2010 Financial Survival Guide

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ScopeLabs

2010 Financial Crisis Survival Guide

Presented by RealityArbiter.com

This financial survival guide is designed to get you thinking in terms of preparedness. There has never been a more crucial time to evaluate your current financial situation in light of present systemic risk and globalized fragility.

Trust No One

Regardless of what our government or the Federal Reserve would have us believe, the scale of this financial crisis is beyond compare. As a nation we cannot, and should not believe a single word that comes out of any official channel, including the mainstream media, without conducting independent verification. To most Americans it has become abundantly clear that most, if not all official economic statistics are "scrubbed" as standard operating procedure by a politically expedient government and Wall Street alike. Proof of such systemic deception can be found in one of the most heavily relied upon economic indicators on the planet, the measurement of US inflation, Consumer Price Index (CPI). In an effort to quash inflation adjusted payment increases to social security recipients the Bureau of Labor Statistics, in 1993, quietly removed food and energy prices from (CPI).

Question - How do you justify removing what constitutes 23% of consumer spending from the measurement of inflation? This move was equivalent to the blatant deception and robbery of the aforementioned social security recipients. And what about unemployment statistics? At the time of this writing **real** unemployment in this nation as determined by ShadowStats is 22%. Conversely, our venerable government reports unemployment at 10%? Who do you believe? In our opinion, it appears no one in any position of leadership can be trusted.

The examples of (CPI) and unemployment statistics manipulation are merely two official reporting transgressions. The Dow Jones Industrial Average, when confronted with the financial crisis of 2008 replaced; AIG, GM, Citigroup, Altria Group, and Honeywell with; Kraft, Travelers, Cisco Systems, Chevron, and Bank of America, respectively. Keep in mind this index is made up of only thirty stocks and they had to replace sixteen percent of them to maintain the illusion that stocks go up over time. This phenomenon known as 'Survivorship Bias' where unfavorable components are replaced with favorable ones, skew long and short term reporting as to how well or poorly "stocks" do over time. That said, had these adjustments not been made the Dow would be nowhere near its now 10,200 level. It is worth noting, that the **very first video from Scopelabs.net in February 2009** suggested adjustments to the Dow were forthcoming and we were subsequently proven correct.

Perhaps the most egregious infraction of tampering with the natural order of things occurred when US money markets nearly evaporated to zero in September of 2008. With **NO** congressional input whatsoever the Federal Reserve unilaterally converted "investment banks" to "commercial banks" and opened up the cash window to save these over-leveraged investment banks from gamblers ruin. What should have happened was a purification of the entire banking system with the government seizing these irresponsible banks and de-leveraging an insolvent system. Do we even need to bring up the subject of the morally hazardous bonus culture paid for by trillion dollar taxpayer funded bailouts?

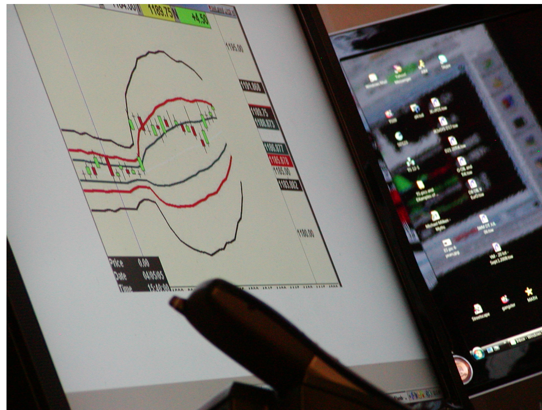
How many of the 80 million baby-boomers were measuring their 401(k) and other retirement accounts in terms of lifestyle, college tuitions for their children, and the general enjoyment of their retirement years but are now wondering whether those impaired balances will ever recover the losses suffered in the wake of this market meltdown? Or, were they simply relying on "serial-financing" as their ultimate fail-safe?

