THE "YOU MAY NOT KNOW REPORT"

A PUBLICATION OF RETIREMENT LIFESTYLE ADVOCATES

Update Issue

By Dennis Tubbergen

Economic, financial, investing and political conditions are changing rapidly. That's why I've decided to make the focus of this issue an update on many different topics.

In this "You May Not Know Report", I will examine where things stand presently. For reference, final edits of this issue are taking place on September 29, 2021.

Currencies continue to rapidly evolve, gold and silver prices remain suppressed given the level of inflation that exists, stocks are extremely overvalued but may be beginning to show signs of weakness, real estate may be beginning to show signs of deterioration, inflation year-over year is at an all-time high when adjusting for the flaws in the Consumer Price Index, there is proposed legislation that may threaten Roth IRA strategies and two Federal Reserve members have resigned their positions after they made some potentially shady trades.

I have sourced all information that I am providing to you in this issue. I would encourage you to check out the sources listed at the end of this month's issue and dig into these topics for yourself in greater detail.

It is now a widely accepted fact that central banks worldwide are appreciably devaluing fiat currencies. Although there is 'taper talk' by the Fed, which means the Fed would raise interest rates and/or slow the rate of currency creation, I believe that this talk is just that – idle chatter.

At best, it is my view that we see only a symbolic taper rather than a meaningful one, which will continue to feed the inflation monster that has now appeared.

As fiat currencies are devalued, currency changes are inevitable. We are now beginning to see those changes as well as government responses to those changes.

As many of you are aware, the country of El Salvador has now officially adopted the cryptocurrency Bitcoin as legal tender in addition to the US Dollar. Each citizen of the Country of El Salvador was given a digital wallet containing Bitcoin. This[1] from "Tech Round":

> *El-Salvador has made headlines in the past month, becoming the first country in the world to make Bitcoin a legal tender despite international warnings and skepticism about cryptocurrencies' volatility. In early September, the country's president announced that they had acquired about 550 Bitcoin tokens worth $26 million. Bitcoin will work as legal tender alongside the US dollar, the country's legal currency for the past two decades.*
>
> *El-Salvador began debating the legislation about making Bitcoin a legal tender last year because it would spur investment across the country and uplift about 70% of its population without access to traditional banking services. As a decentralized virtual currency, Bitcoin allows users to send and receive payments worldwide without banks.*

A couple comments.

First, the 'international warnings' noted in the article came largely from central bankers who have a vested interest in keeping Bitcoin and other private currencies at bay.

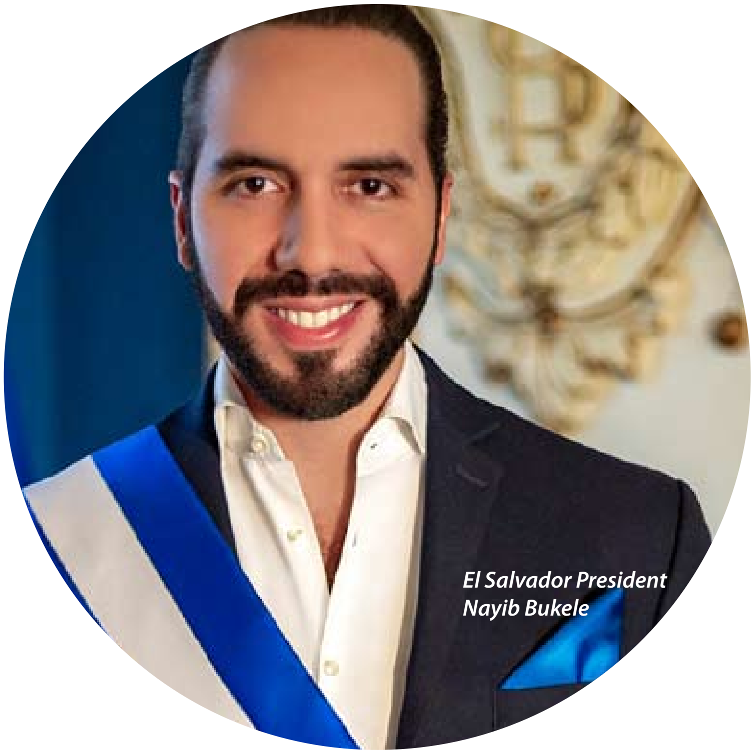
Second, critical thinkers would have to ask why now, after twenty years, would the government of El Salvador decide to adopt a second currency as legal tender? And why would the government elect a private currency?

