The Solari Report

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2017 Annual Wrap Up: Does Your Pension Fund Have a Deep Drain?

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C. Austin Fitts: Good evening and welcome to The Solari Report. Today is January 25, 2018. I'm Catherine Austin Fitts, and I'm delighted that you could join me this evening.

Tonight our theme for the 2017 Annual Wrap Up is: Does Your Pension Fund Have a Deep State Drain? I'm sure that you've looked at the cover of our Annual Wrap Up. It's a cow being milked by a farmer, and there is a hole in the bucket. The milk is going downstairs, being delivered to all sorts of deep state activities. So you know my prejudice and I think that the answer is 'yes'.

I want to take a look at the pension funds because I want to do several things. One is that I don't believe the narrative that we are hearing on pension funds. I want to talk about that narrative and refute it. That is number one.

Number two is I want to make sure you're not frozen in fear by the narrative, or that you don't have a good conceptual overview as to what is happening. I think that is going to make it much easier for each one of us in our different and unique positions to start to understand what the impact of what is happening with pension funds is going to be on us and start to develop a way of dealing with it.

I have a presentation on the web that is not done yet. You can look at some of the graphs and charts, but the text isn't finished. Just remember that it is a work in progress, and it will be done before we publish the final report.

I would like to read my introduction because it sums up what I think is wrong with the narrative that we are hearing now:

> Our planetary governance and financial system currently operate significantly outside of the law. Whether the cost of war, organized crime, corruption, environmental damage, suppression of technology, or secrecy, this lawlessness – and the lawlessness it encourages in the general population – represents a heavy and expensive drag on all aspects of our society, our economy, and our landscape. **Pension fund underfunding in the United States is a symptom of that drag. It is not a self-contained crisis.**

We are told that we can fix the pension funds by saving more – whether by upping the contributions from beneficiaries and/or taxpayers. As portrayed in the graphic on the cover of the *2017 Annual Wrap Up*, this is the equivalent of trying to fill a milk bucket by milking more cows when the problem is that we have a hole in the bucket. Why put more milk in the bucket until the hole is fixed or the farmer gets a new bucket?

If my subscribers and clients are representative, many people in the US general population – whether as beneficiary or taxpayer – are reluctant to invest more money in the retirement system. Many do not trust it. They do not trust some pension fund governance and management to treat beneficiaries' interest as primary. They do not trust money managers to invest wisely. They believe Wall Street will promote fraudulent securities. They do not trust central banks or the federal government or some state and local governments to behave responsibly. They are concerned that laws and regulations will be changed in an unfavorable manner – that their pension is like a roach motel. The money goes in, but it does not come out. The decision to avoid increased investment in pension plans or retirements may, in fact, be a wise decision, albeit it makes the underfunding 'crisis' worse.

Addressing pension fund underfunding in the United States will require returning integrity to pension fund governance and investment policies where it has been eroded or returning to a successful system of household and family wealth where individuals control the governance and management of their own assets instead of depending on centrally controlled systems. Whichever path we take, the success of our pension fund and retirement assets and their impact on financial markets and society will necessitate addressing the integrity of US government and corporate governance and the global financial system.

This is the same point that we repeatedly make on the Solari Report. Our economy is a dynamic ecosystem. We cannot isolate one part and 'fix it.' If there is a fundamental imbalance such as corruption or lawlessness, it must be dealt with on a cross-cutting basis. If our political process delivers profits and a cheap cost of capital to insiders and considers the general population expendable, the solution is not for everyone else to save more in the face of overwhelming fiscal, monetary, and financial debasement and demands by the insider group. The solution is to address the fundamental corruption of the political mechanism. Over the long run, the privileges afforded the few are shrinking the total pie.

I chose pension funds as the theme for the *2017 Annual Wrap Up* because I wanted to invest time in reviewing the current state of global and US pension funds. For a complete list of the most useful studies, books, and articles I read, as well as website sources I used, see our *bibliography* section.

My goal in doing so is to help you reject the official narrative – not get frozen in fear or overwhelmed by the complexity of it – and give you my simple overview of the situation that can help you successfully navigate the specific aspects that touch you and your family either as a beneficiary or a taxpayer.

If you are a US citizen, you are going to have to deal with the failure to fully fund pension funds and health care promises. It will touch you as a taxpayer. If you are in a state where the state and local pension funds are significantly underfunded, the impact on your state and local taxes could be significant. It may impact or determine in which state or locality you chose to live. It will also impact you as a federal taxpayer for military and government employee obligations, as well as for obligations assumed by the Pension Benefit Guaranty Corporation, as companies fail or shed their pension funds in bankruptcy.

Alternatively, if you depend on income from one or more pension funds that reduce their benefits as a result of underfunding or they fail and are assumed by the Pension Benefit Guaranty Corporation, it could impact your quality of life, your life expectancy, and your health. This also extends to families and friends. If your parents' pension benefits are canceled and they show up at your door wanting to live with you, you are likely not going to tell them, "Sorry, it's not my problem."

Also, there are numerous things happening in the world – from war, environmental problems, significant credit problems in the fixed income markets, or loss of reserve currency status for the dollar – that could significantly decrease the value of pension fund returns and assets. This is one of many reasons the health of the whole economy and financial system should be important to all of us.

The state of our current pension fund systems is one of the reasons I keep harping on the financial coup d'état, including trillions of dollars of bailouts and money missing from the US government. You cannot be short trillions of dollars to fund contractual and legally obligated pension promises and let $50 trillion+ (my estimate) simply walk out the monetary and fiscal doors when you have no legal obligation to provide that $50 trillion, let alone a legal basis for doing so.

So let's review the current state of US and global pension funds and see if we can change the narrative.

> There is no pension fund crisis. This so-called pension crisis is the result of a leadership decision that the elderly are expendable. After buying their votes and labor with promises, the leadership is wiggling out of those promises by not funding on a pay as you go basis, then cutting benefits, and throwing retirees overboard. Rather than pay for nursing homes, we prefer to expand the billionaire class and use private savings to provide low-cost capital to the national security state, automate with robotics and AI, and invest in space and the transition to a multi-planetary civilization. **This is a political choice. It is not a financial crisis.**
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> It is a plan that has been engineered for two decades of intentional central bank and government policies and related enforcement designed to centralize and reorganize the economy accordingly. It is a conscious and intentional abrogation of legal obligations, just as the housing bubble represented a fraudulent inducement. The financial crisis is what will happen – and is happening now – as beneficiaries and taxpayers are left holding the bag.

So let's look at **Total Pension Fund Assets**. One of the best sources of pension fund statistics is the Organization of Economic Cooperation and Development, usually referred to as OECD. It's based in Paris and has 35 nations as members. They are primarily developed countries, but it has a few emerging market economies as well.

