

Hello Everyone,

I'm beginning to feel like a furloughed government worker. There were no KKOB reports the last two weeks of December. Then, there were two reports for this month. But, next week I'm off because of MLK Day.

Thus, today's missive must pack some punch! Therefore, you get Israelites, Student Loans, Education Secretaries, Wall Street, Moses, and Pharaoh all rolled into one Golden Globe winning (I'm made that part up) report.

I hope you find it edifying and entertaining.

Signed, Your I'm-Coming-To-Believe-Any-College-Degree-That-Ends-With-The Word-"Studies"-Isn't-Worth-Much Financial Advisor,

Greg

## **KKOB 01.14.2019 Student Loan Jubilee?**

**Bob:** So, Greg, this morning we are going to start in the year 1400 BC – 3400 years ago--and connect what was happening then to student loans and Wall Street today. Is that right?

**Greg:** Well, yes. It's not often we talk about ancient Israelites and student loans together, but the fellows over at [sovereignman.com](http://sovereignman.com) gave me the idea, so let's run with it.

Your listeners already know there is a quiet student loan crisis going on. But, let's put some hard numbers to this:

- Americans have borrowed \$1.5 trillion to earn degrees—many of which are not relevant. Think of a master's degree in Social Justice Studies.
- And, it's not just young people who borrowed. \$62 billion is owed by people over 62 years of age...or, about \$32,000 per "almost retiree." That's a big bill to pay using a social security check.
- Next, the average student debt is around \$40,000--- but over 400,000 Americans owe more than \$200,000. Think of that as owing \$40-\$200,000 on a credit card.
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- In total, 44 million Americans have student loans ---and default rates are rising.
- And finally, the Department of Education (translation: the taxpayers) guarantee 90% of the debt.

So, your audience may be saying, “So, What? This doesn’t affect me.” Ahh, but Bob, it does.

**Bob:** Well, obviously if the taxpayers are on the hook---- and the loans aren’t repaid--- then, eventually, we (our listeners) will repay those loans. Is that what you are getting at?

**Greg:** Sort, of. Under the Obama Administration, loan forgiveness policies were put into place that the courts are now supporting. Just last month, Education Secretary, Betsy Davos fought in court to not forgive \$150 million in student debt. She lost. This now opens the door for more lawsuits advocating student loan debt forgiveness...or, what the ancient Israelites would call----a debt Jubilee.

You see, under Levitical Law, every 49 years, debts were required to be forgiven. Everyone got a fresh start. Land was returned to its original owners. Slaves were freed. And, that was OK because everyone knew the rules. Not many people gave loans in year 48.

Now, however, we are starting to see court-imposed debt jubilees. But, on the other side of those decisions is the US taxpayer. They are the ones who loaned the money expecting to be repaid.

**Bob:** So, let me unpack this a little. The taxpayers made a quote-unquote “investment” —in the form of a loan--- so people could get college educations. Many of those loans can’t (or won’t) be repaid.

So, it will be the taxpayers---and not the students--- who pay the price for the degree in Social Justice Studies. Right?

**Greg:** If the trend continues...then right. And, even if the courts back off, there is growing support in Congress for a Student Loan Debt Jubilee anyway. I mean what better way to secure 44 million votes than to forgive their debts?

So, what does this mean for investors? Well, the government will just print the money to make up for the student loan losses—whether those losses are by default or by forgiveness. Thus, the dollar will be

debased.

And, if this weren't radio and I could show you a dollar chart, you would see the dollar is weakening....because investors expect more money printing.

That also means rising prices. And, as prices rise, more suspicion is then placed on paper-y assets...which is why you've been seeing stress in financial stocks.

Conversely, and to the positive, this means things that can't be printed will go up in price....which, as an investor, is where you want to be.

**Bob:** Which circles back to the low-tech theme you believe will be a winner in 2019. Now, I don't know this for sure, but I'd bet Moses would agree with you. How do people reach you?

**Greg:** (laughing) An endorsement from Moses would be cool! I sure don't want it to come from pharaoh. My number is 508-5550, 508-triple-5 zero. Or, go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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