While completely answering that question would require a deep dive into the politics of El Salvador, it is safe to say that offering the El Salvadorian populace a US Dollar alternative that has the potential to appreciate in value may be at least part of the motivation.

While not much time has passed since El Salvador elected to embrace Bitcoin as a currency, early reports from the country are mixed.

'Yahoo News" reports[2] that about 1/3rd of the population of El Salvador are now using Bitcoin via the digital wallets that they were given.

> *El Salvador President Nayib Bukele has said a third of the country's population is actively using the Chivo cryptocurrency wallet, after the government made bitcoin legal tender earlier this month.*



El Salvador President Nayib Bukele

Bukele tweeted at the weekend that 2.1 million Salvadorans were actively using the wallet. "Chivo is not a bank, but in less than 3 weeks, it now has more users than any bank in El Salvador and is moving fast to have more users that [sic] ALL BANKS IN EL SALVADOR combined," he said. "This is wild!"

The claim from Bukele is the latest insight into how El Salvador's controversial adoption of bitcoin is panning out.

El Salvador officially launched bitcoin as legal tender on September 7, meaning businesses have to accept it as payment, but the rollout was far from smooth.

The decision was criticized by the International Monetary Fund and met with street protests by some Salvadorans. On the day of the launch, bitcoin fell sharply after the government had to take the Chivo wallet offline due to capacity problems.

Chivo is a crypto wallet that lets people and businesses send and receive bitcoin and is available as an app on Apple and Android phones. The government preloaded $30 of bitcoin onto Salvadorans' accounts, which they could access by downloading Chivo.

The regular use of the wallet by 2.1 million people, according to Bukele's figures, suggests a mixed response from the country's population. It suggests two-thirds of the country have little interest in using bitcoin.

Bukele - who many see as an authoritarian leader - has argued bitcoin becoming legal tender will give people easier access to financial services and reduce remittance costs for Salvadorans abroad.

While the country of El Salvador has begun to use Bitcoin as legal tender, China has gone on the attack against private cryptocurrencies. The People's Bank of China, the Chinese central bank, recently banned the use and mining of all cryptocurrencies. This[3] from Grant Gross (referencing the BBC):

The People's Bank of China, which sets monetary policy and regulates financial institutions in the mainland, has banned all cryptocurrency transactions, the BBC reports. Using cryptocurrency "seriously endangers the safety of people's assets," the bank said. China sees cryptocurrency as a "volatile, speculative in-

vestment" and an easy way to launder money, the story notes. Trading cryptocurrency has officially been banned in China since 2019, but has continued online through foreign exchanges.

This move is not surprising given that China is looking to roll out a central bank issued digital currency. A vital part of the success of the digital currency that is issued by the central bank is to eliminate alternatives. It seems that is what China is doing ahead of the digital currency rollout next year[4].

Central bank digital currencies (CBDCs) are in various stages of development, launch and use around the globe — but one might argue that in Europe and the United States, it's all a case of playing catch-up with China.

February looms as a red-letter month, then, for the CBDC landscape. Beijing is slated to roll out its digital yuan nationally as the 2022 Winter Olympics are held, as reported by "Bloomberg".

The wider rollout would take place after a slew of trials, notably in retail and domestic settings, had been completed. Pilot tests in several cities have enabled users to purchase goods and services and pay for utilities and other bills.