In 2017, they published a pension study called *Pension Markets in Focus, 2017 Edition*, and it's an overview of the status of global pension funds. It's important, as I quote from it, to remember that when reviewing their tables and charts, they are drawing from non-national data sources. Their members are providing data – the other countries are providing data – and that data is non-conforming. The methodology by which it is calculated in one country could be very different from another country, so you just have to approach the data with that grain of salt, if you will.

As of 2016, the global pension fund assets totaled almost $40 trillion, of which $38 trillion was in the OECD countries – those 35 countries. Essentially, a little more than $1 trillion was in all the non-OECD countries.

Of that amount, $25 trillion was in the United States. So US pension assets are approximately 62.5% of global pension fund assets for what is about 4.3% of the world's population. Let me say that again: The United States is 4.3% of the world's population but 62.5% of global pension funds.

Part of that is that most retirement savings outside of the OECD countries are in households; it's not centrally controlled. If you come to the United States before World War II, and certainly before the 20th century, the vast majority of retirement savings was held in households and not centrally managed and controlled.

From the point of view of China, the US pensioners are in great shape. China has 18.3% of the world's population as compared to our 4.3%, so basically a bit more than four times as many people.

Despite the fact that China has a significantly aging population, it has less than 1% of the world's pension assets. So we have 4% of the population and 60% of the pension fund assets, and China has 18.3% of the world's population, but 1% of the world's pension assets, albeit China's central bank and sovereign wealth fund control substantial and growing assets. So it's no wonder that China is trying to create a global currency and is considering plans to reduce treasury holdings.

If you look at one of the ways that we've been able to do what globally is still a magnificent blessing in terms of pension fund savings, the major reason we could do it was because we had the reserve currency.

I showed two charts from the OECD study that show the total assets in the largest OECD countries, and then for all countries, plus non-members, as well. It's fascinating. You can get a complete breakdown by country, by region, and look at it from 2006 to 2016.

As of 2016, Denmark, the Netherlands, Canada, and Iceland all had higher assets as a percent of GDP in their pension funds than the US. Switzerland was close behind the US, and those countries, plus the US and Switzerland, constitute the countries that are above the weighted average for assets as a percent of GDP.

If you want to read a very inspiring story, one of the books that I linked to in the bibliography is *The Third Rail: Confronting Our Pension Failures* by Jim Leech. He tells the story of how the Netherlands faced the issues that the boomers' retirement and the stress that it put on their pension funds system. It implemented reforms, and it has managed to keep one of the world's soundest and best-managed pension fund systems.

You can read that section in *The Third Rail* if you are interested. It is proof positive that an open society can address and manage retirement systems responsibly.

It is possible in a democratic system to do that, and I appreciate that the Netherlands is a smaller country than the United States, but we have plenty of states and local areas that are small, too.

The OECD figures have approximately $25 trillion for pension funds. Let's look at how that breaks down. At the end of 2016, the Investment Company Institute reported that the total of US retirement assets was $25.3 trillion. IRAs were the largest component with an estimated $7.85 trillion. That is very significant. Add defined contribution plans in contrast to defined benefit plans. They were $7.03 trillion. That is almost $15 trillion of the $25 trillion. That is interesting because those are both retirement mechanisms where there is no defined or guaranteed benefit; your wealth goes up and down with the market.

The government defined benefit plans were $5.46 trillion, and the private sector defined benefits were $2.9 trillion. So as you can see, with about $8.5 trillion, they are a much smaller percentage of pension funds than they were for the 20 years after World War II.

Within the defined contribution plans, 401(k) plans accounted for $4.8 trillion, and other private sector defined contribution plans had $550 billion in assets. $905 billion was in 403(b) plans, $282 billion was held by 457 plans, and $467 billion in assets were in the Federal Employees Retirement System's Thrift Savings Plan.

What we are seeing is much more movement to get out of defined benefits – both by government and corporations.

If you look at the Public Plans Data, which is one of the sources we mentioned, the total value of combined benefit plan assets held by state and local government was $3.85 trillion. That compares to a funding need of approximately $4.58 trillion. So these are the top 95%, but it looks like they are approximately 72% funded.

I want to read a couple of points from *Moody's*. I talked about corporate, I talked about state and local, and now I'm going to talk about Federal:

> The unfunded liabilities of the various federal employee pensions systems, covering civilian and military employee benefits, amount to about $3.5 trillion, or 20% of US GDP. Additionally, *Moody's* estimates that unfunded state and local government pension plan liabilities are of the same magnitude, bringing the total shortfall to 40% of GDP

Their estimate for the underfunding for state and local is greater than public plans.

> The bigger challenge to the US comes from the unfunded liabilities for the Social Security and Medicare programs. The Social Security funding gap is estimated at $13.4 trillion [this is the mother lode], or 75% of GDP, while the shortfall from the Hospital Insurance component of the Medicare program amounts to $3.2 trillion, or 18% of GDP.

Interestingly enough, if you look at some of the Pew Research reports on the state and local, what they point out is the funding shortfall, with the exception of some states that have gotten themselves in a real mess, is essentially not that bad. What you don't have is funding for healthcare.

What you see for corporations, for the non-employed population for Medicare, for the state and local people, is the big problem of Medicare, which is why we've seen so much emphasis at the Federal level to try to come up with healthcare solutions.

Another quote from Bill Bergman's blog with guest author Tom McKinney writing – and this was on the US Civil Service Retirement and Disability Fund as of 2015:

> The U.S. Civil Service Retirement and Disability Fund has just 48% of assets needed to cover future pensions for retired and active federal employees. Currently, there are 2.6 million retired and 2.7 million active federal civilians enrolled, including US Postal Service personnel.
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> As of September 30, 2015, the retirement fund pension assets were $880 billion and the retirement fund pension liabilities were over $1.8 trillion. The $880 billion of pension assets is often referred to as a 'pension trust fund'.

So what we are looking at is a situation where, yes, the US, by comparison, has an extraordinary amount of assets. If you look at the promises made concerning both pension benefits and healthcare, they are significantly underfunded.

I want make a few comments on the **History of Pension Funds** because I have a different viewpoint on it than the official narrative.

After World War II when we implemented the Bretton Woods System, whereby the US was really the global protector of trade and building an open trade model around the world, it was extremely important to the leadership of this country that we be able to create a stable labor force and stable labor relations to take advantage of that system. Pension funds were one of the benefits that were used to create those stable relationships.

The other thing that we did by creating the big corporate pension funds – and government, too – was, instead of workers taking home their pay, they could create a vehicle whereby they put a certain portion of their pay into a centrally controlled pool. What that allowed was, basically a form of capital aggregation and control; it's capital control.

I'm always saying that the Department of Justice is in charge of the control and centralization and concentration of cash flow. I call the Patriot Act the 'Control and Concentration of Cash Flow Act'.

Pension funds allowed you to take a country where all the savings were controlled in households and centralize it into a pool that could be controlled centrally, and it also could be controlled in ways that were remarkably invisible.

If you want to build this global juggernaut of both multi-nationals and the national security state, you need an enormous flow of capital. Pension funds were a part of the different vehicles you used to control and concentrate cash flow.

