Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Kevin Demeritt
Lear Capital

Date Aired: September 17, 2023

Produced by:

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DENNIS TUBBERGEN:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I have the pleasure today of welcoming to the program first-time guest, Mr. Kevin Demeritt. He is the founder and president of Lear Capital. He's had Lear Capital since 1997. That is a household name. You've probably seen a lot of Lear Capital stuff on TV, and he is a frequent commentator on all things economics. And it's a pleasure to welcome him to the program. So, Kevin, welcome.

KEVIN DEMERITT:

Yeah, Dennis, great to be on the program for the first time. Look forward to it.

DENNIS TUBBERGEN:

Yeah. So, Kevin, let's just start a little bit about you. Tell the listeners a bit about your background and what motivates you to do what it is that you do.

KEVIN DEMERITT:

Yeah, so I got started in international banking right out of college. And in international banking, when you capitalize the bank, obviously, you need a lot of currency. And because it's international, there were a lot of different currencies out there. And so we had to hedge all of these currencies in all the different banks, and it became a little bit of a pain in the neck when you had... You didn't have the euro, so you had a bunch of different European currencies and other currencies around the world.

And so, someone came up with this brilliant idea that, "Why don't we capitalize some portion of the banks internationally with gold?" And they put me in charge of trying to figure that out. So, I spent about six to nine months researching gold, finding out the best ways to hedge, how stable it was, and so on and so forth.

And in the end of all that, I basically quit international banking and started in the precious metals industry because I thought it was such a great investment for investors, especially because my thesis was that the government was going to continue to print money at a bigger and bigger scale, which I think that worked out. And the metals have done fairly well also. So, I think it was a good move.

DENNIS TUBBERGEN:

So, Kevin, give the listeners... With your long background in the precious metals industry, with your expertise and the research you've done on government policy, how do you see this all playing out moving ahead? There's a crazy world out there in that we've got what I would call an anti-dollar coalition with the BRICS countries that now just admitted Saudi Arabia, United Arab Emirates, and Iran. We've got $2 trillion deficits. We've got 7.6 trillion of US government debt that's going to have to be refinanced in the next year. It looks to me like the rest of the world is running away from the dollar as fast as they possibly can. How do you see it?

KEVIN DEMERITT:

Well, that is my thesis. It's been my thesis for over 30 years. And I think it's going to get worse, not better. The government can't stop printing money. So, if you believe that the government cannot stop printing money, then every dollar that they continue to print makes the dollars that are already out there worth less and less and, thus, makes tangible-type assets like real estate, precious metals, and others much more valuable in the long term.

And you're absolutely right. The kind of money printing that the United States government has been doing over the course of the past 15 years or so is so tremendous that you have countries that no longer want to use the US dollar as the international currency. So, you have Brazil, Russia, China, South Africa, and India, which, by the way, Dennis, represents 40% of the world's population, just those five countries looking to move away from the US dollar and into their own currency because they just don't trust the US dollar anymore.

So, to me, I look for tipping points, and that's going to be a tipping point. The US dollar is no longer the world's reserve currency. That has huge ramifications for investors and trade around the world.

DENNIS TUBBERGEN:

So, Kevin, I think it's fair to say that the US dollar is still the leading currency used in international trade. You talk about a tipping point. Do you want to talk about what might be the tipping point? What might actually happen that would make the dollar now not the dominant currency used in international trade? And do you want to venture out on this long thin branch and tell us when you think that might happen?

KEVIN DEMERITT:

Yeah, great questions. I'll start from the back end. From a historical standpoint, if you look at world reserve currencies, usually, they typically last 75 to a hundred years. So, we're getting a little long in the tooth on how long the US dollar has been the world's reserve currency. And there's been countries out there talking about, "Hey, we want to create something that can compete against the US dollar," but never enough countries where you had 40% of the world's population kind of backing that situation.

The other unique thing that they're doing, Dennis, with this BRICS currency is potentially letting people know that they would like to back it by commodities. At this particular point, they're talking about some portion of gold. And if that happened, why would you want to hold the US dollar if someone has a different currency that's literally backed by something physical and tangible that's going to hold its value, that cannot be printed into oblivion? Because every time you print it, you would have to buy some gold to back it.

So, in my opinion, if this BRICS currency were to take hold, it would be the biggest transfer of wealth that the world has ever seen from the US dollar to the new BRICS currency if they back it by something tangible. And the reason I say that is if you think about us trading just with gold, so forget about paper dollars for a second, but if we just traded with gold... The US economy or the US country, our country, runs a trillion-dollar deficit in trade.

