August 2020 Volume 4, Issue 8

# THE "YOU MAY NOT KNOW REPORT"

## A PUBLICATION OF RETIREMENT LIFESTYLE ADVOCATES

# The Inevitable Decline of Higher Education

The COVID-19 response has been economically ruinous. But, we would differ with those analysts who argue that the current economic decline is due entirely to the lockdowns. As we noted in the July issue of the "You May Not Know Report", the seemingly strong economy at the beginning of the year was already beginning to weaken.

As we also noted last month, the full effects of the current economic conditions and the vast amount of money printing in which the Federal Reserve is now engaging will not be seen immediately. There will be economic fallout for years to come.

While many parts of the economy will be affected, one seldom-discussed area that we believe will be severely impacted is higher education.

On a recent "Portfolio Watch Live" webinar update (held every Monday at noon online), we discussed this in some level of detail. (If you've not been participating in the "Portfolio Watch Live" webinar updates, call the office at 1-866-921-3613 to get added to the invite list.

If you're not able to attend the update webinar live, it is posted online for review at your convenience.)

Let's begin with the obvious.

Paying $30,000, $40,000 or $50,000 per year for remote higher education classes on Zoom is a tough pill to swallow. Rather than making that investment, many students and their families will opt to take a gap year and see how things shake out. Demand for higher education will decline.

### Are You Participating?

Each Monday, we conduct a live webinar to keep you updated on current market conditions. To get invitations to the webinar, call the RLA office at **1-866-921-3613.**

Higher education costs have been in a bubble as we have been warning for years. A bubble exists when easy credit is extended for a long period of time. This was true of the housing market during the financial crisis of a dozen years ago and it's true now when it comes to the cost of higher education.

Prior to the housing bubble bursting in 2006 and 2007, if one had a pay stub it was possible to get 100% financing for a home. This promiscuous extension of credit to aspiring homeowners fueled a bubble that eventually exploded as we all now know.

According to "Forbes"[1], in February of this year, student loan debt topped $1.6 trillion. About 11% of student loans are more than 90 days delinquent and 5.5 million student loan borrowers are in default on their loans.

Setting aside the effect of remote classes on higher education demand, those statistics alone signal that a reversal is nigh.

Scott Gallaway, a marketing professor at New York University, estimates that as many as 2,000 of the nation's 4500 colleges and universities could become extinct over the next several years[2]. He adds that students were already not getting their money's worth and the lockdown response to the pandemic simply exposed this fact. This from the article published by "Campus Reform" (emphasis added):

*"Regardless of enrollments in the fall, with endowments of $4 billion or more, Brown and NYU will be fine," Galloway wrote in a blog post. "However, **there are hundreds, if not thousands, of universities with a sodium pentathol cocktail of big tuition and small endowments that will begin their death march this fall.**"*

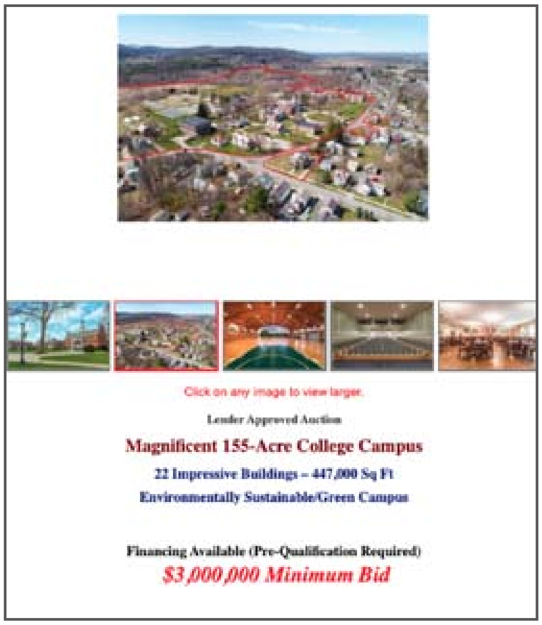
*"You're gonna see an incredible destruction among companies that have the following factors: a tier-two brand; expensive tuition, and low endowments," he said on "Amanpour and Co.," because "there's going to be demand destruction because more people are gonna take gap years, and you're going to see increased pressure to lower costs."*

