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Several months ago, the Federal Reserve announced that in March 2006, it would cease publishing its main money supply figure, known to the world as M3. Many Americans probably would confuse M3 with MP3, but this particular development is not a tune that we wish to be humming. M3 has been the staple of money supply management since the Federal Reserve was founded in 1913.

By suppressing key data about the national money supply, the Federal Reserve has taken one more giant step toward socialism, the hallmark of which is a centrally-planned economy. Within months, the Fed will be able to intervene in the financial markets at will, taking on the appearance of the Invisible Man.

### ***Choose from a list of old favorites...***

As usual, we are left to guess why the rules of the game are being abruptly changed in favor of the house. There is a good chance that at least one of the following items explains why the US Government feels compelled to engage in economic subterfuge and mount what could be the largest money printing (i.e., counterfeiting) operation in history:

- There will be a huge credibility gap when outgoing Fed Chairman Alan Greenspan turns over the reins to his successor, Ben Bernanke. Several years ago, Bernanke delivered a speech in which he said that a US economic slowdown could be avoided by having the Fed use its printing press to create money that could be dropped from helicopters. That has been chronicled as one of the most irresponsible statements ever made by a member of the Federal Reserve. If foreign holders of the massive US Government debt become leery of Bernanke and his ideology, they may decide to dump US Dollars and US Treasuries and a slush fund will be needed to act as a giant sponge to soak up the mess and limit the fallout.
- In March 2006, Iran has telegraphed the opening of a major energy exchange in Tehran that will price its crude oil and natural gas sales primarily in Euros. This could have a major negative impact on the US Dollar, as energy customers in China, India and Western Europe would start swapping massive amounts of Dollars for massive amounts of Euros in order to conduct trade. Coincidentally, Iraq threatened to do the same thing several years ago and was attacked under the guise that Weapons of Mass Destruction must be found and destroyed. Due to the unpopularity and questionable success of that military exercise, the US Government may be redeploying its helicopters to fight an economic sort of war in which the US Dollar and US Treasury are the targets to be defended, and money will be dropped from the skies as Ben Bernanke once suggested.
- There is one or more massive financial failures barreling down the tracks and the Fed needs a war chest to paper over the problem. Between Fannie Mae, the airlines and the automobile manufacturers, there is no shortage of candidates.
- The US military is preparing for another pre-emptive strike...Iran, Saudi Arabia or Venezuela...countries whose massive oil resources are becoming “diplomatically challenged.”

- The Middle Eastern oil producers are reinvesting less and less of their export revenues in US Treasuries and can no longer be counted on to finance additional US deficits. This retrenchment is the combined result of a giant wave of spending within the Middle East on new infrastructure projects (e.g., airports, highways, resorts), growing fears that the US Patriot Act has empowered the US Government to confiscate the US Dollar-based assets of Middle Eastern countries, mounting pressure from Islamic fundamentalists on Middle Eastern political and religious leaders to limit support for the US and a recognition among the Middle East's vested political interests that a more equitable distribution of national income among the poor and uneducated classes of society will stem the growth of violence within their borders.

### ***Singing in the wrong key...***

Try as it may, the Federal Reserve isn't going to fool anyone with its disappearing M3 magic trick. This sleight of hand is in anticipation of a grave problem looming on the immediate horizon. We have alluded in previous essays to a socialist gravitational pull occurring within our country. This is what happens when a government loses its financial bearings and becomes increasingly desperate to preserve its power base.

Never before has a fully-developed economy been so dependent on credit expansion, home equity extraction and zero percent financing to maintain its traction. As further evidence that the US is on some type of collision course, no less than six Federal Reserve regional bank presidents have resigned over the past few years. It is an ominous sign when the most "well-Fed" rats flee the mother ship.

We have said for a long time that any commentary or analysis that is based on "official" statistics reported by the US Government has to be fundamentally flawed, since the underlying statistics are continually adjusted and manipulated to fit a political agenda. Anyone who doubts this by now might as well believe in Santa Claus, the Easter Bunny and Weapons of Mass Destruction. This puts us squarely outside the box in the way we need to look at things and renders astute observation as a very important analytical tool.

### ***Time to face the music...***

Two of the most worrisome aspects of our society are the abandonment or erosion of traditional values and the attempted reach of Federal government into every nook and cranny of the economy. We have gone from a nation of savers to a nation of debtors, a nation of strong families to a nation of broken-down family units, a nation of self-sufficiency to a nation of welfare dependency, a nation predicated on fundamental truths to a nation steeped in deception.

One day if we are not careful, we are going to wake up to the downloaded lyrics of Bye Bye Miss American Pie and realize that was the day the music died. The recent blast-off of the gold price to over \$500/oz, despite massive US Government efforts to contain it, is warning us to play in a different key and become as financially independent and self-sufficient as possible.

It is never been more critical for Americans to make provisions for growing wealth and securing the safety of one's assets by adopting prudent wealth management and preservation strategies. In these endeavors, it is always prudent to consult with experienced legal, accounting or financial planning professionals.

In particular, we advise that you plan to become entirely self-sufficient for future health care needs. Start saving for this immediately. Quality health care is going to become very expensive as the health

insurance system will be recalibrated to serve the lowest common denominator of 80 million aging baby boomers that will threaten to overwhelm the system.

We are not just whistling *Dixie* with this prediction. When all 80 million baby boomers are retired, the US will have 100% more elderly beneficiaries than today but only 15% more workers to pay for their benefits via Social Security and Medicare contributions. At the highest level of our government, a solution does not exist for how to make good on promised retirement benefits to the baby boomer generation. The money is not there.

Adding to the plight of the retiring baby boomers is a debacle unfolding within the nation's private pension system. Due to competitive pressures from abroad and rising energy prices, a growing number of major US companies are taking on water and cutting back on the provision of pension benefits to employees, making it less likely that future retirees will receive everything that they have been promised.

Professional and business owners should be paying close attention to the following wealth accumulation and preservation vehicles:

Qualified retirement plans that permit maximized contributions for highly-compensated physician participants, e.g., 401(k), profit-sharing and defined benefit pension plans that allow from \$42,000-200,000 per year in contributions.

Non-qualified deferred compensation plans that can offset Federal limitations on highly compensated participants in qualified retirement plans.

Tax-deferred investments with controlled risk features, e.g., equity-indexed annuities.

Insurance policies that have a savings and investment component but do not carry excessive charges or commissions.

Managed investment accounts that allow exposure to asset classes and investment sectors that are not generally available via the above-referenced vehicles.

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