Face it, all traditional asset classes are dead. Today, there is literally nowhere to "invest" your money safely. Even taking the safest route of U.S. Treasuries has gone the way of negative returns in this Zero Interest Rate (ZIRP) environment weighed down by a declining dollar. Now, your primary focus should be on **the return of principal NOT the return on principal**. The fantasy being pitched by banks and Wall Street that your savings will somehow magically grow at an 8% rate of return is in reality a nightmare – a proven impossibility that becomes more impossible by the minute. The only way to fight this battle is to develop a new skill set – to trade a containable percentage of your money to offset inflation and grow your cumulative asset base. In reality, this crisis, is an opportunity.

To Begin – You Must Be Unmercifully Truthful

It is surreal that so few people saw this obvious financial train wreck coming and even fewer knew how to capitalize on it. If one lesson has been learned from this crisis it is to be prepared. That is what ScopeLabs.net and RealityArbiter.com are all about. We have been preparing responsible people like yourself to survive financially. The first order of business is to do a financial evaluation.

The first step toward survival is to fill out a present day budget - a complete assessment of your TRUE monthly burn rate. Include everything; property taxes, estimated unforeseen vehicle maintenance, cold remedies, boys night out, girls night out, fun, entertainment, gas, food, medical costs, home repairs, the dentist, every nickel and dime thing you can think of. Pull out every receipt; Starbucks, Home Depot, XYZ Auto Parts, you name it. Know every penny that you expend. Be unmercifully truthful with your numbers.



The second step is to create a bare bones, what if I lost my job and had to strip my expenses down to "survival mode" budget. Imagine the worst case scenario possible. Inflation has shot through the roof. Gas is ten dollars a gallon. Food prices are off the chart. Unemployment is officially being reported at 20%, but is really 40%. No one's job is actually safe. Run multiple what-if scenarios. What if you couldn't afford medical insurance? What ifyoul couldn't afford my car payment? Do you have enough cash to buy a used car? What kind of mortgage payment exposure do you have? If adjustable, what if the Fed jacks interest rates to stave off runaway inflation? What are your payment caps? What additional sources of borrowing do you have remaining?

Download a PDF copy or a working Excel spreadsheet of the budget worksheet by clicking the images below. Remember, this is only a guide. Make your own or supplement ours.

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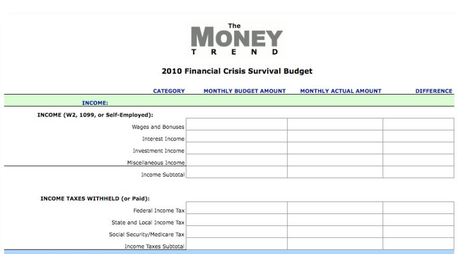
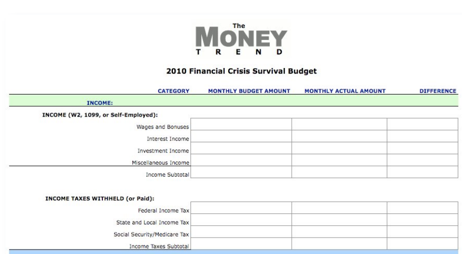


The MONEY TREND

2010 Financial Crisis Survival Budget

CATEGORY	MONTHLY BUDGET AMOUNT	MONTHLY ACTUAL AMOUNT	DIFFERENCE
INCOME:			
INCOME (W2, 1099, or Self-Employed):			
Wages and Bonuses			
Interest Income			
Investment Income			
Miscellaneous Income			
Income Subtotal			
INCOME TAXES WITHHELD (or Paid):			
Federal Income Tax			
State and Local Income Tax			
Social Security/Medicare Tax			
Income Taxes Subtotal			
Net Income:			