***Approximating that a thousand to two thousand of the country's 4,500 universities could go out of business in the next 5-10 years**, Galloway concludes, "what department stores were to retail, tier-two higher tuition universities are about to become to education and that is they are soon going to become the walking dead."*

*Galloway argues that an education in the U.S. is observably unsatisfactory for the amount that it costs, given that **if you "walk into a class, it doesn't look, smell or feel much different than it did 40 years ago, except tuition's up 1,400 percent**," he said during an interview with Dr. Sanjay Gupta. And **the pandem-***

***ic, according to Galloway, has served to expose the quality of higher education.***

***"Students I think across America along with their families listening in on these Zoom classes are all beginning to wonder what kind of value, or lack thereof, they're getting for their tuition dollars," he said.***




***Green Mountain College has put its entire 155-acre campus up for auction. A $3 million minimum bid is required.***

Seems Professor Galloway's prediction might be right on target. Already, one liberal arts college has put their entire campus on the auction block[3]. Green Mountain College, a private, liberal arts college in Poultney, Vermont has put all its facilities up for auction. Maltz Auctions, a premier, full-service auction company is handling the auction which will be held this month.

The campus consists of 155 acres, has 22 buildings totaling 447,000 square feet and boasts that it's a green, environmentally sustainable campus. A $3 million minimum bid is required.

The campus was previously listed for $23 million, arguably a very fair price just a few years ago. But no more. The bubble is unwinding. Look for more stories like this in the future.


# Central Banks Go on Gold Buying Binge

In today's world, central bankers control monetary policy. Specifically, in the United States, the Federal Reserve, a private group of bankers, sets money policies. If you're a new reader to the "You May Not Know Report", that's an important bit of information that is not widely understood. Since 1913, this private group of bankers has controlled money policies. Over time, the money used in the United States (and the rest of the world) has moved from gold and silver to paper currency with no intrinsic value.

Since 1971, when the link between the US Dollar and gold was eliminated when president Richard Nixon closed the gold window, the US Dollar has been a fiat currency meaning the US Dollar is legal tender because the government, by decree, says it's currency not because US Dollars have any tangible value.

Central banks around the world are now engaging in what will be a fatal monetary policy. History teaches us that massive money creation literally out of thin air always ends badly.

John Williams, recent guest on the Retirement Lifestyle Advocates radio program, is forecasting a hyperinflationary depression as a consequence of this policy. As he points out in the interview (now available at www.RetirementLifestyleAdvocates.com), policymakers face two choices – stop money creation or continue with money creation. Should they elect to stop the current 'money creation to infinity' policy, a deflationary collapse would result. Not a good outcome.

On the other hand, should they continue with the radical money creation policies that they are now pursuing, the hyperinflationary outcome will at least occur at some future point rather than immediately.

There are two possible outcomes, both end results will be devastating. It's Mr. Williams' contention that policy makers will opt for the outcome that will happen later. It's the 'kick the can' down the road mentality that has dominated public fiscal policy since the link between the US Dollar and gold was abolished.

Essentially, policy makers have two choices, both bad. They can allow the brown matter to hit the proverbial air moving machine sooner or later. John says they will elect later with the hope that something will come along in the interim that will help them avoid the horrid conclusion that is eventually inevitable when enormous amounts of money are created.

There are some signs and emerging evidence that central bankers around the world may be preparing for the inflationary outcome. Central banks have been buying gold at a near-record pace. Peter Schiff, a past guest on the RLA Radio program, recently commented[4] (emphasis added):

***Central banks added a net of 39.8 tons of gold in May****, according to the latest data from the World Gold Council.* ***May purchases maintained the pace we've seen through the first four months of the year and was slightly above the four-month average of 35 tons.***

*So far in 2020,* ***central banks have added a net of 181 tons of gold to their reserves****. That's about 31% lower than the total through the same period last year.* ***The lower rate of purchases in 2020 was entirely expected given the strength of central bank buying both in 2018 and 2019.***

***Central bank demand came in at 650.3 tons last year. That was the second-highest level of annual purchases for 50 years, just slightly below the 2018 net purchases of 656.2 tons. According to the WGC, 2018 marked the highest level of annual net central bank gold purchases since the suspension of dollar convertibility into gold in 1971, and the second-highest annual total on record.***