Well, if we were trading in gold, then I would be giving away $1 trillion in gold to the country that I'm trading with or all the countries I'm trading with. And that matters. It doesn't matter when you're just talking paper dollars, "It's a trillion dollars I gave you in paper." But when you're talking about physical assets that have true value, "I've just traded a trillion dollars in gold to that other country," what's going to happen to the dollars that are out there?

Those countries aren't going to want them. They all get repatriated back to the US, floods the economy with dollars, inflation goes through the roof, and interest rates would go through the roof. And that's what's happened in history when one country takes over another country's world reserve currency status. Usually, the country that loses that has an issue with inflation and a much lower dollar value. So, I hope all that makes sense and it wasn't too complicated.

DENNIS TUBBERGEN:

No, Kevin, that's great. In fact, I'd like to let the listeners know that you do have a Gold Investors Guide and a report called the Tipping Report, if I'm getting that right. And you might want to just take a minute and tell the listeners about those. And we'll get into those in detail in the next segment, but I want to make sure everybody knows about the resources you have available today.

KEVIN DEMERITT:

Yeah, we have a special report we put together, along with our Gold Investors Guide, called The Tipping Point, and it goes over the BRICS currency and what we believe could potentially happen over the next three to five years if that happens or if another currency takes over as the world's reserve currency.

It also goes over the Fed's digital dollar that some people may be hearing about. How would that affect your investing and your portfolio? And then just the money printing in the United States and, how does that affect specifically the gold market or tangible assets as they continue to print moving forward? So, hopefully, it's educational for people to at least get a different perspective on and help them make some diversification ideas.

DENNIS TUBBERGEN:

Yeah, and to get those reports, you can go to www.lear.biz\retire, and you can call 800-314-0723. I'll give those numbers again. So, Kevin, you made an interesting point that I think a lot of listeners are probably not aware of, and that is that reserve currencies historically have had a lifespan. They're not unlike people. Can you expand on that a little bit? That might be news to some people that are listening.

KEVIN DEMERITT:

Yeah, so if you look at the world, there's been about seven real world reserve currencies, and each one of those currencies has lasted anywhere from a short period of time, 50, 60 years, all the way up to around 100, 110 years. So that's how long they've lasted.

And each time... If you wanted to educate yourself, there's a few books out there just talking about the world's reserve currencies. And what happened when those changes were happening? Well, there were a couple of things. The country started printing up a bunch of the money or shrinking the value of the currency. And the reason I say both of those is because sometimes it was a paper dollar, and they were just printing out money. And in other currencies, like the Roman coins, they were literally shaving off parts of the value of the coin because they were made of gold and silver, so the coin kept getting smaller and smaller.

As a matter of fact, an interesting point for people that I think is kind of a fun fact for people is the reeds on the edge of a quarter are not there so you can hold the quarter. They were there as a security feature because you could tell if somebody took the edge of the coin and started stripping off some of the metal, so they put reeds on the side of the coin so you could tell if that happened. That was because of the shrinkage in the value of the coin that the government was doing and individuals.

So that's usually how it happens. It starts with a bunch of money printing or devaluing the currency. And then, someone says, "Hey, look, this thing is just getting worth less and less. We're trying to trade around the world with it. It's not working. Let's move over to something that will work better." And that's where I think the BRICS currency, a group of people are looking to back it by commodities or specifically gold to give it that stability again and really move people off of the US dollar.

DENNIS TUBBERGEN:

We have just maybe two minutes left in this segment, Kevin. You mentioned the BRICS countries. They just finished a summit in South Africa in August. And leading up to that summit, it was actually teased, to use that term, that they might be introducing a gold-backed or commodity-backed currency, which did not happen. What do you read into that, if anything?

KEVIN DEMERITT:

Well, I think they just flew a kite out there that says, "Hey, look, well, how many people are going to be interested?" And guess who pops out of the woodwork? Saudi Arabia, who's been our partner with the petrodollar for years and years and years, since 1974, actually, and they're interested. So, "Hey, let's put some ideas out there. Let's see how many people are interested and see if we can put this thing together over the next few years." So, really, to me, that's where I think their minds were.

DENNIS TUBBERGEN:

Interesting. Well, my guest today is Kevin Demeritt. He is the founder and president of Lear Capital. He's offering the listeners a couple of free resources today, the Tipping Point report, as well as a free Gold Investors

Guide. You can go to www.lear.biz\retire or call 800-314-0723 and request those reports. Those are absolutely free, and I'd encourage you to do that. I'll be back with Mr. Kevin Demeritt when RLA Radio returns. Stay with us.