Download Excel Spreadsheet



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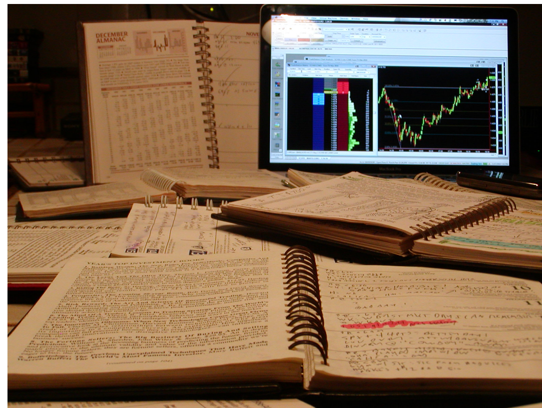
The The third step is to assess your true net worth. List only those assets that you would be willing to liquidate in the event of crisis. The goal is to assess your true net worth, not what you like to tell yourself, but the fire sale value.

Remember, in a financial downturn the vultures come out and that boat you thought was worth twenty grand is only worth twelve. Write down the true value of your home, the one you don't like to admit to yourself. Then take off 10% for closing costs and another 10% because this could turn into the scariest market in history. To be really honest, take off at least 30% to 50% from current market prices because real estate values are being propped up by the Fed's mortgage backed securities buy program, which when it ends is the final day of reckoning for real estate prices. On that note - real estate prices have not bottomed – not even close.

Do not delude yourself into some false reality. Remember this, when it comes to matters of finance there is no room for hope. There is only room for what is – and what the possible downside is. Everything else is a gamble.



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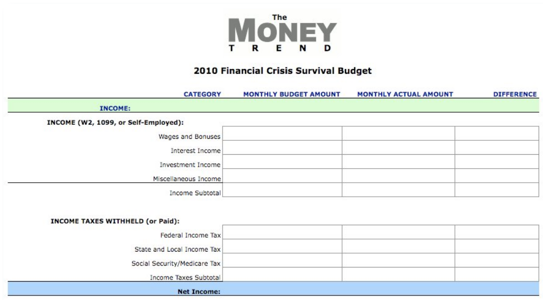

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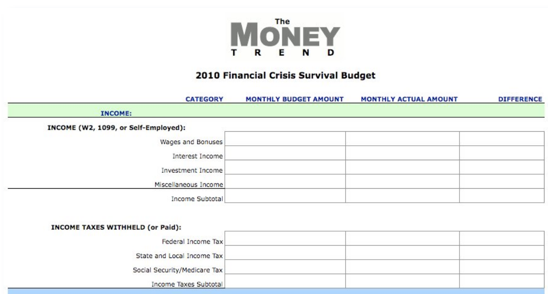

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Next Step – Liquid Asset Allocation...

The basic rule of thumb for 2010 when determining risk capital and asset allocation is the 90/10 rule. 90% of your liquid assets remain in the safest investments such as; short term US Treasuries, hidden cash, or hedged precious metals positions, etc., while the remaining 10% is put to work as "trading capital".

The 10% that you can put at risk (risk capital) should have a crystal clear pre-defined campaign that can make multiples (not percents) on that money.

90% Risk Averse

10% Risk Capital

We've broken down the traditional asset classes below in order of risk levels (lowest risk first). From RealityArbiter.com:

1. US Treasury Bills, Notes, and Bonds –

30 day Treasury Bills are paying around 0%. This is typically referred to as the 'riskless rate of return'. The moment you extend the duration of the Treasuries the risk to achieve a slightly higher yield increases exponentially due to the risk of inflation. In other words if you buy a 30 year bond yielding around 4.0% and interest rates were to increase due to inflationary pressures then you could lose many years worth of income overnight – God forbid you needed the money before maturity then you would be forced to take a huge loss, i.e. the 30 year bonds lost around 30% in short order from end of last year to June of this year when the rate was in the 2.0's – so you have lost a decade and a half of income by looking for yield. With the amount of new money being pumped into the monetary system all bets are off on the inflation risk, either modest or hyper. Short term Treasuries are ok for now, but pay nothing. Long term Treasuries are out of the question. **ASS-et class dead**.

