

Hello Everyone,

While everyone is focused on the Epstein story, today's missive is not nearly as intriguing.

We will go into the halls of Congress to look at a possible "political solution" to the growing pension problems across the nation. Note the term "political solution"---not necessarily economic or financial.

My topic is not nearly as exciting as today's headlines, but could affect your investments for years to come.

As usual, I hope you find today's reading edifying and maybe a little (?) entertaining.

Signed, Your Like-The-Kennedy-Assassination-We-May-Never-Know-The-Real-Truth-Of-Epstein's-Death Financial Advisor,

Greg

KKOB 08.12.2019 Rehabilitation for Multiemployer Pensions Act

Bob: So, Greg, when I saw this week's topic, I must admit I almost fell asleep mid-sentence. I know it is summer and news is light, but do you really want to discuss the ***Rehabilitation for Multiemployer Pensions Act?***

Greg: While you may think it is my mission to tank your ratings, if your listeners will stay with me, I think they'll understand what may be coming.

Bob, as you know, pension funds across the nation are underfunded. 100% of money we promised retired teachers, firefighters, police, public employees, & union workers just isn't there.

The national shortfall is estimated to be between \$4.5 and \$6 trillion. And that's after one of the great bull-runs in stock market history.

Bob: I know it's bad ---and I know some states are worse than others. I think here in New Mexico we are about 65% funded---or \$6 billion short.

Greg: You're right. So, the question is....how are these entities going to make good on their promises? Well the Federal Government may be coming to the rescue via the ***Rehabilitation for Multiemployer Pensions Act***. In short, the pension funds are going to be allowed to borrow money to make up for the shortfalls.

Bob: Wait. Technically, these funds are insolvent. So, who would ***loan*** money to an insolvent pension fund? It's not like pension funds are ever going to show a profit so the lenders could recoup their investment.

Greg: Right. So, either someone really dumb---or really generous--- must loan the money. This is where the Federal Government steps in. The local pension funds would borrow from the Feds and then send that borrowed money to the local retirees.

Bob: But the Federal Government is already \$23 trillion in debt. So, if they loan another \$4-6 trillion to the pensions, where do *they* get the money? And, do they really think it's ever going to be repaid?

Greg: To answer the first question....they'll print it. *"Hey Fred, the State, City, and Union pension funds need \$5 trillion. Print five trill and send it to them!" "Got it, Joe, on its way!"* And, no, I do not expect the Federal Government thinks it will ever be repaid.

Bob: But that means we in little New Mexico will be indirectly bailing out the disasters in Illinois and California. It will just be

hidden in higher prices---because as we print the money, inflation will kick in.

OK, so wait....I'm connecting the dots. The politicians in DC are saying they are willing to go into more debt to save the pensions.

I get the politics of that. They're heroes.

But that leads to the next question—someone must buy the new debt. Who is going to buy America's pension debt?

Greg: Well, if we can't sell enough of the debt to US and foreign investors, the Federal Reserve Bank must print up the difference. They then walk it across the street to the politicians, and in exchange take the US debt back across the street to their bank offices.

Bob: But wait, again. Now a private bank--- with money printed out of thin air--- starts to own the debts of the US. I don't like that.

Greg: Lots of people don't, but the Federal Reserve already owns over \$3 trillion of old mortgage debt from the Lehman mess of 10 years ago, so the precedent is set.

Bob: But what if the Federal Reserve doesn't get paid back?

Greg: No worries, they can just print more to make up for any losses.

Bob: But that means the dollar will go down even more----which means the prices we pay for everything will just keep rising.

Greg: That's my take. That's is why I have been harping on your intrepid listeners for 19 months to get into investments that can't be printed. Things that are paper-y---CDs, annuities, bonds,

financial stocks, will all come under suspicion. I believe, this is what the market is telling us now.

Bob: This is the most convoluted thing I've ever heard of. I don't think I like the *Rehabilitation of Multiemployer Pensions Act*. I need a drink. How do people reach you?

Greg: My number is 505-508-5550, 508-5550. Or, to my website at zanettifinancial.com

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