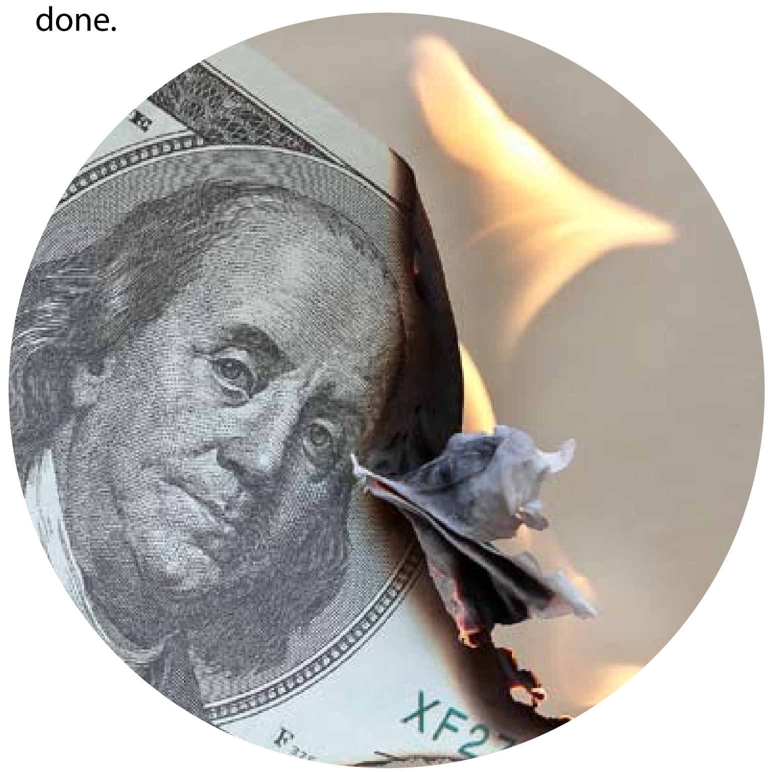
As Bloomberg reported, a number of banks and companies had set up shop at a trade fair this month to promote the digital yuan. And in an illustration of the interplay between mainstream commerce and the digital currency, companies such as JD.com and Ant Group had demonstrations of how apps would work with the CBDC and how payments could be taken at vending machines.

In a paper that debuted over the summer from the People's Bank of China, titled "Progress of Research and Development of E-CNY in China," the PBOC wrote that the digital yuan, at a high level, is envisioned as "a value-based, quasi-account-based and account-based hybrid payment instrument, with legal tender status and loosely-coupled account linkage."

With a retail, domestic focus — and with the CBDC serving as a substitute for cash, according to the paper — the PBOC "issues e-CNY to authorized operators which are commercial banks, and manages e-CNY through its whole life cycle. Meanwhile, it is the authorized operators and other commercial institutions that exchange and circulate e-CNY to the public."

Moving ahead, as world central banks work to develop digital currencies, it's important to keep in mind that, at this point, all these planned and proposed digital currencies will just be another type of fiat currency.

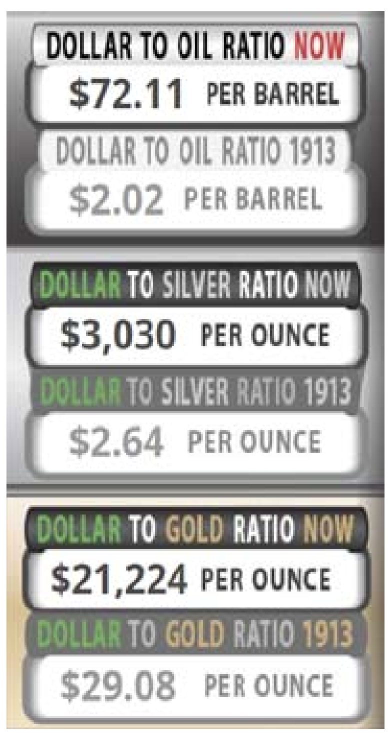
Ultimately, unless a digital currency is linked to a tangible asset like gold, I expect they will fail as every other fiat currency in history has done.



Gold and Silver Update

I've had conversations with many readers, radio show listeners and clients about the recent decline in the price of precious metals. Those conversations always lead to two topics of discussion. One, where should the price of precious metals be from a fundamental viewpoint? And, two, why is the current reality not reconciling with the fundamentals?

In this update, I'd like to address both topics. Let's begin with the fundamentals. I'd like to have this conversation from the perspective of the expansion of the fiat money supply and then compare the expansion of the money supply to the price of gold, silver and another commodity – oil. This comparison is easy to do when visiting[5] usdebtclock.org. The screenshot on this page is taken from that website.



Notice from the screenshot (right) that the dollar-to-oil ratio, the dollar-to-silver ratio, and the dollar-to-gold ratio in 1913 are all noted.