***The World Gold Council says it expects central bank demand for gold to continue in the near-term****.*

*"As we noted in our Q1 2020 Gold Demand Trends report, the case for central banks holding gold remains strong. Especially considering the economic uncertainty caused by the COVID-19 pandemic."*

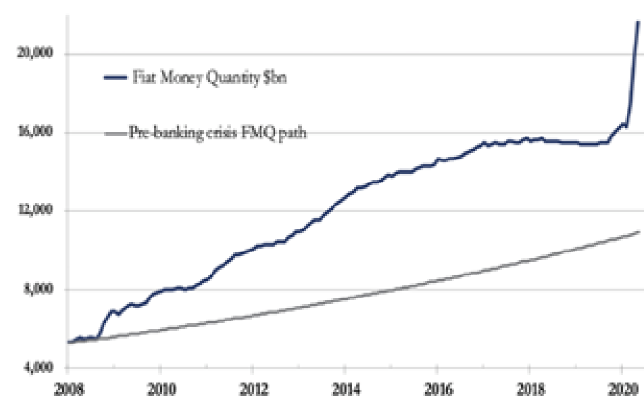
*The WGC 2020 Central Bank Survey found that* ***20% of central banks globally plan to expand their gold holdings in the next 12 months.***

*"Factors related to the economic environment – such as negative interest rates – were overwhelming drivers of these planned purchases. This was supported by gold's role as a safe haven in times of crisis, as well as its lack of default risk."*

Interestingly, when central banks purchase gold, they use a fiat currency to purchase it.

Consider that the seller of the gold to the central bank is opting to exchange fiat currency for something tangible like gold. When looking at how much gold exists and is mined each year and comparing that number to the amount of fiat currency that is being created, one does not have to be an award winning economist or be among the intellectual elite to conclude that this trend's days are numbered. It cannot and will not continue over the longer term.

**Figure 1. Fiat Money Quantity (FMQ) $bn**

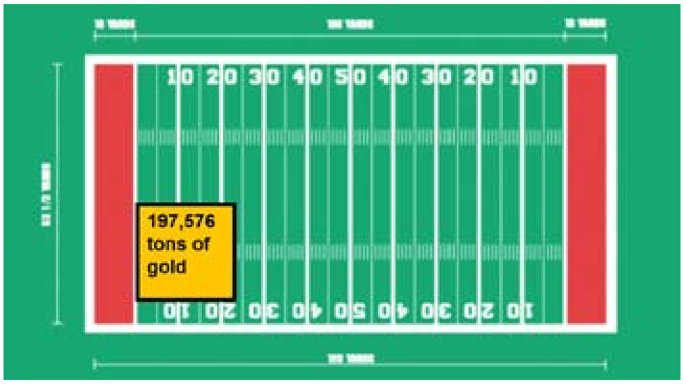



Source: St Louis Fed database (FRED), Goldmoney

The chart on this page, originally published by past radio guest, Mr. Alasdair Mcleod, shows the immense level of fiat money creation this year. The amount of fiat currency in existence has increased about 40% year-to-date. Let that sink in for a moment.

By contrast, it is estimated by the World Gold Council[5] that 197,576 tons of gold has been mined throughout all of history.

That sounds like a lot of gold and it is, but it's not as voluminous as you might think. Here's a visual to provide perspective. If all the pure gold in existence were put into one cube, the cube would measure a little more than 71 feet on each side.




The football field illustration gives a good point-of-view. Notice that all the gold in the world, if made into one giant cube, would stretch from the goal line to just shy of the 24-yard line.

That's not much gold when you contemplate that's all the gold in existence.

And, not much gold is added to that total each year relatively speaking. Each year, global gold mining adds between 2,500 and 3,000 tons of gold to that total.

So, as the fiat money supply increased almost 40% already this year, the gold supply increased about 1.5%.

By adding nearly 40 tons of gold to their reserves last month, central bankers invested in the equivalent of 13-15 years of gold mining production.

For most of history, gold and sometimes gold and silver have been money. By going on a gold buying binge, could central bankers be prepping for the eventuality?