As that system got off of the ground and starting going, as globalization kicked in, suddenly you could change your relationship with labor because you were able to compete labor globally, and that really escalated and was turbocharged after the adaption of the Uruguay Round of GATT and the creation of the World Trade Organization in 1995.

If you haven't watched the Sir James Goldsmith video on globalization at www.Solari.com, just do a search for Sir James Goldsmith. It's a marvelous introduction and explanation of that system and how devastating it is going to be to labor in Europe and the United States – basically in the developed world.

What is interesting is, even though you are renegotiating your relationship with labor, you still want and need that centrally controlled capital. The question is: How do you keep the central control and get out of providing the rich benefits? Of course, switching to defined contribution was one of the ways that happened. Frankly, corporations dumping pension funds or placing them on the pension benefit guaranty corporation when that was created as part of ERISA, were some of the ways.

What happened, though, was the boomers started to retire. This was known for a long time, and my company, Hamilton Securities, did a big effort to study how pension funds could achieve the returns that they needed for the baby boomer retirement.

So you have this large capital that has aggregated and concentrated to provide stable, cheap financing to build this multinational juggernaut and the national security state. The problem with the boomers' retirement is, not only that they are going to want their money back to pay for retirement but they're putting in a dollar every year, and now we have two problems: One is that they are not going to put in a new dollar, and the system certainly has not stopped needing that incremental dollar every year. And also, they not going to put that dollar in, but are going to want to take a dollar out instead, which results in a $2 problem. Whereas, the centralized system needs that new dollar to keep flowing in, the boomers are instead going to want to take a dollar out, and now we have a $2 problem.

If you listen to my many presentations on the financial coup d'état, I think that the leadership of the financial and governance system saw the boomer retirements coming and said, "We have to pull all of the capital out of these systems before the boomer retirement comes due. Then when the boomer retirements come due, we'll stuff their pension funds full of obligations, such as mortgage-backed securities on their homes. We'll bubble the economy and stick the IOUs in their pension funds. They can come up with a fiscally responsible solution. They can stew in their own juices." I think they got tired of being in the middle.

If you look at the history of pension funds, I don't see it as something that the country wanted to do for the working population; I think that it was something they used to attract the working population into a certain kind of job and relationship, but the real goal was to concentrate cash flow and control. The last thing they wanted to do was lose that cash flow.

When the boomers retire, the question was how to make sure that they could keep the cash. I think the answer was that the financial coup just stole it and used a variety of mechanisms to do it, but one of them was enormous currency debasement, which is part of what we are all struggling with.

So let's look at **Recent Performance**. Thanks to Jason Worth who did an amazing job of downloading much data and placing it in a pension fund system table and charts to compare it – which you can see in the web presentation – we were able to observe how the different sectors in the investment world performed.

Remember I'm using nonconforming data. So we need to take all of this with a grain of salt. The relationships are not perfect.

I display one chart and one table of the web presentation under Recent Performance. The first shows a comparison of a series of different investments or benchmarks where it shows the Average Annual Investment Return from 2007 to 2016. It's showing one return for each, and it's the average for that ten-year period.

Below the chart is a table of the returns from 2007 to 2016 so you can see the detailed breakdown. Then we have footnotes so you understand what the sources are.

Using these numbers, let me explain. I started with the Barclay's Aggregate Bond Fund, which is an ETF. It's a good benchmark to use for the performance in the bond market. The average annual investment return was 4.4%.

The next bar shows the S&P with dividends, so Barclays is the bonds, and S&P with dividends is the US equity market, which is not the global market – only the US. So that is 8.8% for the ten-year period. Then I show a 60/40 portfolio of the two, which is 7%.

If we owned all bonds during that period, we would have averaged 4.4%. If we owned all US equities, we would have performed at 8.8% return. If we owned a 40/60 portfolio of the two, we would have received a 7% return.

Then if you look at the 170 state and local pension funds, the top is, basically, 95% of the value or of the assets of the state and local pension fund universe. Their return for that period was 6.4%, slightly lower than the 40/60 portfolio, which is the approximate allocations, but certainly close enough with different considerations like having money in cash or alternative investments that may not have done as well as equities or having extra expenses. There are many logical reasons for the difference.

CalPERS, the largest public pension fund in the country, was 6% for that ten-year period. Then I move into some of the other OECD members. Canadian pension funds were at 5.5%, which is starting to be meaningful below the 40/60 portfolio benchmark. Then the UK pension fund was 7.2%, outperforming. Are you ready for the big drop here? The USA pension funds for that period were 2.1%, which is remarkable given how well the US equity markets did during that period.

If you look at the table below, one thing that you can see is during the 2008-2009 period, the US funds experienced a much deeper drop than almost all countries around the world.

Australian pensions were 5.6%, which is below the benchmark, but significantly ahead of the United States. New Zealand is 5.2%. Again, they are below the benchmark, but significantly ahead of US pensions. Dutch pensions were 5.9%. The Swiss, interestingly enough, were 2.7%, down there with the US.

Then we looked at the University endowments. It was 7% for Harvard. That is really a five-year average since we didn't have all ten years for Harvard. It was 7% for Yale and 7.9% for Princeton. So the three university endowments all perform above the benchmark and significantly beyond the United States. That is very interesting.

For those of you who knew my older work, I wrote much about the Harvard endowment and how their investment shenanigans were making a fortune for them but sticking it to the US federal budget. I find it unpleasantly amusing that Harvard should be above the benchmark and the US pension fund significantly below.

Then, finally, we have a number for Berkshire Hathway, which outperformed everybody. The question is: What is really going on behind the scenes? I said in my review on the web presentation that the three university endowments and Berkshire Hathway reminds me of one of my trading partners at Dillon, Read & Co. who, whenever one of the traders would outperform the market, would jump up from his desk and tear out onto the trading floor and say, "Explain to me why I'm so lucky!"

In a perfect market, you're not supposed to be able to generate a rate of profit, so he wanted to know why he was so lucky.

Below those two charts we have two others from the OECD. One shows the nominal net rate of investment returns for a much wider group of the OECD countries, as well as non-OECD countries. You can really see it in these charts. Then we have an investment real rate of return, which is adjusted for inflation. What you see is the US is far down on the scale – not only of OECD countries, but non-OECD countries as well. That's the big question: Why did the US perform so poorly?

If you look at the US state and local pension funds, they did not perform poorly. That means that the remainder in the basket would have had to perform very, very badly. My big question, of course, are IRAs and 401(k)s and defined contribution plans significantly dragging it down?

A review of performance for US pension plans is that their performance was significantly below the benchmark and significantly below their peers globally and significantly below non-peers as well. It's a notably lower performance, which obviously affected the funding.

