Special Report – July 2013

<u>Don't be Duped by the Wall Street Propaganda Machine</u>

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Hello! My name is Steve Geist, I'm a Financial Strategist and I specialize in Safe Retirement Plan Solutions that are tailored with care. More specifically, I help my clients tackle complicated retirement issues and guide them towards easy-to-understand solutions designed to safely preserve and grow their retirement wealth. Now, more than ever, people over the age of 50 are clamoring for education and advice regarding their retirement.

So in this Special Report I want to focus on the Wall Street Propaganda Machine that we have all been exposed to over the last 30 years. I want to address <u>twelve of the many issues</u> regarding Wall Street, its Propaganda Machine, and the <u>negative</u> impact it could all have on you if you are in or near retirement.

<u>Issue #1: The Long History of Wall Street's Misdeeds</u>:
In September 2008 the collapse of Bear Sterns, Merrill Lynch, Lehman Brothers, AIG, Fannie Mae and Freddie Mac triggered a financial crisis. The result was a global recession which cost the world tens of trillions of dollars, rendered 30 million people unemployed and doubled the US national debt.

The crisis of 2008 was not an accident. It was caused by an out-of-control financial industry. And many of the key players are still at it today, both on Wall Street and in the Federal Government.

Since the 1980's, the rise of Wall Street has led to a series of <u>increasingly</u> severe financial crises. Each crisis has caused more damage than the previous while Wall Street has made billions of dollars in fees and commissions.

The men who destroyed their own companies and plunged the world into crisis, walked away from the wreckage with their fortunes intact.

Today, five years later, as of June 2013, not a single senior financial executive has been criminally prosecuted or even arrested. No special prosecutor has been appointed. Not a single firm has been prosecuted criminally for securities fraud or accounting fraud. The Obama Administration has made no attempt to recover any compensation given to financial executives during the bubble. The men and institutions that caused the crisis are still in power and continuing their misdeeds.

Today it seems that few Americans remember or even care about the reasons and the cast of characters that contributed to the greatest bank robbery of all time. We got to this point because we have deregulated Wall Street and then completely wimped out on reregulating it after the power brokers nearly destroyed the global economy back in 2008.

Wall Street tells us to relax and just go with the flow. Stop worrying, and stop asking too many questions. Wall Street tells us that we need them and that what they do is too complicated for us to understand. But not to worry; what they do is in our best interest. They will tell us that another financial collapse won't happen. Yet, they will spend billions of dollars fighting reform and regulation.

What we learn from history is that we <u>do not</u> learn from history. And that can be devastating to your retirement – That is, allowing history to negatively repeat itself inside your retirement portfolio.

To bring the recent past into vivid focus you could turn to the 633 page U.S. Government Report by the Financial Crisis Inquiry Commission dated 1/27/11. There you would discover these unchallenged findings: 1) the worst financial calamity in generations was avoidable with Wall Street, lenders and regulators all shouldering blame, 2) accountability and ethics among lenders and financial firms and throughout the financial system broke down.

Another alternative to bring the recent past into vivid focus would be to get you hands on an outstanding recent film called the "Inside Job" which debuted in movie theaters in 2010 and is now available on DVD. This sobering, Oscar-winning documentary by Charles Ferguson presents, in comprehensive detail, the deep-rooted corruption that led to the global economic meltdown of 2008. Through interviews with key financial insiders, politicians, journalists and academics, Ferguson paints a portrait of an unregulated financial system run amok and without accountability.

Another suggestion is to watch the program that aired on PBS at the end of April of 2013. The program was entitled "The Retirement Gamble." The premise of that very revealing program was how the recent financial crisis caused by Wall Street has made retiring a much more difficult proposition.

Issue #2: The Long-Term Secular Cycles of the Financial Markets:
For a moment, let's talk about a subject you probably never knew about because Wall Street never talks about it. Historically, the stock market operates in what's called long-term secular cycles. And these cycles play out over decades.

In a secular bull market the prevailing trend of the market is "bullish" or upward-moving. In a secular bear market, the prevailing trend is "bearish" or downward or sideways moving. Within every long-term secular cycle there are shorter periods of recession and recovery cycles lasting, on average, two to five years each.

Inside a long-term secular bear market, for example, there are periodic short term bull markets that carry the market back up to the zone of its previous highs. But then a short term bear cycle takes the market down again and the whole process repeats itself resulting in a long-term sideways bear market.

Over the last 110 years the market has cycled fairly regularly between secular bull markets that lasted up to 18 years, and secular bear markets that typically lasted about 17 years.