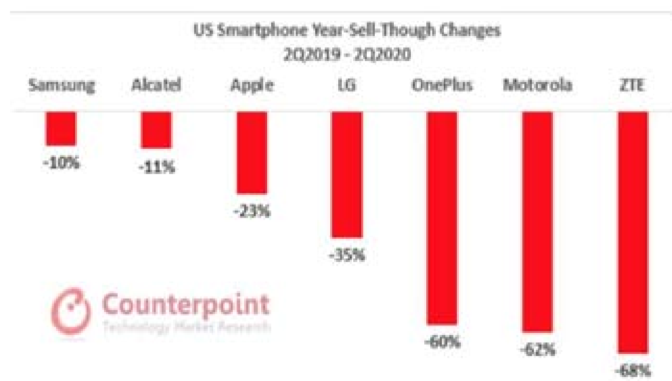
Many of you reading this publication are already using the two-bucket approach to managing assets as described in the number one, best-selling book "Revenue Sourcing". The premise of this approach is to have some assets that perform well in a deflationary environment and others that perform well in an inflationary environment. As this discussion demonstrates, some of the assets in the inflation asset bucket should contain precious metals.

*If you would like to discuss how to add precious metals to your portfolio and how to potentially use a strategy to 'compound ounces', feel free to call the office and schedule a phone conference. The office number is 1-866-921-3613.*

## Signs of Economic Weakness and Likely No "V-Shaped" Recovery

While many analysts are predicting (or perhaps just hoping) for a "V-Shaped" economic recovery, there is much evidence that suggests this is an outcome that is unlikely.

Counterpoint Research reported[6] that year-over-year, the sale of Smart Phones is down 25% with consumers opting for lower cost phones instead.




iPhone SE sales were up significantly. The iPhone SE is Apple's low cost iPhone and is sold by pre-paid and post-paid vendors. Many new iPhone SE users are former android users who are attracted to the SE by its price. Seems mobile phone users are becoming more price conscious.

New York real estate, often the canary in the coal mine when it comes to real estate prices, declined in the second quarter of this year. According to Fox Business[7], New York City landlords began to discount rent over the past quarter in an effort to attract tenants. This from the article (emphasis added):

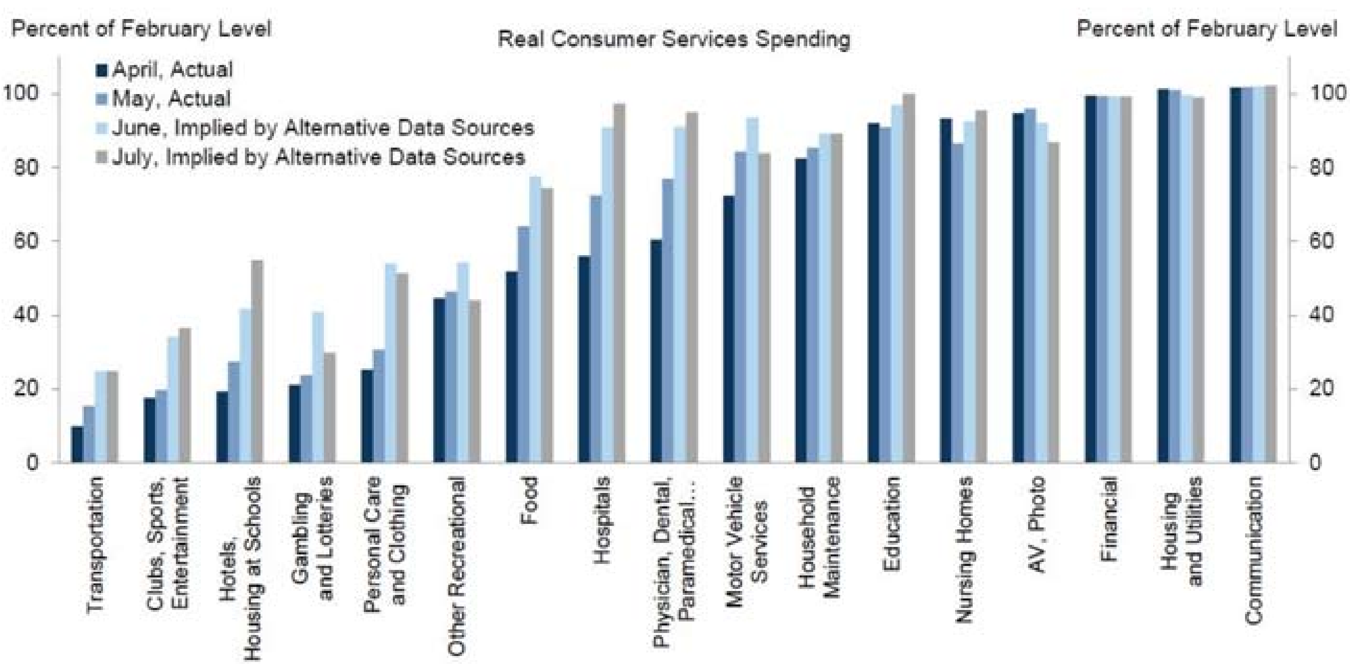
> ***Rent prices were discounted across 34.7 percent of properties in the Big Apple*** *during the second quarter, according to new data from real estate website StreetEasy.*
>
> ***The median asking price fell by 6.7 percent****, which is about $221 per month or $2,652 per year, due to reduced demand.*
>
> ***<u>And prices may be headed even lower in the near future.</u>***
>
> *"Demand will remain low as new hires, interns and students begin jobs and school remotely, and as* ***<u>many New Yorkers escape the city temporarily or permanently</u>****," Nancy Wu, StreetEasy Economist, told FOX Business. "As inventory piles up due to this lack in demand, even more landlords will need to make rent cuts, and rents will likely drop even further."*
>
> *The second quarter of 2020 marked the first time since the Great Recession that there was a year-over-year rent price drop in the metro.*