Here is what is interesting: Between 2008 and 2016, you have unprecedented rises in the pension funds. It's clear from the table that, yes, the problem was US funds were down in the 2008 and 2009 period, much more significantly than their peers in Europe or in the Anglo-American Alliance. They also didn't get the subsequent rise in the US stock market that happened from 2008 and 2009 to 2016. The question, of course, is: How did that happen?

The pension crisis as a **Financial Crisis Narrative** is really focused, not so much about the legal and political context and politically how we got to where we are, but simply looking at the assets and the unfunded liability.

There are a couple of big issues in the financial crisis narrative. One is that many pension funds are underfunded and the political process is not able to effectively deal with that or hasn't effectively changed that. But another is, if you look at the current underfunding assumptions, they assume a rate of return on market performance going forward. Given how high the market is, it's very hard for people to justify that.

Part of the challenge with the investment return is that the yield on bonds has come down dramatically since 1980. If interest rates rise, it's going to hurt bond prices, which will hurt some of the bond portfolios, but it will start to provide a bigger yield. There is no doubt that the drop in interest rates has been devastating for the funding. So, whether it's the current underfunding or the interest rate assumptions and the returns assumptions going forward and are being too generous, the concern is that the underfunding could really be worse than it is. But then you add to it several other facts.

One is that pension funds are full of dollar paper and dollar-fixed income paper, and if the US dollar falls in value or we lose status as a reserve currency or the bond market has significant credit problems, – which is possible – then the bond bubble bursts, which I think it already has. You could also see a significant drop in the equity markets.

Many of the folks concerned about a potential fiscal crisis are looking at the inability of the system to improve its funding during a period of, what is assumed to be, an unprecedented recovery and value in the equity markets and, supposedly, in GNP growth. In a period where they should replenish the stores, which they were not able to, liabilities have gone up even more. So there is real concern about what some of the worst case scenarios could be.

The second thing is that part of the financial crisis narrative is people need an extraordinary amount of money to be retired, the theory being that you can solve all of your problems with money, and if you have enough money, you will be able to navigate this environment. If you look at the kind of money that many investment advisors think you need to survive in this environment, there is no way that families will be able to take money out of their businesses and out of their homes and out of many of the activities that families do, such as funding college educations, to squirrel all of that money away.

Of course, the problem is when you are in a society that is running the political mechanism to, basically, drain you and your family, of course that makes it harder and harder for you to save. The reality is that when you do save in many of these mechanisms, you're essentially financing them to keep torturing you.

So if you are financing your enemy in a system where you are being harvested, the solution to work harder on the treadmill like a little hamster, may not be the successful one.

I thought that it would be helpful if I used my own financial history to assist you to understand why I think that the official narrative is not the way to look at what is happening. My story starts when I was in a meeting. It's a story that I told in *Control 101* and I've told it many times. It is in the Dillon, Read & Co. story about the President of CalPERS where I was giving him a presentation. He was on an advisory board of a subsidiary company of Hamilton Securities – a wonderful group of pension fund leaders. We were trying to figure out how to turn around the pension fund problems and do it in a way that would be very good for the general economy and the government deficit.

I gave a presentation to the group of pension fund advisors, including the President of CalPERS, the California Public Pension Fund, about how we could reorganize government investment by place and take it from a negative return to a positive return and do it in a way that created significant equity value, including for the pension funds. The President of CalPERS looked at me and said, "You don't understand. It's too late."

I said, "What do you mean that it's too late?"

He said, "They've given up on the country; they're moving all of the money out beginning in the fall." That was the fall of October 1997 that was the beginning of federal fiscal 1998, which was when the $21 trillion from HUD and DOD started to go missing.

That was what clued me into the fact that the governance system of the largest pension fund in the country was not what the law said the governance system was. If they could dictate a housing bubble that sucked massive amounts of capital out of the country, and then get someone like CalPERS to continue to buy all of the mortgage-backed securities, ultimately taking significant losses on them and on real estate when the bubble burst, then whatever was happening, the fiduciary governance structure was not in tact – to say the least.

It's very interesting. Then I got into a squabble with the US Department of Justice. I was trying to help HUD run its operations clean, and it was highly successful, but it meant that people were not able to siphon money out of the back door.

What is very interesting is, when the Department of Justice attacked, they came after every different aspect of my credit and money – both personally and professionally. One of the things they did before they attacked was a process where they demanded huge amounts of make-work for subpoena compliance that could literally cost you hundreds of thousands of dollars.

They hit me with a subpoena shortly after they put my 401(k) under IRS audit. I had $500,000 in a 401(k). I had used it to finance the company, and then when the company was successful, I paid the 401(k) back, but it meant that I had the vehicle in place and I could use it to finance the company again. Sure enough, what did they do? The IRS put the 401(k) under audit, which meant that I couldn't use it to finance the company.

Then they hit me with subpoenas that required about $200,000 of essentially, make-work on backing up servers and doing all types of detailed subpoena compliance. They had me in a squeeze, so what I did and say was, "Okay, I know how this works." I busted the 401(k), paid $250,000 in taxes, spent the $200,000 on doing the contract compliance, and that was it for me and 401(k)s.

Many years later when we won the litigation and the government had to arrange to pay my $2.1 million that they owed Hamilton Securities, my CPA said, "Great! Let's refund all of the money into the 401(k)," and I said, "Nope. I'm never going to have a 401(k) again."

I've learned my lesson. It's not my money. I have to be in partnership with the US government, and they are a totally untrustworthy partner and I'm not going to play.

One of the things that you know if you've ever worked out the compound interest rate on tax deferral is, where it's legal tax avoidance and tax deferral are profoundly financially attractive. At the same time, my feeling is, given what I do, if I put a dime into a 401(k) or an IRA, 'it ain't my money'.

There are many situations where I will recommend to a client that they keep their 401(k) or keep their IRA for a variety of different reasons. It's very unique to the person, so I'm not saying that you shouldn't have a 401(k). I'm only saying that I consider the US government – for someone in my situation doing what I do – to be a thoroughly untrustworthy partner. What is very interesting is, if you look at the headlines these days, including the most recent interview I just posted on Solari from Bill Binney, the Department of Justice is now just as openly and blatantly lawless as they were to me. It's kind of bizarre. They are trying to do to Trump what they tried to do to Bill Binney – unsuccessfully – and they tried to do to me – unsuccessfully.

So my attitude is, "I don't need to keep pouring money into a 401(k) where the government can trap me in it."

Here is what is interesting: One of the things that happened during the process was that I had lent (or given) $250,000 to friends and family. I know that Solari Report subscribers who are familiar with my work have heard this story before, but it was that $250,000 they couldn't seize. They couldn't get my bank to dirty trick me on that $250,000 because it was in the bank accounts and personal assets and savings of all these different members of my family and friends.

I had an uncle who was financially secure, and said, "You know, she is always taking care of everybody else, so I will help her."

I hadn't lent or given him any money; he had no need for money from me, but had seen me be very generous and help many people – family and friends. He said, "Okay, she took care of us, so I will take care of her."