The ratio is calculated by taking the total increase in the money supply and dividing by the yearly production of either oil, silver or gold depending on the index one is examining. For example, the dollar to oil ratio in 1913 was calculated taking the total increase in the money supply and dividing by the total world oil production. A review of the history of oil prices concludes that the actual price of oil per barrel in 1913 closely tracked the price forecast using this simple formula[6].

The same conclusion is reached when looking at the forecast prices in 1913 and the actual prices. Gold was $20 per ounce in 1913 and silver was between $1 and $2 per ounce[7].

Here's the point, in calendar year 2013, using the formula of taking the increase in the money supply and dividing by annual world production of oil, silver or gold; one arrives at a forecasted number that reasonably tracked reality.

Fast forward to September 2021 and one discovers that this forecasting tool seems to have broken for gold and silver but still works for oil. Observe from the screenshot that taking the total increase in the money supply presently and dividing by world oil production, one gets a forecasted estimate of about $72 per barrel. Like in 1913, that tracks reality reasonably closely. The current price of one barrel of oil as this issue goes to publication is about $75[8].

However, when looking at the forecasted price of silver and gold, one reaches a much different conclusion. The forecasted price of silver is more than $3,000 per ounce while physical silver is presently selling somewhere in the mid $20 range. The forecasted price of gold is more than $21,000 per ounce while reality has physical gold selling for around $1900 per ounce.

To bring up the subject of critical thinking once again – something doesn't make sense.

The answer is probably at least somewhat discovered in this article[9]:

JPMorgan Chase & Co. admitted wrongdoing and agreed to pay more than $920 million to resolve U.S. authorities' claims of market manipulation in the bank's trading of metals futures and Treasury securities over an eight-year period, the largest sanction ever tied to the illegal practice known as spoofing.

The New York-based lender will pay the biggest monetary penalty ever imposed by the Commodity Futures Trading Commission, including a $436.4 million fine, $311.7 million in restitution, and more than $172 million in disgorgement, according to a statement from the CFTC. The CFTC said its order will recognize and offset restitution and disgorgement payments made to the Department of Justice and Securities and Exchange Commission.

The accord ends a criminal investigation of the bank that has led to a half-dozen employees being charged with rigging the price of gold and silver futures for more than eight years. Two have entered guilty pleas, and four others are awaiting trial.

The JPMorgan penalty far exceeds previous spoofing-related fines levied against banks, and is the toughest sanction imposed in the Justice Department's years-long crackdown on spoofing. The bank entered into a deferred prosecution agreement with the Justice Department as part of the settlement, according to the CFTC.

Stock Update

Since we covered this in great detail in last month's "You May Not Know Report", I won't devote much space to it in this month's issue.

Suffice it to say that stocks remain overvalued using almost any metric including the Buffet Indicator and the Shiller CAPE Index. Additionally, levels of margin debt on stocks are at all-time highs.

Past radio guest, Dr. Robert McHugh, a technical market analyst recently reported that another "Hindenburg Omen" occurred in stocks on September 28, 2021.

For those of you not familiar with this indicator, a Hindenburg Omen is a condition that exists in stocks as follows:

-The daily number of 52-week lows and highs in the market index is greater than 2.2% which is the threshold amount.

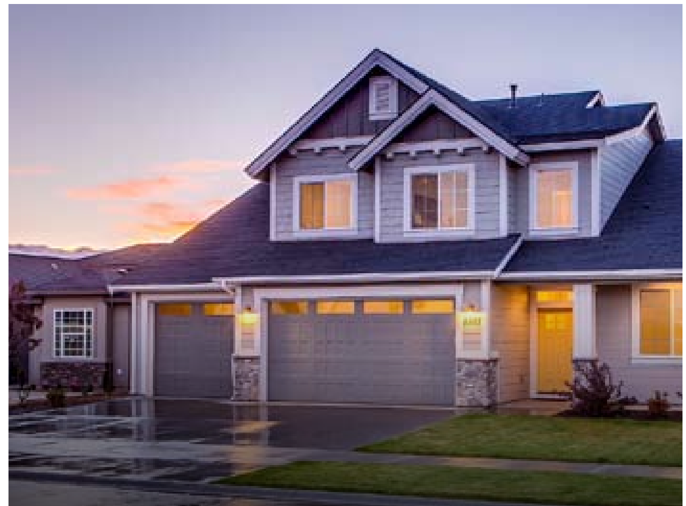
- The highs of the 52 weeks must not be more than 2 times the lows of 52 weeks.
- The stock market is in an uptrend and the uptrend is identified as per the moving average of 10 weeks or the rate of change of 50 days.
- The McClellan oscillator is negative.