The chart on this page illustrates that transportation services saw consumer spending in July at a little more than 20% of the February level. That level of consumer spending was unchanged from June.

Consumer spending on clubs, sports and entertainment rose in July from June and now stands at a bit more than 40% of the February consumer spending levels.

Spending on hotels is at about 60% of the levels seen pre-Covid 19 and spending on gambling and lotteries is at about 30% of February levels. Interestingly spending on hospitals has not increased.

This chart spells bad news for the US economy which is highly dependent on consumer spending to be healthy.




https://www.google.com/covid19/mobility/ Accessed: July 24, 2020.

Source: FourSquare, Opportunity Insights, Second Measure, Google LLC "Google COVID-19 Community Mobility Reports", Goldman Sachs Global Investment Research

Small businesses around the country continue to close. The lockdown response to COVID 19 has been economically devastating. This from Michael Snyder[8] (emphasis added):

*Even though economic conditions were absolutely awful, during the month of June the mainstream media kept insisting that the U.S. economy was "recovering" and the stock market kept surging on every hint of good news.* ***But now the "economic recovery" narrative is completely dead, because the numbers clearly show that the U.S. economy is rapidly moving in the wrong direction****. On Thursday, the Labor Department announced that another 1.416 million Americans filed new claims for unemployment benefits last week. Prior to this year, the all-time record for a single week was just 695,000, and so* ***<u>we are talking about a level of unemployment that is absolutely catastrophic</u>****. But what is really alarming many analysts is that the number for last week was quite a bit higher than the number for the week before. Many states are rolling out new restrictions as the number of confirmed COVID-19 cases continues to surge, and this is having a huge impact on economic activity. For months I have been warning that fear of COVID-19 would prevent economic activity from returning to normal levels for the foreseeable future, and that is precisely what has happened.*

*Overall,* ***more than 52 million Americans have filed new claims for unemployment benefits over the past 18 weeks, and that makes this the biggest spike in unemployment in U.S. history <u>by a very wide margin</u>****.*

*In fact, this dwarfs all previous spikes by so much that the others are not even worth mentioning.*

*Of course it isn't just the employment numbers that are depressingly bad.* ***<u>According to Jefferies, in late June 19 percent of all U.S. small businesses were closed, but now that number has risen to 24.5 percent…</u>***