Those personal loans and gifts and the help from my uncle actually kept me alive, It was the one source of money that the Department of Justice could never shut off.

When I finished the litigation and became an investment advisor, one of the things that I noticed was I was looking at clients' portfolios and their balance sheets and seeing that they were desperately trying to fill up their 401(k)s and IRAs. At the same time, they were not spending sufficient amounts of money on their preventative health care – food – or they weren't helping their kids buy homes, or they weren't putting money into their business. They were starving their business for cash. This was all on the theory that they had to put more money into their 401(k) and IRA.

We had all been trained to think, "Oh, we have to have lots of money that we control in our brokerage account." What they didn't understand was that they had been trained to suck up all of the money they needed for their family, for their health, for their good food, and, basically, turn it over to the multi-family large corporations to finance the national security state. Does that make sense?

Then, of course, there was healthcare. I have a lengthy article about the 401(k) and a long article about healthcare, and I will link to it from this section of the website. Essentially, it was the same deal. I came to the realization after many different situations that I describe in the article that: 1) I didn't want to go into the traditional healthcare system. It was increasingly not productive or safe. 2) This thing called 'healthcare insurance' was a joke. If I continued to try to keep healthcare insurance, I would not be able to afford healthcare. In fact, I didn't need healthcare insurance; I needed healthcare.

Part of what helped me the most was when I went with one of my relatives to find the original homestead of my family when they came to Tennessee three or four generations ago. We looked at a log cabin with a dirt floor and no windows and no heat and no running water, and ten people had lived there for the first winter in Tennessee. I realized that I have thousands of years of ancestors on this planet who have had successful and very long lives – my family has long lives – without healthcare insurance and without pensions and without disability insurance and all of these things that, as a very successful professional person, I thought I needed.

I describe breaking that trance in this article. It was really a life-changing experience.

Then I had a pension fund from my work on Wall Street, and occasionally as I was organizing my finances, I would call up the bank that owned the bank that had bought the company I worked for. I tried to get signed up on their online system for my pension fund. They would deny that I was in a pension fund and had no obligation to provide me with a pension fund.

I finally got frustrated with them, so I had my lawyer call, and again, they denied that I was in the plan, which was not true. I had documentation, but I was struggling. They didn't recognize and would not recognize the documentation.

Interestingly enough, I had a partner who persuaded me that I ought to check out applying for social security early because, if you look at what I could do in terms of investment with any cash flow from social security, he figured that even though I was giving up many benefits later, I would probably be better off.

I decided to go through the process, and in the process I received a document from Social Security that authenticated and confirmed that the pension fund had sent a confirmation to the Department of Labor that I was in the pension fund and was owed a monthly benefit at a certain level. So now I had a government document that the pension fund itself had reported to the federal government my being a beneficiary, which is pretty tight legal documentation.

So I called the bank again, and lo and behold, they insisted that I wasn't in the pension fund. So I sent them the document, and about three weeks later I received a call from a person from the bank who was clearly, too senior to be doing customer service – even for a situation like this. I suspect, but I cannot prove, that what had happened was, for political reasons, someone made sure that my name was out of the database, and after investigation they discovered, "We need to put her back in."

It could have been my old partners trying to make sure that I couldn't get my pension fund, but it could simply be the pension fund trying to wiggle out of as many obligations as they had to. Whatever the reason, certainly I got the world's most charming and unctuous customer service, and I proceeded for the next month or two to get online and get hooked up for my pension fund.

No matter how bad you know corruption and fraud is, it is always very shocking. It's like being dropped from a seesaw to have it touch you like that. What I believed was that there was an intentional conscious effort to cheat me out of my pension fund. I let you determine what you think really happened.

Frankly, if it hadn't been for the honest civil service in the US government, I would have been out a significant flow of income for the rest of my life.
It's not the first time that civil service and their competency and honesty has pulled my chestnuts out of the fire.

So between what happened with the 401(k) and with the pension fund, I don't have much confidence in the US pension system. I'm far from a random sample, but we are looking at a financial system where the governance and the enforcement is now so corrupt that it's really very difficult to have any kind of confidence in all aspects of the system.

Let me proceed. I'm just going to go through my balance sheets as it relates to retirement assets. One of the biggest sources of retirement wealth is capital gains on your home and your home base.

I had a very beautiful small mansion in Washington, and in the process of the litigation, I discovered incredible jealousy and anger coming from the people attacking about how beautiful my home was. I proceeded to sell my home and about every possession in it – all my antiques, all my art collection, everything, including selling family antiques back to relatives. I was able to keep those in the family.

At various times I had my house and my possessions used as weapons against me. When I went travelling, every time I came back, there was one thing of great sentimental value or financial value stolen. So I made a decision, not only in my selling everything, but the things that didn't sell, I made a list of everything that had any sentimental or financial value, and I gave it to my relatives. I did that, but when I got the money back I said, "You are never going to use my possessions as a weapon against me again, so I will buy the smallest possible home that I can buy, and I'm going to buy something where I will be as self-sufficient as possible so I don't have to depend on your fluorinated water. I will buy it in an area where costs are extremely modest and taxes are extremely modest."

I have three properties in Hickory Valley, and my combined property taxes on all three are approximately $500 a year. So let's say that there are terrible state and local municipal funding problems and they triple my property taxes, then I'm paying $1,500.

I know of people in states or high-cost areas with high property taxes. If they double their property taxes, it can destroy the value of the real estate. It can't destroy the value of my real estate; my real estate is worth barely anything. It can't be destroyed. There is not enough to destroy.

It's the same thing. I didn't try to buy a home in an area where I thought I could receive decent capital gains. I knew that if I bought something in San Francisco, I could get excellent capital gains, but I didn't want it. I wanted to be able to put my money in the things that had worked out for me. Number one, I took about $500,000 and gifted it t to the people who helped me survive and succeed. So I had a series of people working for me without whom I wouldn't be alive today, or people who had been generous and gifted me or loaned me money. I gifted and loaned them back.

I was convinced that the friendly folks at the Department of Justice were going to arrange for the IRS to go after me, and I knew that if the money wasn't there, there would be nothing to go after.

I said, "I am going to bonus this out." The thing that kept me alive was the personal loans and gifts. What is interesting is that I had loaned and gifted $250,000, but what came back was not necessarily from the same people; it wasn't tit-for-tat for each person. It was sort-of like the Great Mandala; you put it out, and it comes back.

I said, "I'm not going to stop. I'm not going to hoard. I'm going to put it back out and put money into a company."

I knew that if I sat around and invested in Netflix and Amazon I could make a great deal of money, but I didn't come here to make a large amount of money; I came here to make a difference. So I wanted to put it into creating and building Solari.

One of the reasons I chose to stay in Tennessee was because I spent a fair amount of time going through the state budgets and the state pension fund system. If you look at the pension fund system here concerning funding, it's one of the best in the country. It was surprisingly well-managed. I was very impressed, and it was extremely conservatively managed. If anything, they probably had given up a fair amount of yield because they had been so conservative, but there was no monkey business.