The McClellan Oscillatory indicates the shift in the market sentiments.

I understand that explanation is a but technical but suffice is to say that there are an inordinate number of stocks making new lows while not more than twice as many stocks make new highs. Put another way, the market lacks conviction.

Here is what Dr. McHugh had to say about the markets on September 29, 2021[10]:

The market triggered a new Hindenburg Omen observation Tuesday, September 28th. Because this is occurring outside the 30-day period the current official H.O. occurred, this new one today is considered the first observation of a second H.O. Once we get a second H.O. observation within the next 30 days, we will have a concurrent second official H.O. potential stock market crash signal on the clock. Concurrent signals are not good if it happens. The Official H.O. from August warns of a potential stock market crash through mid-December. If we get a second one, that will extend the danger time into 2022. All stock market crashes in the past 35 years occurred with one or more on the clock. None happened without one on the clock.



Real Estate Update

Real estate prices have often followed stock prices historically. Currently, it seems that the bull market in real estate could also be reaching an apex. Rapidly rising prices have made homes unaffordable for many in the market. This[11] from "Yahoo Finance":

Home price growth in the U.S. soared to new highs in July.

Standard & Poor's said Tuesday that its S&P CoreLogic Case-Shiller national home price index posted a 19.7% annual gain in July, up from 18.7% in June — the fourth straight month in which the growth rate set a record. The 20-City Composite posted a 19.9% annual gain, up from 19.1% a month earlier. The 20-City results were just shy of analysts' expectations of a 20% annual gain, according to Bloomberg consensus estimates.

"The National Composite Index marked its fourteenth consecutive month of accelerating prices with a 19.7% gain from year-ago levels, up from 18.7% in June and 16.9% in May," said Craig J. Lazzara, managing director and global head of index investment strategy at S&P Dow Jones Indices, in a press statement. "The last several months have been extraordinary not only in the level of price gains, but in the con-

sistency of gains across the country."

In July, all 20 cities recorded home price increases. Home prices in 19 of the 20 cities are now at all-time highs. Only Chicago is an outlier, at 0.3% its 2006 peak.

"Phoenix's 32.4% increase led all cities for the 26th consecutive month, with San Diego (+27.8%) and Seattle (+25.5%) not far behind," said Lazzara.

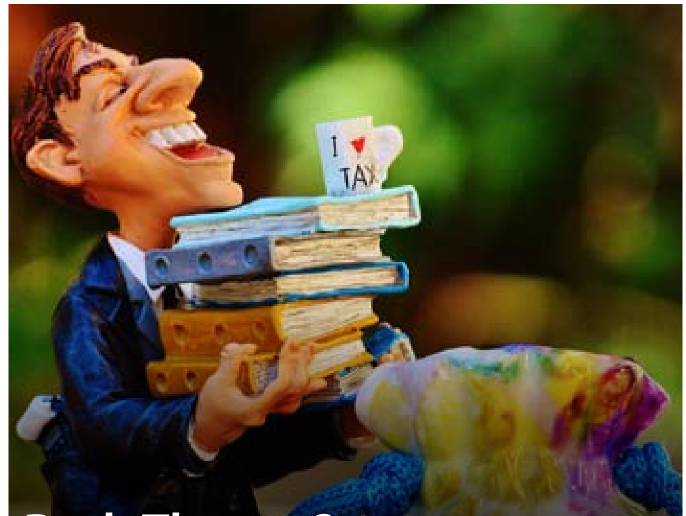
As home prices continue to elevate at rates that are clearly unsustainable, mortgage demand is declining, a clear, bearish divergence from rising prices. Should mortgage demand continue to wane, prices will have to soon follow. This[12] from CNBC:

Higher interest rates took some recent wind out of the sails in the mortgage market.

After gains the previous week, total mortgage application volume fell 1.1% last week from the previous week, according to the Mortgage Bankers Association's seasonally adjusted index.