Occasionally one of these recessionary periods becomes a full-fledged depression, as happened in 1873, and again, most notably in 1929, when the Great Depression began. Most history books teach that the Great Depression of 1929 lasted about 12 years. That may be so, but the stock market of that time didn't actually get back to its pre-1929 high or start to achieve any kind of consistent growth until 1954. That's a full 25 years after "The Crash of 1929."

The last secular bear market in the U.S. lasted from 1965 (when the Dow reached 1000 for the first time ever) until 1982, when the DOW reached 1000 for the sixth time in 17 years. At that point in 1982 the market entered a secular bull market that lasted 18 years until the year 2000.

Today, it's easy to forget this fact I'm about to tell you (especially in the excitement of the recent new market highs) but both a cyclical bear market and a secular bear market began when the stock market topped out way back in the year 2000.

Warren Buffett, the oracle of Omaha, warned back in November 1999 that "Over the next 17 years equities will not perform anything like they've performed over the last 17 years." When Buffett made this perceptive forecast in 1999 the stock market was coming to the end of an 18-year secular bull market that had been in effect since 1982.

SPECIAL REPORT TIMEOUT

In case you belong to a group, club, church, association or any type of organization that invites outside speakers to give interesting talks – please know that as a community service, I would be delighted to speak at your next group meeting. And I would speak on a topic that would be both informative and relevant to Retirement. Just call my office and let me know how I might be of service.

So here we are once again in a long-term secular bear market that began 13 years ago. And, we are currently in a short term cyclical bull market that began in 2009.

The DOW has recently again reached its previous peaks reached back in 2000 and again in 2007. And this time the market has exceeded those peaks. But rather than get all excited about this bullish hoopla, it might be more appropriate to consider whether the secular bear market still remains in place.

A few observations: If the current secular bear market is over, it will be the shortest one in the last 110 years. And, as fuel on the fire, we still need tackle the serious situations created by the 2008 financial melt down. They include the record global government debt loads, the reversal of the unprecedented massive stimulus efforts of central banks like those of the Federal Reserve, and the return to more normal interest rates from the near zero level we've been at for nearly five years.

We also have a number of current disquieting conditions not seen since the market last topped out in 2007. I'm talking about the current very bullish investor sentiment, record margin debt (which is where confident investors are buying stock with 50% down-payments), high consumer confidence, aggressive auto sales, and surging home sales. Unfortunately, this kind of evidence seems to indicate that the secular bear market is not only still with us, but may be near its next critical drop point.

Issue #3: Emotions, not fundamentals, often move the Financial Markets:

Within long term secular cycles; when the Financial Markets are functioning properly, the stocks and bonds in your investment portfolio should either increase or decrease in value based on the underlying fundamentals of those assets such as corporate profits or expected earnings.

But all too often the Financial Markets oscillate, sometimes dramatically, based on emotions and reactions to news stories from around the world. In recent weeks, the markets have once again been very volatile, mainly due to concerns over European debt issues and the turmoil in the Middle East.

But recently, another dark cloud was cast over the markets as the Congressional Budget Office issued a dire warning that the U.S. will be pushed into another recession if we don't get our budget in order prior to reaching a fiscal cliff at the end of 2012.

Issue #4: The Impact on the Financial Markets from Technical Trading:

In the absence of clear signs about the direction of the world economy, Wall Street is turning more and more to technical trading. Technical traders all but ignore fundamentals. Instead, these high frequency traders use computer algorithms to place blizzards of buy and sell orders – many of which they instantly cancel – in an effort to detect and exploit the tiniest shifts in demand for stocks

This kind of trading now generates some two-thirds of all share volume on US markets. Critics worry that the flood of orders driven not by investors evaluating stocks, but simply by computers, makes markets increasingly vulnerable to incidents like the May 2010 "flash crash," when the stock market plunged hundreds of points for no evident reason.

So, to a great extent, Wall Street no longer views the stock market as a means to invest in companies based on analysis of a firm's earnings and growth potential. Instead, the objective is to find ways to buy or sell stocks and make a quick trading profit.

Today, because of the stock market's evolution, Americans don't stand a chance of investing as amateurs. As computers, powered by technical traders take over, it becomes more common place for Americans to see their nest eggs shrink by thousands of dollars in minutes for no tangible reason.

Issue #5: Wall Street's 13-year Roller Coaster Ride with your Money:
Let me give you a vivid reminder of the volatility of the financial markets over the last 13 years. To do this, I will use the S&P 500 Index, which is a well known benchmark that serves as a broad stock market indicator.