Every time I deal with state and local governments, I get somebody who is competent, who is perfectly pleasant, but tough. It's certainly reflected if you look at their pension fund arrangements.

If you come to Tennessee, people live much more modestly. We have no income tax, but we do have a very high sales tax.

The Tennessee system has a modest home base and the way the state handles its budget is very efficient . In my local area, if you go to the city council meeting once a year, the city council meets with the mayor, and the first thing that they do is open the mail, go through the bills, and write the checks. There is no staff and no payroll. That is one of the reasons my property taxes are so low. You're talking about a very modest operation that never built up the overhead that you see happen around the rest of the country.

If you look at where we are concerning the economic outlook, I have enjoyed much fewer capital gains since 2000 on my property than I would have if I were in Chicago, but it also means that I have enormous protection from what could happen on the state and local government front and what could happen regarding inflation.

If inflation increases, overhead could be hit by general inflation very significantly, and if we get a big fall on the dollar, it could be even more significant. A low cost overhead protects me relatively to being in the high cost areas.

It's very interesting. I did an exercise two years ago looking at all of this. I said, "Okay if when I started Hamilton, instead of doing Hamilton, I only invested my money in what I thought would go up during this period, how much would I be worth?" I figured that I would probably be worth – at a minimum – about $40 million. I was showing that to a very good friend. She looked at me and said, "Yes, but you would be dead."

I said, "You're right. I would be dead." If you look at what I would have had to live with and emotionally tolerate, I'm not someone who can watch people being genocided around me and do nothing. To do that would have literally killed me.

I'm on a course where, if I had stayed in the traditional healthcare system and the traditional systems, those would definitely have killed me. So it's a very unorthodox pathway that I've taken, but I have constantly tried to move away from untrustworthy systems towards trustworthy systems.

I have to tell you that, if you look at my experiences with the 401(k) system with federal enforcement, with the pension fund system, with one of the largest multi-national banks in the world, what I have found is that all of these different systems are corrupt and completely untrustworthy – not to say that we can't hold their feet to the fire, and not to say that they are all corrupt.

If I were reviewing your situation, I would have to look at the specifics to make sure. But if you take someone who is in a corrupt 401(k) situation and in a corrupt pension fund system and, then in a state and local government that has sizeable unfunding and tremendous political corruption like Chicago, you're talking about a financial statement and a balance sheet that can really get harmed.

There are great benefits of being outside of the pension fund system or outside of the systems. If you look at the choices that I've made – whether it's to keep cycling money out on the personal loan and gift circuit or stay out of 401(k)s and avoid having that partnership with the federal government or the way I handled healthcare, at this point I am very pleased with my decisions. I think that ultimately when we go out ten years and look back, I think I will have been dramatically better off for going the way I did.

Total Economic Returns. I want to talk a little about the pension funds' role in what they're financing. If you and I put money in a company that is destroying the world but making vast amounts of money doing it, we can say, "I'm making money, the company is making money." If you're a pension fund and you are investing $25 trillion of retirement savings, it doesn't work that way.

If you're making money on things that destroy the overall economy or destroy the health and well-being of the population, ultimately the harm done to the whole is going to shrink the total pie. You're big enough that you ought to be able to relate and understand the total pie.

If you look at countries where their sovereign wealth funds or their pension funds have taken a very serious interest in long-term strategic thinking about what can make the pie as big as possible, they have, not only much better records than the United States in terms of performing on their funds, but they have much more support and participation and trust by the general population.

It's remarkable. If you look at the shenanigans that the US pension funds have been financing all along, you would think that they would outperform the benchmark considerably. If you look at the things that they are financing, whether it's pharmaceuticals or crazy healthcare or GMO foods, they are all of the things that are ballooning their healthcare expenses.

You tear your hair out. You see a state and local fund that says that the healthcare expenses are killing them. You look at their portfolio and you say, "You're killing yourself. You're financing all of the things that are causing the ballooning of your healthcare expenses. Why are you doing this? It doesn't make any sense."

It's a long and complicated conversation, but we keep trying to make money by doing things that have a very negative return or pension funds that are tolerating governments having a negative return on investment, which arguably does pump up the corporate profits and corporate stocks, but ultimately, you shrink the pie.

If you look at the stories I posted in News Trends and Stories Part I, one of the top stories is the bull market in equities. I posted some very good articles on Jeremy Grantham about how the political process has been engineered to support big corporate monopolies. The result, of course, is a much less dynamic economy.

Now you even have Jeremy Grantham saying what I've been saying for 20 years, "Yes, Virginia, there is a conspiracy."

Interestingly enough, we recently had JANA hedge fund and CalSTRS – the other big California public pension fund – bring corporate action forward to Apple, saying, "What are you doing to make sure iPhones are not addictive to our children? Addictive children cannot be good for returns in the long run."

They are absolutely right, but you had more than a few investors saying, "What do you mean? Addiction is great for profits."

I placed one of those as a quote on my Twitter, which I tweeted out.

There is now, for a variety of reasons, much interest in what the long-term impact on productivity and the economy is on different kinds of investments. Whereas pension funds relative to anything else happening in the United States, have tried to provide real leadership there, they've had plenty of great successes. If you look at what is happening, we are financing a deeply negative total economic return on many, many parts of everyone's portfolio. The time has come to do something about it.

If we are going to really solve the problem, we have to pay attention to the analytics of what the total economic returns are and not do things that are shooting ourselves in the foot.

There are a couple of other issues that I wanted to mention, which I think are strategically important when you listen to the official narrative on pension funds. I clearly think that when you look at the extensive underfunding of some of the state funds, some of the union funds, or you look at the returns, I think there are significant governance issues with many different kinds of pension funds. First, who gets appointed? Where government appointments are involved, who gets appointed and why?

Ultimately, who has a control file? Across all of our society we are watching invisible – in many cases – physical force and violence or legal and financial violence being used to influence people in any position that can influence a wealth of money. My bet is that there are plenty of people on the boards of trustees or in the governance structure on pension funds or running money for pension funds who have a control file. That means that for that reason, or because of a variety of other threats, they cannot say 'no'.

As long as that is the case, you have the governance and management of pension funds not run strictly for the benefit of the beneficiary. Instead, you end up with muddled obligations and conflicts of interest within the governance system, and that has to be addressed. That is something that has to be addressed uniquely by every one group of beneficiaries and the current governance structure.

The second thing is that we've been through, what has been since 2008 or 2009, an unprecedented bubble-up in the stock market. Certainly the latest tax reform bill has kept it going.

The question is: Will it continue to crash up, or will the bubble collapse? If the bubble collapses or the US dollar loses much of its value or loses its status as the reserve currency, what we are going to see is a dramatic change in the fortunes to the negative of the pension funds. It's one of the scenarios that we need to think about.

Another thing that I want to point out is that falling interest rates have dramatically reduced performance across the board and yields across the board throughout the investment world. That includes pension funds.