Applications to refinance a home loan, which are highly sensitive to weekly rate movements, decreased 1% from the previous week and were essentially flat from a year ago. The increase in interest rates occurred late in the week and continued into this week, suggesting the negative effect on refinance demand will be more severe in next week's report.

Mortgage applications to purchase a home fell 1% last week and were 12% lower than a year ago. The weakness in purchase demand is less about rising interest rates, which are still historically low, and more about sky-high home prices.



Roth Threats?

There are Roth IRA changes coming. "The Wall Street Journal" reported[13] that the House Ways and Means Committee approved legislation from House Democrats that would disallow the use of 'backdoor Roth conversions' beginning January 1, 2022. This from the article:

The proposal is one of a series of measures Democrats are backing in an effort to prevent the wealthiest Americans from shielding multimillion-dollar retirement balances from taxes. The move is part of a broader agenda that includes raising taxes on higher income Americans and cracking down on tax avoidance to help pay for measures including the party's $3.5 trillion healthcare, education and climate bill.

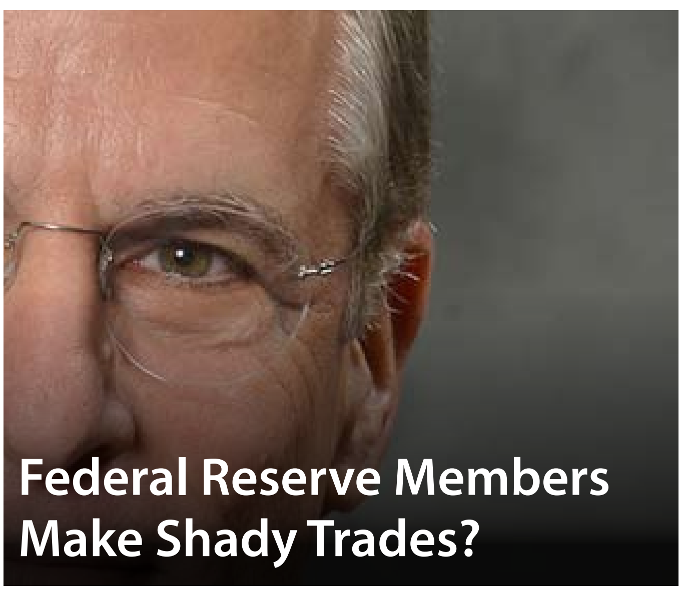
The legislation also proposes eliminating Roth conversions of after-tax contributions to traditional individual retirement accounts starting Jan. 1, 2022. It would require most people with aggregate retirement-account balances above $10 million to take distributions, regardless of their age. And it would ban holding unregistered securities, including private equity, in IRAs.

Starting in 2032, the legislation would prevent single people earning more than $400,000 a *year and married couples with incomes above $450,000 from converting pretax retirement-account money to Roth accounts.*

A backdoor Roth has a taxpayer who is ineligible to contribute to a Roth IRA make the contribution to a traditional retirement account and then do a Roth conversion. While contributions to a Roth have income limits, conversions to a Roth have no such limits.

If you are married filing jointly and your adjusted gross income is less than $198,000, you can contribute up to the limit to a Roth. If your adjusted gross income is $208,000 or more, you are prohibited from making a Roth contribution. A single taxpayer can make the full Roth contribution if his or her income is less than $125,000. Once a single taxpayer's adjusted gross income rises to $140,000, no Roth contribution is allowed.

Seems that retirement accounts are now on the radar of the Washington politicians.



Federal Reserve Members Make Shady Trades?

"The Wall Street Journal" ran a story on September 21, 2021, that reported two separate advocacy groups called out two Federal Reserve members for pandemic profiteering alleging that the two Fed members may have used inside information to personally profit from Fed policy. This[14] from the piece:

Two advocacy groups said two senior Federal Reserve officials who traded stocks and other investments while setting monetary policy should lose their jobs, while a former senior Fed adviser said one of the men should be fired and the other should take leave pending an investigation.