2. Municipal Bonds –

These usually safe, tax-exempt investments have become unlikely victims of the subprime mortgage fallout. The problem started early in 2008, when the bond insurer's sideline of insuring mortgage-backed securities blew up. This lowered their AAA ratings and subsequently those of the muni bonds they insured. In addition, most cities, counties, and states are bankrupt or near bankrupt anyway. General Obligation bonds, typically the safest bonds, have no "taxing power" and couple these facts with the fact that the rating agencies have been proven liars, the insurers themselves are all bankrupt, even the new kid on the block to MUNI insurance Warren Buffet lost his AAA rating as an insurer. Also a sidenote: Buffet's Berkshire Hathaway has HUGE derivative exposure that could easily bankrupt him if the market takes another hit. Consensus – **ASS-et class dead**.

3. Corporate Bonds and Preferred Stocks –

The GM bankruptcy proved that "senior debt holders" were not above being railroaded by their own government. Our lawmakers had zero qualms about breaking their own "rule of law" and changing the rules in the middle of the game. So corparate bonds are NO LONGER an option worthy of consideration. The games also played with the prefered stock shareholders at Citibank that were NOT good for the holders as the games changes – **ASS-et class dead.**

4. Equities/Common Stocks –

The stock market has proven to produce horrible long term results in spite of the lies that Wall Street and TV represent and studies suggest. Again think of "surviorship bias" and the fact that no one anywhere has a positive 10 year track record. Now add extremely high valuations coupled with the bad books and corporate liars putting shareholders interests dead last. Also, in regards to the employee stock options that were supposed to be accounted for (as of June 2005) yet remain unresolved thereby further increasing the P/E ratios, all of it due to the fact that the FASB turned a blind eye on PURE bookkeeping fraud pretty much eliminated equities from the roster of ideas to "invest" your money. Also keep in mind that JP Morgan alone has 90 trillion in derivative exposure and Citi and Bank of America have around 40 trillion each, so who knows what you are really getting when you buy a stock anymore? **ASS-et class dead**.

5. Mutual funds –

Just pull out your 401k or Self-Directed IRA statement and you know what I'm about to say. Mutual Funds have about zero chance of beating the underlying index (or exchanges) on which the funds are traded. They are managed by half-wits and sold by over-charging liars and thieves who've proven nothing more than they know how to lose investor money and that they couldn't get out of the way of a runaway train if their life depended on it. Look at Fidelity Magellan, Pimco, or Sanford Bernstein, or insert any name of previous "star" funds, they are ALL decade long losers!!! along with the Oracle of Omaha Warren Buffet. They keep talking long term BUT since 1999 there hasn't been any money made! Also notice that on 9/11, 2009, the market closed EXACTLY at the same price on the anniversary of 9/11 (eight years ago). Keep in mind we have had a HUGE six month rally just to get back to where we were eight years ago!!! – **ASS-et class dead**.

6. ETF's –

Ah, the Exchange Traded Funds – the latest fraud being playing out on the backs of unsuspecting investors. ETF's are NOT regulated nearly enough. I mean, think about it – if no one was paying attention to the books of AIG and GM, who do you think is watching the ETF's? No one, that's who. Does the SPDR Gold Shares – Symbol: GLD (NYSE) – ETF really have $40 billion worth of gold hanging around their offices? Give me a break. Fort Knox has HUGE security and we're supposed to believe these ETF guys are lounging around their Manhattan offices with $40 billion of gold floating around? What? As paper weights? Just wait, the GLD ETF will prove to be another Wall Street scam! And the leveraged ETFs are doomed because it's an IMPOSSIBLE model, hence the HUGE losses in "busted ETF's" so far. The fact is that ETF's have been doomed from the get-go and the leveraged ones will all end up at zero sooner than ANYONE can imagine. Even Wall Street is starting to ban them. **ASS-et class dead**.