We now expect rising rates. That could significantly reduce the value of the fixed income portfolios. What it can do is give more opportunity for yield, but there is no doubt that I see the lower interest rates as a subsidy by private savings of the government because it is providing very cheap costs of capital government, which is turning around and providing very cheap costs of capital to the private side of the national security state.

The enormous assumptions have an enormous swing. When you determine the future liabilities and the comparison to assets and the unfunding status, the assumption of future earnings can have a very dramatic impact. If you look at some of the debates about how significant the underfunding is, some of the swing comes down to more conservative assumptions about what the earnings will be.

This question of what the yields are going to be is very, very important now. I believe that yields are going to be significantly lower over the next 10-20 years than they have been. However, you have a large amount of technology that is suppressed. If you un-suppress it and introduce it, in fact, that could change in a heartbeat. If you look at the number one cost of input of US corporations, it's energy – particularly manufacturing. You dramatically reduce the energy price with technology, and – wow! – more earnings through the roof.

One of the links that I put in the bibliography is a very interesting letter from one of the teachers' groups related to pensions on an effort by the John & Laura Arnold Foundation to encourage defined contribution plans, as opposed to defined benefit.

When you look at what is happening with the underfunding and pension benefits, your first conclusion would naturally be to say, "Oh, well, rather than promising a defined benefit and then struggling in the political or corporate process to make it happen, let's just set aside defined benefit. Then if the market or the dollar collapses, the beneficiary has to assume the risk. We just can't have the state and local government or the corporations be responsible for coming up with a set benefit. It's just too risky and too difficult. So let's put it back on the beneficiary".

There is a certain logic in having the beneficiary rise and fall with the market. I could see why that structure would be more flexible and more attractive to everyone. You have the benefit of the beneficiary taking the risk, but you still get to control everything centrally. It's somewhat the best of both worlds.

Here is the problem: If you look at the bailouts and at the money missing from government and you look at quantitative easing and some of the other things – which all come together in, what I call, 'the financial coup d'état' – what you are seeing is that we are guaranteeing a no-risk, zero cost of capital world to a set of insiders, and then turning around and saying, "You know something? Not only are we going to force you to finance our mistakes by bailing us out, but what we are going to do is tell you that we're not going to bail out you even when you have a legal contractual obligation."

There was no legal and contractual obligation to provide the banks with $24+ trillion, and there is certainly no legal mechanism under the law to disappear $21 trillion or whatever the real number is, from the Departments of Defense and Housing.

They're creating a defined benefit world for a group of people who don't have any legal or contractual benefit, but are saying no, that they won't maintain the defined benefits for this other group of people, aka 'outsiders'; they want them to bear all the risk. They bore the risk on the housing bubble, and they bore the risk on the bailouts, and now they are going to bear the risk on the pension funds.

It's all subtly done, and people seem a bit unclear about it, but I assure you that if you sit back and look at the rigging of that game – insiders versus outsiders – it's outrageous. I struggle to find a way to describe it, which signifies how you're basically setting up a game where we finance you killing us. It's quite extraordinary.

Another comment that I want to make is on index funds. If you compare the 60/40 benchmark that I described in the chart towards the top of the write-up, essentially one might look at that and say, "Well, maybe we should just index investments."

I would say, "No, that's not a good idea." The challenge that we have is that the index system from the beginning was designed to depend on markets and on some active managers and brokers and other people who do or pay for analysis. We were hoping for that segment of the market that was actively managing to do the analysis and for the market to do the pricing that would keep everything clean.

So you have a certain discipline coming in the market that makes sure fraud and funny business isn't happening, and that capacity comes from either the market pricing, or it comes from a group of people who are paid to do it because of the flow of fees to active management.

So, we're taking out the market competition as a result of government and central banks actively managing markets, so we're losing honest prices and have been for a while. Then you index everything and take out analysts who are really checking and digging in and questioning and making a difference to the pricing and the market function. Then everybody is flying blind, and there is no market discipline in there, whatsoever. The question is: Who is going to provide the market discipline? More often than not, you're going to have Mr. Global and Mr. Global's minions directing politically. Then you can really get into a mess. It is back to free capital for politicallyd dictated economies. And that is how you get, as Jeremy Grantham has pointed out, sluggish economies. We run the risk of becoming Japan in the 1980's.

If you took all of the pension funds and put them into index funds and didn't have them yapping about things like Apple iPhones addicting children and didn't have them hiring managers to do the kind of analysis to make sure that you really want to buy this stock, you're taking out the last remnants of market discipline. The entire society can take all of its capital and drive right off a cliff because indexing can make you very, very stupid.

That said, you can't keep going on significantly underperforming the benchmark. So the question is: Why, and how do you turn that around? That gets us back to the deep state drain.

Finally, there has been a process during the last 20-30 years where we get more 'smart guys' starting firms. They are starting hedge funds, private equity firms, and LBO firms. What they are doing is moving to the front end of the investment process. They are buying companies before they go into IPO. They are doing a series of things that give them fees and returns.

Interestingly enough, many of those firms are financed by the pension funds, and you almost want to scratch your head and say, "Why are you financing them doing things that skim off the front end ahead of what you get?" I suspect that is part of what is happening, and they are using the pension funds for, what we used to call, 'dumb money'. They are certainly never going to tell the pension fund that, but that is essentially what is happening.

I think that part of the lower returns during the last ten years is the fact that there is a larger and larger world of different players in different areas, particularly in the alternative investment portfolio in pension funds, that have figured out how to skim things out in a way which is ultimately harming the big institutional investors, including pension funds.

Let me bring this down to **The Bottom Line**. I have a little graphic and I love those graphics that say, "Keep calm and do math." So let's look at the numbers.

Let's leave social security out and assume on the $25 trillion of pension fund assets that the unfunding is $5 to $10 trillion. Let's say that we have a $5 to $10 trillion hole on pension funds, and that doesn't include healthcare because healthcare is a more complex story. That sounds like a large amount of money, but is it really?

It's only 10% of $50 trillion, which considering $21 trillion missing from HUD; $24 to $26 trillion on the bailouts; more missing money on Iraq; we've certainly spent trillions on wars in the Middle East; we have $4+ trillion in quantitative easing (my guess is that it is probably much bigger); we have the pump and dump of the internet and telecom stocks; we have Madoff and a number of big financial frauds like that; we have the most valuable technology in the world laundered out into private corporations; other assets transferred and stolen; we have the money spent to guarantee no risk for the world that is too big or too rich or too powerful to fail; and I could go on and on and on.

Let's assume that the number, conservatively, is $50 trillion and $5 trillion is only 10% of that and $10 trillion is only 20% of that. **What is the problem?**

Where is the problem? If it's not a problem for $21 trillion to go missing from `DOD and HUD, I assure you that fixing whatever pension fund problem is there is not difficult. BUT you have to want to. That is the problem.