I'm Dennis Tubbergen. You're listening to RLA Radio. I have the pleasure of chatting today with the founder and president of Lear Capital, Mr. Kevin Demeritt. If you're just tuning in, Kevin has been gracious enough to offer the listeners a couple of free reports today, the Tipping Point report, as well as the Gold Investors Guide. You can go to www.lear.biz\retire to request that report or you can call 800-314-0723.

And, Kevin, I was a bit remiss in the first segment, so I apologize. You also have another bonus for listeners that might be interested. So why don't we talk about that so I make sure to remember it?

KEVIN DEMERITT:

Yeah, Dennis, I really wanted to do something special. Love the program and all the education that you've done. So, we want to just have something a little bit special. So, we're offering a $500 credit in every person's account who requests the information. And they can use that $500 credit if they do business for any shipping and insurance to get the metal to their home, or they can use it for any fees for IRAs.

So, you can also place physical gold and silver in an IRA, and that $500 would cover your fees to get that IRA going. So, we're going to include that in each person's account immediately when they request the information, and they can use it at any time.

DENNIS TUBBERGEN:

Well, that's terrific, and thanks for doing that for the listeners. And, Kevin, I'd like to kind of pick up in this segment where we left off in the last segment. We talked about the lifespan of a fiat currency. And historically speaking, fiat currencies have a 100% failure rate.

And from my research, when these currencies fail and you have to put a new currency in place, it seems like that currency is once again linked to gold, which has been, really, money for most of history. Do you see it playing out the same way this time?

KEVIN DEMERITT:

Yeah, I really do because I think the world is looking at the money printing as in total. China, Europe, just about everywhere, Dennis, has overprinted, and so the value of currencies is just falling. We just seem to be the strongest out of the stuff that's out there. It's just horrible. I mean, Robert Kiyosaki just keeps calling it toilet paper, and I 100% agree with him.

But when you really look at what the central banks are doing, Dennis, right now, they are purchasing more gold than they ever have in the past 50 years. So, the last time they purchased as much gold as they did last year or continue to this year was in the beginning of the '70s, right before inflation. The price of gold went from around $125 an ounce to $850 an ounce.

So, it really tells me that even the world central bankers at this particular point who purchased a quarter of all the mining supply of gold last year are on the same page. They understand that the currency's getting worth less. So, hey, if I could print money in my garage like they can with their printing process and go buy physical assets, I would do it all day long too.

But what's interesting is that they are not hedge funds. They are not day traders. When they purchase, they typically hold for 10, 15, 20 years at a time. So, I don't know if that's the exact reason, if it's inflation or if it's concerns over the BRICS currency and a new reserve currency, but this is the first time in 50 years we've seen them buy this much gold. So, I think, again, they're on the same page of, "Something's happening with currencies, and we want to get ahead of it."

DENNIS TUBBERGEN:

So, along those lines, Kevin, give me your opinion as to what the real inflation rate is presently. We were chatting a bit before we actually started recording that the official measure of inflation, the Consumer Price Index, has edged up again. Where do you see inflation, realistically?

KEVIN DEMERITT:

Well, I think, realistically, inflation's still up around 7 to 9%. It's just that the government continues to change the index almost on a yearly basis. So if you use the old index from 15 years ago, we'd be at 10 or 12%. I probably wouldn't agree with it because some things are getting less expensive in a deflationary. I mean, computers and things like that have gotten less expensive.

But when you really look at food prices, for instance, in the last... Since January of 2021, food prices are up 19%. Electric prices are up 23%. Well, the things I actually need are up 19 and 23%, yet the inflation rate's running at 3.7% today. It was 3.2% in July, rose to 3.7% today. It doesn't sound like a big increase, but it's a 15% increase, which is fairly large, and it's the fastest increase we've seen since inflation peaked at over 9% in June of 2022.

So, from every aspect, it just feels like inflation will continue at a much higher rate than the Fed's 2% rate. We're almost double that right now. So it's probably going to put a little bit of pressure on the Fed to do something, increase interest rates a little bit again or what have you. Once inflation starts to go, it's just very hard to kind of put the genie back in the bottle.

DENNIS TUBBERGEN:

So, Kevin, I've made the argument that it's going to be impossible to get inflation under control until the collective group of politicians in Washington get closer to a balanced budget or get a balanced budget because the only way this deficit can probably be financed is through more quantitative easing or currency creation. What do you say about that?

KEVIN DEMERITT:

I 100% agree with you. I've always said there's only three ways out of this debt. Default, you print your way out of it with inflation, so you just eliminate the debt through making it worthless, or you balance the budget. I never think they're going to balance the budget. I don't think they want to default. So, inflation's the way to decrease the value of the debt that's currently out there.