7. Derivatives in general –

Options and futures are great for experienced traders. This is where all the lost money ends up. However, it's a shallow pool of winners in this game – 90% are losers, 5% break even, and the final 5% keep all the money. For these few winners the good news is the inherent liquidity of derivatives and their favorable tax treatment. However, many of these "products" are NOT legitimate futures and options. As Warren Buffet said for about twenty years they are in fact weapons of mass financial destruction. Ironically, derivatives will most likely be the cause of his own destruction. It's common knowledge that he never posted the margin requirement for his HUGE market risks and exposure so IF we would have gone down when at the lows he would have HAD to sell at those lows – and since he was down 50% in 44 days the rest was just a few points away with that much leverage!
These are the best and worst of vehicles. Even the Bank for International Settlements recently warned that derivatives still pose a huge systemic risk. Too much risk in an unstable world. **ASS-et class dead**.

8. Real Estate –

Anyone who thinks real estate is going to come roaring back anytime soon should have their head examined. The aging demographics coupled with the perfect systemic credit failure storm DON'T bid well for a traditional real estate bounce. The baby-boomers are NOT there this time to start a new leg up. Credit has vanished. We have now entered a real estate no-man's land Japanese style – a long slow bleed where prices will most likely continue to slide as shadow inventory skyrockets. The half-baked stimulus packages aimed at the housing market coupled with foreclosure moratoriums and loan modification programs will all prove useless. Over-supply will continue to rise, home prices will most likely drop another 25% to 50% nationally. **ASS-et class dead**.

Note: As long as the Fed remains the sole buyer of Mortgage Backed Securities in the US we will not see the market bottom. Remember, the Fed cannot buy all the mortgages in this nation forever. The present state of the real estate market is akin to somewhere in the middle of a nuclear chain reaction – which when it reaches critical mass, it implodes.

9. Metals; Gold and Silver –

With respect to holding an asset, precious metals (especially physical) will most likely fare well in the present environment – unless there is massive intervention to hold down gold prices as there has been in the past. In the case of the gold and silver ETF's the simple fact that they are totally fake and don't have anywhere near the reserves to cover redemptions could cause another surge in gold at the mere hint of a dollar collapse, let alone an actual collapse. That said, adding to gold holdings at $1,100 an ounce is a stretch given that gold has tripled in value over the last five to six years. However, buying dips might make sense long term. **ASS-et class – not quite dead**.

10. Other Commodities –

The balance of other tangible commodities also require skill and expertise. Looking at the global demographics we definitely need corn, wheat, rice, and cattle, along with the energy commodities oil, coal, and natural gas. These are all real, essential goods that we can touch, feel, and use to sustain life, so they are probably the safest harbor for your money given the instability of the global economy. However, investing in commodities requires the most work. There are always extraneous factors at play in this arena making the variables very difficult to master. **ASS-et class – not quite dead, but difficult to trade**.

11. Currencies –

No drawn out explanation required here. The dollar is at risk of losing its reserve currency status and foreign currencies are all suspect at this point. Talk of a global currecy makes this area attractive (volatility can mean profit) BUT it's a very risky proposition and requires a long learning curve to understand and trade effectively even under manageable circumstances. **ASS-et class – on life support**.

12. Art and Collectibles –

Be my guest. This has to be one of the riskiest and dumbest places to park your money right now. Who's going to buy a Derek Jeter rookie card when they're trying to get money to feed their family. **ASS-et class – dead, dead, dead**.

13. Guns and Ammunition –

Not really an asset class but probably the one investment I'd tell anyone to make. The value of protection will climb and guns and ammunition will trade at a huge premium. It might be difficult to store massive quantities of ammunition or to deal with gun regulation, however, these seemingly conspiratorial commodities are probably a great place to have your money "invested". **ASS-et class – Alive and kicking**.

So now what do you do? One thing is certain.   Fire your broker or financial planner and take control of your money. This simple action alone will save you the net commissions and fees you would have paid these charlatans automatically creating a positive net return.

RealityArbiter.com will soon be announcing the launch of our trading advisory site. The products and services we will be offering take advantage of the most sophisticated trading tools and platform resources that have historically been available to institutional investors only.

Look for an email in the near future announcing the launch date of our new site. A special offer will be presented to the first 100 subscribers.