So, lets go back 13½ years to March 24, 2000 when the S&P 500 Index hit its then all time high value of 1527. This high point was reached thanks to the great Internet Dot.com financial bubble created by Investment Banks on Wall Street during the late 1990's -- A financial bubble that burst wide open in the year 2000 and the S&P 500 lost 49% of its value between March of 2000 and October of 2002.

Next came a 5-year bull market between October 2002 to October 2007 thanks to Wall Street's new financial bubble inflated by the gigantic Derivative - Sub Prime Mortgage fiasco. During this inflating bubble, the S&P 500 grew 102% and was able to basically recover its losses from the 2000-2002 market downturn.

This bubble finally sprang a leak in October 2007 and Wall Street began its 2nd market meltdown of the new millennium; what we now call the Great Recession. This time, the S&P 500 lost 57% of its value in just 15 months between October 2007 and March 2009.

Now, since March 2009, we have experienced a 2nd bull market in the new millennium. And, after over 5 years (as of July 2013), this bull market has yet to run out of steam. And, Wall Street is quick to point out that the S&P 500 today is about 152% ahead of its recession low point back in March 2009. This is a deceptive statistic, however, because to recover a 57% loss in your investment, you have to gain 132% on what remains of your investment just to get back to even. After recovering losses from the previous bear market, the S&P 500 is actually only up 20% in unrealized gain. And remember, since the year 2000, we've seen 50% drops in the volatile market two times.

Issue #6: Wall Street's Outdated Conventional Advice:
In today's volatile world economy, let's look at some of the Advice for average Americans coming from the Talking Heads on Wall Street. Statements such as: "When in Doubt – Don't Get Out" (that's a recurring popular Wall Street catch phrase regarding your positions in the stock market). Or you might hear: "Buy and Hold; stay invested in the stock market for the long term."

Now, let's stay focused, a little longer, on Wall Street's conventional advice that you keep your money in a long term buy and hold strategy perhaps with a mix of 60% stocks and 40% bonds. According to a March 2012 survey of U.S.-based financial advisors, this type of traditional diversification and portfolio construction strategy needs a makeover. CoreData Research, who conducted the survey, found that financial advisors are questioning the relevance of asset allocations based on a 60/40 mix of stocks and bonds as well as long-term buy-and-hold strategies.

Investment advisors interviewed for the survey said they are increasingly turning to alternative investment strategies. Half of the advisors polled said they regularly employ alternative investing strategies. 79% said they do so to improve diversification, 68% do so to reduce risk, 51% do so to enhance returns, and 42% do so to dampen volatility. 63% of the advisors said they do not believe in long-term buy-and-hold strategies, and 77% say their clients are questioning this approach as well.

SPECIAL REPORT TIMEOUT

In addition to hosting the Retirement Guy radio show, which I have done now for well over three years, I also conduct free (open to the public) educational events. I hold these workshops throughout the Denver area throughout the year. I have made these presentations to thousands of people both in and near retirement over the past several years. If you would like to meet me in person and learn about retirement, in a public setting, then please call or email me with a request for the date, time and location of my next event.

Then there's the standard Wall Street Playbook strategy that many advisors run with which is: Take on risk; stay fully invested; buy the dips; equities always outperform. Stocks and bonds, Wall Street says, are the best investment in the long-term. You can't find a better place to stash your money.

Well, the reality is that giving this kind of general conventional advice to a person in or near retirement can be disastrous. Consider, for a moment, the risks to an individual when an Advisor puts together a financial strategy heavily weighted towards stocks and bonds. This type of financial model will typically either ask for, or rely upon, assumptions for many events that are wildly unpredictable such as expected returns on investments and how long you will live.

For people in or near retirement, Wall Street's traditional diversified portfolio of 60% stocks and 40% bonds flew out the window with the financial crisis of 2008.

Think of the uncertainties in your retirement. You don't know how long you'll live. You don't know what returns you'll earn on your investments. You don't know how your health will be. You have only a limited sum of money. And there are no second chances.

The truth is, if you are in or near retirement, you don't have 30 to 50 years to wait in order for your goals to be met; especially with zero growth in a volatile market and inflation knocking at the door. It also means you won't have as much time to recover from the next market meltdown like we had in the year 2000 and again in 2008.

Until retirees decide to explore alternatives to Wall Street-based products, their financial woes will not be behind them. Exploring financial alternatives that are designed to protect your money from market volatility is key to protecting and preserving your future retirement assets. So, plain and simple, retirees need to take less risk. And that means they need to learn the difference between risk-based investments and safe-money alternatives.

Individuals in or near retirement, especially those who need to depend on investment income to cover daily expenses, those people should select investments that lock in gains on a regular basis and provide an adequate stream of guaranteed lifetime income.