*As of Sunday, 24.5% of small businesses in the United States were closed, according to Jefferies. That is worse than late June, when only 19% were closed. Jefferies pointed to "particular weakness in COVID hot spots" and noted that small business employment had dropped to levels unseen since the end of May.*

*Just think about that number for a minute.*

*Nearly a quarter of all small businesses in the entire country are closed.*

*And the really bad news is that many of them will never end up reopening.*

*At the beginning of the pandemic, I received a lot of criticism for stating that many of the small businesses that were shutting down at that time would never open again, but over the long-term the numbers have shown that I was correct.*

*In fact,* ***<u>Yelp says that a whopping 60 percent of the restaurants that were initially listed as "temporarily closed" on their site are now classified as permanently closed</u>****…*

*Fear of COVID-19 is going to cause a large portion of the population to continue to avoid restaurants for as long as this pandemic persists, and it is becoming clear that it is likely to persist for a long time to come.*

*We are going to lose so many small and independent places to eat. Many of the big corporate chains that have very deep pockets will survive, at least for a while, but there is simply no replacing what small and independent res-*

*taurants mean to our communities.*

*Bars and clubs are being hit extremely hard as well. According to Yelp**, 44 percent of the bars and clubs on their site that wereinitially listed as "temporarily closed" have now been shut down on a permanent basis…***

*Other sectors of the economy are doing relatively better, but the overall outlook for small businesses in America is exceedingly bleak.*

***In New York City, it is being projected that one-third of all small businesses will never be able to open again…***

*I know that number is hard to believe, but this is actually happening.*

*Our politicians want to encourage people "to go back to work", but for millions upon millions of Americans the jobs that they once had are gone forever.*

The economic damage that has been done will not be repaired quickly. The hoped for "V-Shaped" recovery appears to be more of a dream than a reality.

## Where Is All the Newly Printed Money Going?

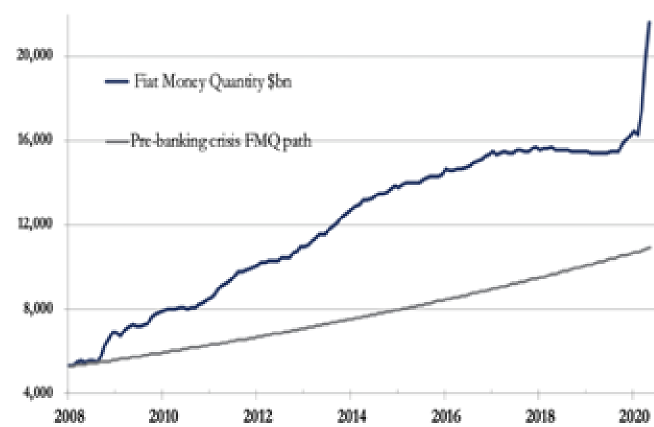
Since central banks around the world have increased the amount of fiat currency that is circulating by about 40% this year as noted from the chart, it's reasonable to ask where this money is going.

It's certainly not paying down debt. Debt levels have increased exponentially since the financial crisis. This[9] from Egon von Greyerz:

*In 2006 when the Great Financial Crisis started, US Federal debt was $8.5 trillion and today it is $26.5 trillion. In 14 years debt has more than trebled. GDP in 2006 was $14 trillion and is now $21.5 trillion. So debt to GDP has gone from 60% to 123%.*

*This is what is called running on empty. US debt creation has nothing to do with investing in productive assets. With the debt to GDP ratio doubling in 14 years it is clear evidence that* ***all the printed money is not going into the real economy but is supporting a bankrupt financial system which has kept the money to prop up their own insolvent balance sheets and to remunerate the top executives with fantasy money.***

**Figure 1. Fiat Money Quantity (FMQ) $bn**




Source: St Louis Fed database (FRED), Goldmoney

Mr. von Greyerz continues:

*The printed money has also gone to inefficient mega-corporations which have leveraged their balance sheets with total borrowings going from $3t in 2006 to $7t today. During the same period, US companies have spent in excess of $6t in share buybacks. So instead of investing in the business, companies have borrowed money in order to buy back their own shares with the purpose of inflating the share price and executive remuneration in options and stocks.*