But, Dennis, I always give this example, and this was given to me by a professor in college. I just never forgot it. It's impossible for the government, really, to balance the budget or have a budget that makes any sense because they can't stop printing money. It's an absolute mathematical impossibility.

And this was the example he gave. So, you and I are on an island. Pretend that island's a country, and you're the biggest banker on that island. And the whole island uses shells as money, and there's 10 shells in total. And somehow, you, as the banker, got all 10 shells. And I, as the businessperson, walk in and say, "Dennis, I've got the most incredible business idea in the world. Here it is." And you agree, and you give me the

10 shells that I need to start that business, and you're going to charge me 10% interest.

Again, there's only 10 shells on the whole island. At the beginning of the year and throughout the year, I use those 10 shells to start my business. At the end of the year, my business has done so well I get all 10 shells back, and I come to you. And I'm happy. And I say, "It worked out, Dennis. This is fantastic. Here's your 10 shells." And you tell me, "I foreclose on your business." Why? Because there isn't an 11th shell to pay the interest. You as the banker have to create that 10th shell or 11th shell so that I can pay my interest. And that's the way banking works.

So, the US government is going to have a trillion-dollar interest payment or more by 2030 just on interest. They're going to need to print that money for the interest plus all the other deficit spending that they deal with and all the interest that you and I have on mortgage and cars and so on and so forth. If they stopped printing the money, then we couldn't pay the interest. So, people have to realize, if you believe that the government is going to continue to print money, then you need something to offset the devaluation of the currency you're holding in your hand today because it's impossible for them to stop.

DENNIS TUBBERGEN:

I'm chatting today with Mr. Kevin Demeritt, the founder and president of Lear Capital. He's offering the listeners a couple of free reports today, the Tipping Point report, as well as the Gold Investors Guide. You can request them by going to the website, lear.biz\retire, or you can call 800-314-0723. So, Kevin, give the listeners your forecast for where you think metals go, gold, silver. And between the two, do you have a favorite?

KEVIN DEMERITT:

I love the gold market right now for more stability because the central banks, like I brought up, are purchasing gold at a record pace, and they do not sell. So, from a stability standpoint, really, I think gold is great for the stability in a portfolio. For profitability, silver's going to be a huge winner. I think it's the best double play investment that I can think of.

And I say that because in a great economy, just solar alone has been gobbling up so much silver that in the next 10 years, there's not going to be much silver left. And you can't recycle it because they make paste out of it. So, the demand for silver from solar is incredible, and then you add in medicine and all the other things that they're using silver for. Should be great in a good economy.

In a bad economy, like we had in 2008, the silver price went to $49 an ounce. So, we already know that it can get there, and it's trading at around $23 today. So, we have a catastrophe, and silver skyrockets quickly. And in a great economy, if we don't have a recession, I think it plugs along, and you'll see it at $35 or $37 an ounce over the next few years. That's my prediction.

DENNIS TUBBERGEN:

I interviewed a gentleman that does a lot of market analysis, and it's his take that the last two gold bull markets have seen gold prices rise about 700%. So, he's saying we're going to see $7,000 or $8,000 an ounce in gold. Do you agree with that? Do you think that's a possibility? Do you think that's up there?

KEVIN DEMERITT:

We have $3,500 an ounce in the next two to three years based on central bank buying, inflation being a little bit higher. So, we have it around that number. So, we have two analyses. If the economy does not go into recession, that's where we believe that it could potentially go. And about 5,000 is where we believe it could go in a recession similar to what we had with the dot-com crash or in 2008.

DENNIS TUBBERGEN:

So, I've got about a minute and a half left in this segment. You brought up the R word, recession. It's my take that we may already be in a recession. And I tend to be optimistic. What's your take?

KEVIN DEMERITT:

Well, I think a recession's coming up. Personal debt near record levels, credit card debt at record levels, late payments on vehicles are climbing at a record pace. Consumers are starting to be tapped after all the free money from Covid and higher interest rates, higher inflation that we saw again here today. I think it's going to make it much harder for consumers, and that usually is the breaking point for the economy. So, I 100% believe there's a recession coming.

DENNIS TUBBERGEN:

Well, the clock says we're going to have to leave it there. My guest today has been Mr. Kevin Demeritt. He is the founder and president of Lear Capital. The Tipping Point report, as well as the Gold Investors Guide are available free by visiting lear.biz\retire, or you can call 800-314-0723. Kevin, always a... It's been a real pleasure to catch up with you here today, and I'd love to have you back down the road. I appreciate your perspective. I know the listeners do too. So, thank you for joining us.

KEVIN DEMERITT:

Oh, you bet. Love to come back. Thanks, Dennis.

DENNIS TUBBERGEN:

We will return after these words.