Issue #7: Financial Market Volatility and its Impact on Your Retirement

I believe that the 2nd decade of the 21st Century, which we are now in, could very well be more volatile than the last decade. Those who choose to follow Wall Street's advice and just stay the course rather than explore viable alternatives, those people could very well experience the same damaging effects of loosing ground or breaking even that they experienced over the last thirteen years.

Sadly I meet with some people who tell me that over the last decade, they did not take a hit because their portfolio was able to regain the losses they sustained, and they were therefore content on breaking even. That's a huge error in judgment. While it's true that their principle balance maybe did not lose value; it did not gain any value either.

When market volatility causes you, at best, to break even over a period of thirteen years, it's as if those years never existed for your overall long-term retirement needs

So ponder these questions if you are in or near retirement

1. How much have you made or lost in the stock market over the last thirteen years? Crunch the numbers & be honest.
2. How will you know when the next market shift will occur – up or down? And how will emotions and reactions to news stories from around the world, as well as technical trading, affect those swings?
3. Does it make sense to risk losing 40 or even 50% of your savings, just for the potential to capture the maximum return on your money?
4. What's more important – Keeping what you already have today or making more by risking what's left?

Issue #8: Wall Street says You're Investing when You're actually Speculating

What is the difference between Investing & Speculating? Well the meaningful and traditional idea of investing is that you buy something and get paid for owning it. If you buy an apartment building as an investment, you're collecting rent. If you buy a bond, you collect interest.

Speculating is something entirely different yet it is commonly mislabeled by Wall Street as investing. Your stockbroker realizes that speculation has a negative ring to it. So the best way for him to get you to speculate is by convincing you that you're investing. But if you buy an asset simply because you hope that you will be able to sell it for more at some later date, you're speculating.

For many people today, this is the definition of investing: buy low, sell high. But it's more properly called speculating because it is based not on some underlying value in the asset, but on the hope that somebody else will pay more for it than you did.

Issue #9: Wall Street's View of Risk versus Safe:

As I have made clear by now, the retirement and financial goals of many Americans have been severely disrupted over the last thirteen years by speculating in the stock, bond, commodity and real estate markets.

And, it's important to note here that Wall Street's so-called safe money havens are quite different from non-Wall Street safe money vehicles. On Wall Street, a safe money haven usually refers to either commodities such as gold and silver, which can be volatile, or bonds and money market accounts both of which are paying historical low yields.

Because Wall Street designs its business model around non-guaranteed leveraged assets, their safe money havens are either susceptible to loss of value (because of market volatility) or they are accounts that basically break even thereby exposing your money to inflation risk.

A big mistake made by people in or near Retirement is not knowing the difference between risk-based investments and safe-money alternatives! In this age of "New Normal", the more you know about asset diversification especially which assets are safe and which assets carry various degrees of risk and reward, the better off you'll be. Plus you won't be so inclined to listen to the Wall Street propaganda machine.

So learn and understand the investment choices that offer potential gains but also contain risk of loss from market downturns. These kinds of Investments include stocks, mutual funds, variable annuities, commodities, real estate, hedge funds and even bonds.

Then learn and understand the investment choices that offer various levels of safety and guarantees including saving accounts, money market accounts, CDs, Treasuries, Fixed Annuities, and Indexed Annuities

Issue #10: Alternatives that Wall Street doesn't Mention:

So when considering a reallocation of your investments, what are some viable alternatives to risk-based Wall Street products? Well, many investors are turning to a core financial concept known as <u>annual reset and lock-in</u> in order to bypass expected volatility. Annual reset allows you to earn, and lock in, a portion of the market upside while eliminating all of the market downside.

Through this annual reset and lock-in strategy, the investor can avoid all future market volatility in exchange for moderate returns. That means earnings, using this strategy, are typically capped in exchange for the investor absorbing <u>none</u> of the downside market risk.

There are millions of investors, me included, who have taken advantage of this annual reset and lock-in concept over the last eighteen years in order to protect their money from market volatility and who have never lost a penny despite two significant market downturns

But wait, you've never heard of these financial products? Well there is probably a good reason why. Wall Street often doesn't recommend products that it considers to be a conflict of <u>their</u> best interest. Wall Street is in the business of collecting fees and commissions from dealing in risk not providing total protection <u>from</u> risk.

So, what if you were offered a safe-money alternative that took advantage of the annual reset strategy that I just described? An investment alternative that ran on autopilot and never put your principal at risk. What if it offered good growth opportunities; locked in the gains on a regular basis without triggering a tax event; never lost a locked-in gain; provided income that lasted as long as you lived, and was always 100% liquid with no management fees or sales loads? That's a pretty appealing proposition.