Federal Reserve Bank of Dallas President Robert Kaplan [and] *Federal Reserve Bank of Boston leader Eric Rosengren actively traded in markets in 2020, a year dominated by major Fed interventions to help save the economy during the coronavirus pandemic, according to financial disclosure forms recently made available by their banks. The Fed said after the disclosures it would review its rules around trading rules by officials.*

Better Markets, a group that pushes for tighter financial regulation; the left-leaning Center for Popular Democracy's Fed Up campaign; and Andrew Levin, a former top Federal Reserve staff member and now a professor at Dartmouth College, are calling for the Fed to take action against Messrs. Kaplan and Rosengren.

"It's time for the Fed to do what leaders are supposed to do: Lead by example," Better Markets president and chief executive officer Dennis Kelleher wrote in a letter sent to Fed Chairman Jerome Powell Tuesday.

Referring to what he called the "pandemic profiteering trading conduct" of Messrs. Kaplan and Rosengren, both should resign or be fired "for having lost the confidence and trust of the American people and, one would think, the Chairman of the U.S. central bank," Mr. Kelleher said.

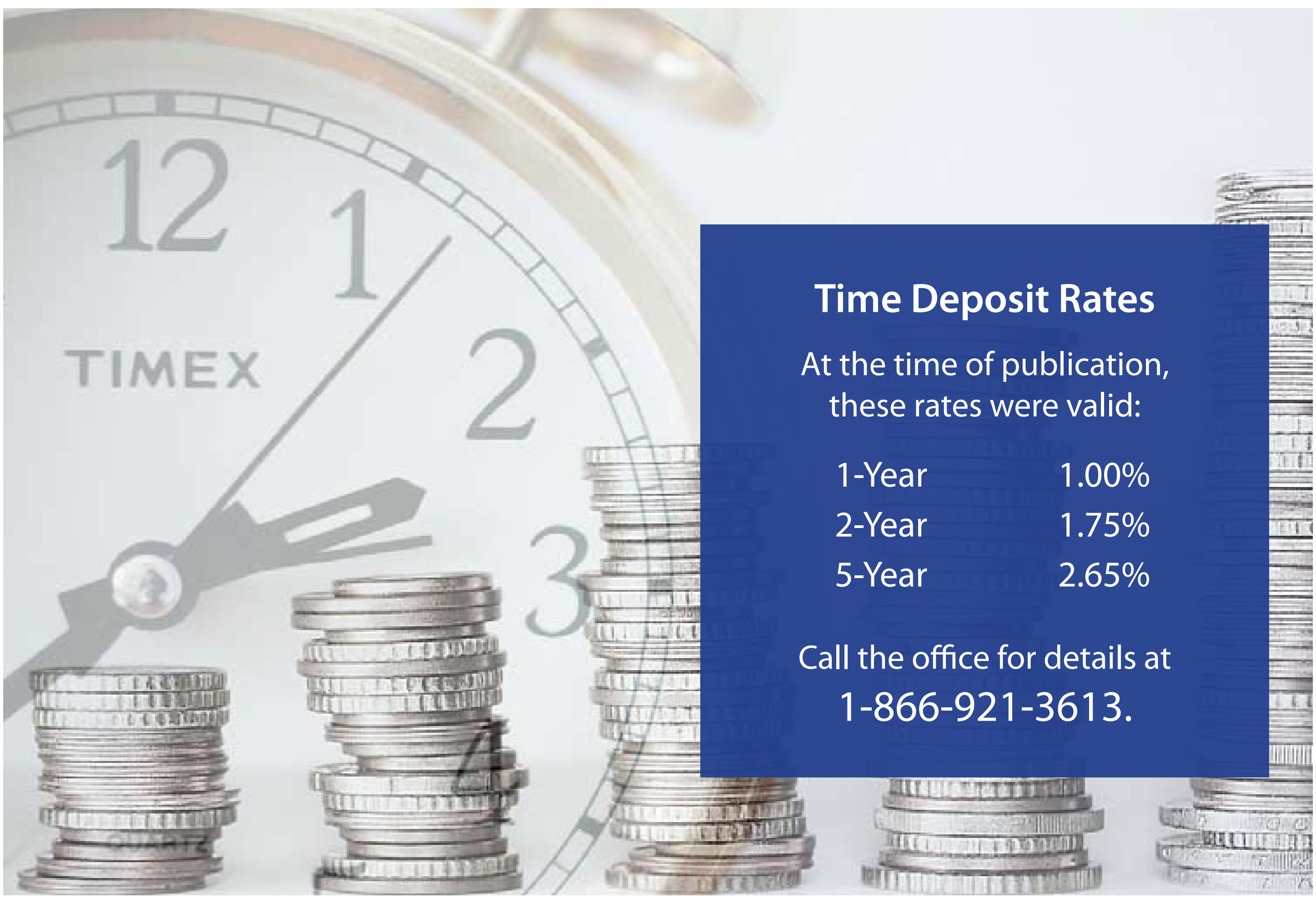
Mr. Kelleher said that as a regulator of financial institutions that has weighed in publicly about *improving Wall Street culture, the Fed must live by those same standards.*