It gets back to what I said before. I don't think that we have an underfunding. I think that we have a political strategic decision made in the early 1990's and mid-1990's to, basically, abrogate a significant amount of the pension fund obligations and to make sure they acquired the assets out of those systems and moved them over into new systems. So when the day came that the boomers wanted their dollar back, it wouldn't be there; it would be somewhere else. If they had to give the money back to the pension fund, it wouldn't hurt it because they had stolen sufficient amounts of money to be able to keep that $2 coming every year, or to keep the $1 coming and not have to give the $1 back.

When you get a perspective of where the money is and how the money works, what you realize is that we don't have a financial problem; we have a political problem. The reason we have this problem is because the Federal government and business leadership and leadership of the country have been steadily doing things for 20 years that would, of course, result in this problem.

Think of it this way: **It's not a crisis; it's a plan.**

So what is **The Opportunity**? The opportunity is, in fact, that if you could clean up the integrity of the governance, you could introduce new technology into our economy; you could optimize the well-being and local circulation of equity, and you could take government investment and turn it from a negative to a positive return on investment.

There are significant ways we can dramatically improve productivity and dramatically improve returns on investment and generate significant capital gains. We also have ways of saving money, like not spending $1 trillion a year on war and military. If you look at the total global numbers out of the Swedish Institute, we are probably headed towards $1.5 trillion, if not $2 trillion globally for military and war.

There are many, many different opportunities. The reality is that each one of us is struggling to deal with our individual situation, and we're not coming together and saying, "Okay, let's do this," whether it's in my local area or whether it's in my state.

That's the opportunity to start to do it, but it will come back to the fact that we have a lawlessness problem. The question for all of us is: How are we going to start to enforce the laws?

If you go to www.Constitution.Solari.com or www.MissingMoney.Solari.com, you will see more and more that we are growing every day to try to help people think through, "Okay, how are we going to enforce the law? How are we going to bring transparency to government budgets and financials?"

What we are going to need to do to make all of this work is a very significant re-engineering – among other things – of how government credit and money works and integrating new technology that can kick-start productivity.

What you will see with the tax reform is plenty of capital repatriated that is going to start to do that. The question is: Where, how, and what are the details going to be? We don't know. But what I will tell you is that environmental problems aside, and I don't underestimate those, there is no reason for poverty on this planet. The way that you end poverty is to create enormous wealth.

All of these things in combination in the United States could create mind-boggling greater wealth than what we have today. Again, it is subject to the environmental problems. Who knows what the truth is there?

What Can You Do? I cannot tell you how important it is to change the narrative. If you look at the official narrative, which has an abundance of great facts and data and information in it, it's, "Oh, God! We didn't save enough. It's our fault. We're to blame. We haven't been sufficiently disciplined, so now we're just going to have to cut benefits and cut benefits and cut benefits and cut benefits."

I want to change the narrative. "If $21 trillion can disappear from HUD and DOD, let's get it back and fully fund the pension funds. What is the problem?" Or, "If we can loan $24 to $26 trillion or gift it to the banks, what is the problem? Why can't we do the same for our pension funds?"

It's very important to change the narrative. We don't have a pension fund crisis; we have a political crisis. The pension funds are a symptom of that.

Let's start to change the narrative because it will make a tremendous difference to the policies that impact what happens over the next five to ten years if we can change the narrative.

The second thing is: It's very important that you consider what it's going to do to your financial statement and balance sheet for the underfunding problems that you are connected to and when it comes to fruition. You are a taxpayer – both federally and state and local. I want you to look at where your state is and what could happen if the state started to amortize its unfunded liabilities. What would that mean to you as a taxpayer? What is it going to cost you?

Then as a beneficiary, if you are expecting to receive an income from a pension fund, I want you to start understanding what its funding ratios are and whether or not there is a problem and whether or not you and your fellow beneficiaries need to do something.

It was very interesting. There was a recent survey, which I posted in the bibliography. It was astonishing the percentage of people who thought their pension fund was fully funded and didn't realize that there was a problem.

The third thing, I think, is that we got ourselves in trouble when we decided to dedicate a cash flow for central control, leaving the central control to think it is their money, not ours. You solve that by building independent family wealth.

The reality is that you can't do that unless you address the integrity issues. You can't build independent family wealth if you have the Feds running around pumping and dumping and injecting QE to all of your competitors. It's not as simple as saying, "We're not going to play in your pension funds; we're just going to go off and build our independent family wealth."

We have a Sheriff of Nottingham abroad in the land, and your family wealth isn't safe, just as your pension fund isn't safe.

The third thing, and the 'bigger car crash', is not the pension funds. The 'bigger car crash' is the healthcare. During the last year, we've had two Solari Reports talking about this – one with Dr. Laura Thompson, and one recently with Jo Kline.

If you look at the environmental problems causing health difficulties and disease, whether it's GMO foods or fluoride in the water or heavy metal spraying and the global spraying, all of these things are significantly impacting health and life expectancy. The traditional medical system cannot help you. You're going to need to take charge of your health and do something about it, and there are many different things that you can do. We talk much about it on The Solari Report.

If you look at the squeeze that is coming in healthcare, you need to take charge, and you need to be the master of your health wherever possible.

So those are my comments on pension funds. We have a political problem; we don't have a financial problem. But that political problem, if we can't fix it or don't fix it, is going to create a real financial crisis,—

whether it's in our lives or the lives of family and friends or people we care about. Depending on how bad it gets, it could have a tremendous impact.

It's time to change the narrative. I think that the US pension funds have a deep state drain as with about everything else happening in the United States. We're getting to the point where there is no middle of the road; we're going to have to take action and do what we can to bring back the law in this society.

As I said, the web presentation will be finished, and there are plenty of great, useful topics in the Annual Wrap Up. Once we finish the web presentation, we will do the PDF and flipbook and publish the hard copy. Those will be rolling out, and we will keep you informed.

Now we have done all four parts: News Trends and Stories Part I; News Trends and Stories Part II (which is a very juicy conversation with Dr. Joseph Farrell); the Equity Overview with a discussion with Franklin Sanders on Precious Metals; the Chartology from Rambus' Outstanding 2017 Review with a very good sense of the possibility that the crash-up could continue; and now we have A Review of Pension Funds. It's time to change the narrative because I know that my pension fund has a deep state drain.

Ladies and gentlemen, that's it for the 2017 Annual Wrap Up. I look forward to publishing the 1st Quarter Wrap Up, which is going to be on the space-based economy – a very important primary trend in the investment markets and in our lives.

The leadership is committed to becoming a multi-planetary civilization. I think that is something that is very important to do as a society and as a species. We shouldn't bet the ranch on one planet, no matter how beautiful and wonderful it is and how much better care we should take of it.

Let me close as I always do by saying, "Don't worry about whether or not there is a conspiracy. If you're not in a conspiracy, you need to start one."

Ladies and Gentlemen, Good Night and Good Luck!

MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

DISCLAIMER