But what if I then told you that this safe-money alternative is a certain type of Annuity? Well, upon hearing this, you might tend to shy away from it. And that's because very few people really understand what annuities can do. Instead of finding out how they work, people often rely instead on a poorly informed financial adviser or outright misinformation from the Wall Street propaganda machine.

Annuities are often all lumped into one category. The public's perception is that Annuities all have high fees, they all tie your money up, they are not liquid and they don't offer much opportunity. Nothing could be further from the truth.

Issue #11: Why people flock to Wall Street

Here are four big reasons why I think so many Americans, who are in or near retirement, continue to invest in the stock and bond markets:

<u>Reason #1. They don't know of another option</u>

Most people have only heard one message all their adult life: Buy stocks. Buy Bonds. Buy mutual funds. Load your 401(k) with as much money as you can and make sure it's all in the market. It's no wonder the majority of the retirement-saving public is doing just that; it's the only message they've ever heard.

<u>Reason #2: Everyone else is doing it</u>

We hear how Wall Street is supposedly making other people rich with various market investment strategies. And so, through the herd mentality, we think: Well, if it worked for them it certainly should work for us. Unfortunately that's no more true than watching someone win by placing a large bet on red at the roulette table in Las Vegas and then rationalizing: Well, since the bet worked for them, it will certainly work for us.

Remember one thing: No one knows what the stock and bond markets are going to do next year, next month or even in the next hour. <u>No one knows</u>. Just like no one can predict whether that next spin on the roulette table will be red or black.

Reason #3 The myth that nothing can compete with equity returns
Throughout history, people have seen the stock market as the home of robust returns. There was a time not long ago when individuals could simply buy stock in good, well-run companies and hold that position their entire lives. Here's the problem. Those days are done. We no longer live in a buy and hold environment. Change is too rapid; especially with the increasing use of technical trading.

Reason #4: The American limited view.
Here's part of our problem as a nation: Our view is too limited and too narrow. If it hasn't happened before in America, then we've brainwashed ourselves into believing that it never will.

The problem with our stock market is that the major indices have usually returned to new, all-time highs within a few years after each downturn, recession or depression. It's been up, up and away forever. So the thinking quickly becomes: "Sure, the stock market has some bumps and bruises along the way but it will always go up; always return to new highs." Well, just because that has been the story of America up to this point does not mean it will always be our story.

Issue #12: Wall Street's Stranglehold on your Employer Sponsored Retirement Plan
On this point I'm talking about Wall Street's greedy motives for employer-sponsored plans (including 401(k), 403(b), 457 and TSP) – all at your expense. And I'm talking about issues such as:

1. Why the 401(k) was never meant to be a retirement plan for you
2. Wall Street's selfish motives for controlling your money in these plans
3. Your misguided dependence on your 401(k) and why not to consider it your only retirement plan
4. Powerful reasons to roll a 401(k) over to an IRA like:
    a) the fact that most 401(k) s and other company plans have limited investment options; or
    b) how 401(k) plan guidelines can restrict access to your money; or
    c) how high fees and expenses in your 401(k) can rob you of significant savings in retirement.

To help you better understand each of these important issues and others, you can order my very revealing Special Report: What they never told you about your 401(k). Just call my office or send me an email.

In Closing
This report has presented twelve of the many issues with the Wall Street Propaganda Machine and the negative impact these issues could have on you if you are in or near retirement. But know that all is not doom and gloom. There are several ways to combat the machine including:

1. For an excellent history of Wall Street's misdeeds over the last 30 years rent the documentary "Inside Job" which debuted in movie theatres in 2010
2. Learn the difference between Risk-Based Investments and Safe-Money Alternatives
3. Apply the Financial Rule of 100 to measure your Tolerance for Risk as you rebalance your investments for greater safety.
4. Take advantage of the In-Service Distribution Rule in order to roll part or all of your 401(k) - tax-free - into an IRA for greater retirement efficiencies
5. Make use of the Annual Reset and Lock-In strategy to avoid market volatility in your asset portfolio.
6. Refer to several of my other Special Reports that can help educate you on the subject of Retirement Planning. Just call my office or send me an email for a complete listing of these Special Reports.
7. Work with a trusted advisor who is expert on the subject of Retirement Planning and able to assist you with all of these recommendations.

I wish you a long, happy and financially secure retirement. And if I can be of any assistance, please do not hesitate to contact me.

Sincerely;
Stephen Geist -- Financial Strategist and Safe Retirement Plan Specialist