Dartmouth's Mr. Levin said, "President Rosengren should immediately resign or be removed from office" and "President Kaplan should take administrative leave pending the outcome of an external investigation of his trading activities." The academic also worked at the central bank as special adviser to the Board on monetary policy strategy and communication from 2010 to 2012.

Mr. Levin said that in the case of Mr. Rosengren, trading securities tied to real estate even as these investments were directly affected by the Fed's actions to help support the financial sector last year was egregious.

In the case of Mr. Kaplan, more information is needed, Mr. Levin said. The Dallas Fed leader, who worked for two decades at investment bank Goldman Sachs Group Inc. before leaving in 2006, has so far declined to provide full information on when and how much he traded across a wide variety of securities, some of which were in investments directly impacted by Fed policy choices, such as interest-rate and stock-market future funds.

The two men have since resigned, Rosengren at the end of September citing health reasons, and Kaplan stated the focus on his stock trading distracted from the work of the Fed.



Are Your Dreams of a Secure, Stress-Free Retirement at Risk?

How to Use a Simple 4-Step Process Designed Especially for Today's Economy to Help You Maximize Your Benefits from Social Security, Divorce Yourself from the IRS in Your IRA or 401(k) and Achieve Your Dreams of a Comfortable Retirement in a Crazy, New World

The world has **dramatically changed** over the past couple of years. What was once considered 'normal' is now a distant memory.

With this massive level of change in nearly every area of our lives, **retirement planning rules have also changed radically.**

Whether you are aspiring to a comfortable, stress-free retirement or you are already retired, today's retirement is not your Mom's or Dad's retirement, far from it. If you plan for your retirement using the same strategies your parents did, **you may fail and find that your retirement dreams are never realized**. Or even worse, **you may retire thinking everything is O.K., only to find that your finances fail you**.

A 2-night educational course will reveal retirement's new rules in the new economy and lay out a simple 4-Step process to achieving a successful retirement.

This course, formerly taught at Western Michigan University, is now being offered at Prince Conference Center at Calvin College, 1800 E Beltline Ave SE, Grand Rapids, MI 49546, on Tuesday, November 30, and Tuesday, December 7, from 6 PM to 9 PM each night. We have arranged complimentary parking for attendees.

The Federal Reserve, the central bank of the United States, has been creating currency at a pace that can only be described as reckless. Inflation is emerging as a result. **Anyone who is retired, or who is contemplating retirement is being affected.**

Combine that fact with the fact that current debt levels compared to the size of the economy **are 50% higher than at the beginning of The Great Depression** and it becomes **painfully evident** that the economy is different now than at any time in recent memory.

If you want to succeed in retirement, you may need to consider a different approach. Full details about this course are available online at www.NewRetirementRules.com.

Resources to Help You Stay Informed

To help you stay informed and to provide you with perspective and insight on financial matters during these unprecedented times we have made our resources available to you on the YOURRLA app.

You can download the YOURRLA app for free by visiting the app store (either Google or Apple) and searching under YOURRLA.

The app will get you access to our weekly "Headline Roundup" Webinar, the podcast versions of the RLA radio program and our weekly newsletter.

You can also participate in the "Headline Roundup" webinar live on Mondays at Noon Eastern time.

If you know of someone who might appreciate getting this information during these challenging times, feel free to have them download the free app as well.

If you have questions when downloading the app or would like assistance, feel free to call the office. Our office phone is **1-866-921-3613**. Our office phone is answered 8 to 5 Monday through Thursday and 8 to Noon on Friday.

Sources

1. https://techround.co.uk/cryptocurrency/bitcoin-legal-tender-el-salvador-how-actually-work/
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