliners, nary a shot was fired and it was determined in the aftermath that many political leaders and their teams of experts were asleep at the switch.

*The 8/29 attack took out the City of New Orleans and many Mississippi coastal cities and towns. The perpetrator was a group calling itself **Katrina**. Since then, there has been another major attack. A **Katrina** splinter group dubbed **Rita** claimed responsibility. Additional attacks are now expected.*

*We recall that in July, a similar attack occurred at the hands of a movement coined **Dennis**. Last year, there was another series of devastating attacks by a string of previously-unknown renegade factions, known as **Charley, Frances, Ivan and Jeanne**.*

All of these attacks had common threads. First, they targeted locations in and around the Gulf of Mexico. Second, each separate strike force had explicit ties to Mother Nature.

We have been taught since childhood not to mess with Mother Nature. This lesson has been driven ever closer to home.

Welcome to the new Gulf War...

In the past few years, there have been dramatic changes in weather and seismic patterns. Some are blaming this on man-made global warming while others are attributing it to naturally-recurring variations in the earth’s rotational orbit. Still others refuse to acknowledge that anything has changed. Regardless of the cause or explanation or rationale, there is irrefutable evidence that polar ice caps are shrinking, mountain glaciers are retreating and various plant, animal and marine species are perishing and/or migrating due to shifts in climatic conditions.

Increasingly violent weather in the Gulf of Mexico cannot be dismissed as a temporary phenomenon. It must now be factored into many complex short-term and long-term equations. Inhabitants of the Gulf will be prone to or forced to relocate. Property located along the Gulf will be less in demand and less insurable, prompting values to decline. Energy production from Gulf waters will be less reliable and subject to more frequent shut-ins during hurricane season. Refineries situated along the Gulf Coast will be at periodic risk along with our gasoline, heating oil and jet fuel supplies. Livelihoods will be lost as fishing waters and seafood harvesting businesses drown in pollution and move out with the tides.

The quality of our lives has much to do with the choices that we make and the choices that we don’t make. Now that Mother Nature unambiguously has declared war on America, a war that is destined to last for several decades, let us review some choices that are waiting to be made.

In the direct aftermath of Hurricane Katrina, the Bush Administration appeared to have a perfect escape route from Iraq. With estimated reparations in New Orleans and Mississippi exceeding \$200 billion, it was an opportune moment for the President to say “Its time to bring our armed forces home and redeploy our military personnel and military budget in the reconstruction of our battered shores.” The President would not have been forced to admit failure or defeat in Iraq. Rather, his message could have been successfully positioned as a re-ordering of national priorities. The window was wide open. We must strain our collective imaginations to wonder why President Bush didn’t jump through it.

A consequence of our President’s “non-choice” is that he now has to find the money to combat a plethora of man-made and natural disasters. Between the perceived and real threats of *al-Qaeda* and the actual damage being perpetrated by Mother Nature, the US Government is choosing to dig a financial hole so deep that several generations of Americans are guaranteed to be under tremendous inflationary and tax pressures. The retirement hopes and dreams of millions will become a broken levee as promised benefits will begin to drain, especially as the steady progression of 80 million aging baby boomers begins to draw from the Federal well in 2008. Living standards will deteriorate as purchasing power is eroded and the healthcare system is watered down to serve tens of millions of aging taxpayers in a new age of socialized medicine.

Prepare now for future attacks...

Notwithstanding the national and global implications of what lies ahead, many will view the new Gulf War as nothing more than an ongoing series of turf battles between Louisiana and Mississippi politicians and Federal budget appropriators to determine which group of bureaucrats will have final spending authority (and accountability) for the vast reparations war chest.

However, this war will have far more important consequences for millions upon millions of Americans as the protection of one’s wealth against the ravages of future inflation and taxation, not to mention the safeguarding of one’s health, will become as important as at any time in modern US history.

- If you have assets to protect from death taxes, get started on your estate plan. The US Government and/or individual states are going to be looking for additional sources of revenue and will be grabbing all of the low-hanging fruit they can get their hands on and will be climbing their ladders and shaking the trees looking for more.
- If you have investments exposed to the US Dollar and to sectors of the economy that will become less profitable as inflation sets in and disposable income is eroded by increasing income and/or consumption taxes, start making changes. Substitute foreign currency vehicles and precious metals for US Dollar money market and bond holdings, and look for inflation-proof and/or recession-resistant investment sectors, e.g., natural resources, consumer staples and real estate (but please...not along the Gulf Coast.)
- If you desire access to quality healthcare in the future, you should expect to pay for it out of your own pocket. The healthcare system is well into the process of suffering death by a thousand cuts. There will be tremendous future advances in modern medicine that will promote longer and healthier lives, but these advances will come with hefty price tags.
- As the present healthcare system edges toward the brink of insolvency, you not only need to become medically self-insured but should start making provisional plans to live out your senior years in the care of your children (or younger spouse!) Many aging Americans will

need to consider relocating to a low cost of living environment that offers acceptable healthcare and communications, attractive climate and a modicum of political stability. Today, this version of *Shangri-La* would be Mexico and Central America with a preference for the Pacific Ocean side of these regions (i.e., away from the known hurricane and earthquake zones.)

Like our healthcare system, the US Government is in dire straits. The rest of the world is holding \$8 trillion of Uncle Sam's debt and is growing weary of reading *The [American] Emperor Has No Clothes*. Wealth in the form of jobs, trade surpluses and gold bullion is flowing from the traditional Western powers to the emerging Eastern powers. Although these trends certainly are not irreversible, the prevailing winds are exceptionally strong.

Despite these significant movements from west to east, our compass needle is pointed due south, for this is the clear direction of US Government finances, American living standards and where many of us might need to begin looking for our next home.

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