*This is hubris of the highest degree. Ignore investing to grow the business. Instead leverage the company to the hilt to inflate the share price and compensation for the top echelon. Will this corporate arrogance go unpunished? The executives will hardly roll a big boulder up a hill in Hades but when the US and global economy collapses and social unrest spreads, the have-nots are not going to treat the haves kindly.*

*As I have stated many times, it is absolutely guaranteed that the global sand castle resting on worthless debt will crumble. Timing is always tricky and central banks have performed the most outstanding act of wizardry since 2006.*

*By increasing global debt from $125t in 2006 to $270t today, they have drowned the world in so much worthless money that virtually nobody has understood that it is all fake money and fake wealth that has been created.*

*Actually, nobody understands it, not even Nobel prize winners who believe that MMT or Modern Money Theory is the solution to everything. You wonder how anybody can believe that creating money out of thin air can actually create wealth. But since so many have benefitted why worry. The Elite has become mega wealthy (measured in fake money) and the masses have a perceived improvement in living standards with more gadgets like cars or iPhones. What few realise is that it all comes from debt. Either increased personal debt or more government borrowing.*

*You can fool most of the people for quite a long time and sadly the world will only realise that all of this was only possible due to the biggest swindle in history. Charles Ponzi or Bernerd Madoff was kindergarten stuff compared to this mega-fraud.*

*And soon the chickens will come home to roost. Timing is always tricky. It could all happen very quickly as my good friend Alasdair Macleod has described in many excellent articles. Or it could take 1-2 years longer. Alasdair foresees a bank and currency collapse before the end of 2020. He is not a sensational man but rather a conservative Englishman who has a deep knowledge of both currency and economic matters. Above all he understands history. There we are in full agreement. The majority of economists and bankers think it is different today because they are alive. But they will soon be proven wrong again.*

*Whether we go back to for example the Roman Empire in the 3rd century or John Law around 1720, we can see how history repeats itself over and over. Virtually all economic collapses involve a total debasement of the currency. We are now in the very final innings of a global currency collapse. All major currencies are down 97-99% in real purchasing power (gold) since 1971. August 15, 1971 was a significant date for the currency system. That was the day when Nixon pulled the rug of the dollar and thus all currencies since they were tied to the dollar.*

*With gold no longer backing the currency system and irresponsible governments issuing unlimited amount of debt, this was the beginning of the end of the current currency system. The second leg of the currency race to the bottom started in the early 2000s and since then all currencies are down around 80-85%.*

## The Best-Selling Book That Predicted Where We Are Today

In 2015, the book "New Retirement Rules" was released and became an Amazon best-seller.

At the time, the book was met with skepticism by some, but as time as passed, it has proven itself to be on-target in forecasting the direction of the economy and the financial markets.

The book's forecasts are based on how markets and economies have performed historically when conditions and policy response were similar to today's environment.

The book's forecasts and strategies are more relevant today than when the book was published. This month only, if you'd like to receive a complimentary copy of the book, simply visit www.NewRetirementRulesBook.com.

Just let us know where to mail the book and we'll get you your free copy with no further or future obligation of any kind.

The book will reveal many times that money has been printed historically and how the outcome each time was the same and what you can do to protect yourself.


## Check Out These Time Deposit Rates

These rates were valid at the time of publication but are not guaranteed. For current rates, call the Retirement Lifestyle Advocates Office at **866-921-3613**.

| | |
|---|---|
| One Year | 1.75% |
| Three Years | 2.50% |
| Five Years | 2.60% |
| Ten Years | 3.00% |

## Resources to Help You Stay Informed

Thank you for your feedback on our weekly client webinars designed to help you stay informed and to provide you with perspective and insight on financial matters during these unprecedented times. If you are a client of our company, you should be getting e-mail invitations to the webinar. If for some reason you are not getting e-mails, call the office and request to get them.

Because of your feedback, near term, we will continue to hold these webinars on a weekly basis on Monday, times may vary slightly week-to-week, but they will typically be held mid-day.

If you know of someone who might appreciate getting this information during these challenging times, feel free to call the office and pass on their name. We'll be glad to invite them to these informational webinars as well. 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.

Best wishes to you and yours.

## Sources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