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PREPARING YOUR INVESTMENTS & FAMILY FOR WHEN DISASTER STRIKES

Survive and Thrive November 2021: Joe Biden is Weaponizing Your 401(k) Against You

Dear Survivor,

Tired of mandates and government overreach? Want to get away? Well, here's some news to ruin your 401(k). The Biden administration is pushing its radical agenda through retirement account regulation. In this case, it's a proposed Labor Department rule that was not heavily reported—shocker. The change is to the Erisa Act, which governs your 401(k), and forces plan sponsors (your company or retirement plan provider) to offer funds focused on ESG—environmental, social, and governance. *The Wall Street Journal* editors explain the rule here:

President Joe Biden delivers remarks about the COVID-19 response and vaccination program, Wednesday, August 18, 2021, in the East Room of the White House. (Official White House Photo by Carlos Fyfe)

> Asset managers like BlackRock are pushing to create ESG 401(k) funds in part because they can charge higher fees. According to Morningstar, the asset-weighted average expense ratio of U.S. "sustainable" funds was 0.61% in 2020 compared to 0.41% for all open-ended mutual and exchange-traded funds and 0.12% for passive funds. This difference can reduce retirement savings by tens of thousands of dollars over a few decades.
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> The Biden rule would let plan sponsors enroll workers in ESG 401(k) funds as the default, so workers could unknowingly end up paying higher fees. It also threatens retirement plan sponsors with legal liability if they don't support progressive shareholder resolutions, such as those requiring companies to reduce CO2 emissions or disclose political donations.
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> Many small pension plans abstain from proxy votes because performing the required due diligence would be inordinately expensive. Some also want to avoid political controversy. But DOL comes close to demanding that pension funds pick a political side, and you know which side that is.
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> "Voting proxies are a crucial lever in ensuring that shareholders' interests, as the company's owners, are protected," DOL says. "Abstaining from a vote is not a neutral act" since it "could determine whether a particular matter or proposal is approved."
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> DOL says small plans can reduce their costs by relying on the recommendations of proxy advisers that happen to be the left-leaning proxy duopolists Glass Lewis and Institutional Shareholder Services. Both also provide ESG research services, so the DOL rule will boost their business.
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> All of this amounts to a backdoor rewrite of Erisa, one of the better laws of the last 50 years. Progressives are moving across the Biden Administration to steer private capital to implement an agenda they can't pass through Congress. Your savings will be conscripted to advance the progressive agenda, whether you like it or not.

You know how I feel about ESG where you invest, and they win. The reason the big players love it is they get to charge higher fees. Just follow the money. If this rule isn't stopped, your own retirement savings could be weaponized against you, supporting progressive causes you oppose without you even knowing. I want you to be a Liberty Retiree, not a pawn in Joe Biden's agenda.

If you're tired of all the rules, then opt for the self-direct option in your 401(k), or roll it over by doing a rollover IRA. We should probably talk.

Why Bond Mutual Funds and ETFs No Longer Work

OK, third-quarter report cards are in, and investors want to know how they did. But perhaps just as important, they want to know the WHY behind the performance. When it comes to mutual funds and ETFs, there's a better way to go, especially when it comes to choppy markets, which have been tough as of late. Why are bond prices down? Because interest rates have risen just a tiny bit, and bond prices move in the opposite direction of rates. Over the quarter, especially the last few weeks or so, interest rates have risen enough to lower prices for bonds this quarter. But we're talking about a tiny increase in rates, not a huge move which would be more concerning. What will happen if rates really kick higher? You can bet some bond investors will head for the exits as they always do.

You don't want to be stuck investing in products where you could be the victim of a huge exodus. Because when you invest in mutual funds and ETFs, oftentimes your fellow passengers are huge pensions funds and endowments that have a bit of a longer runway. That's why I want you to own your bonds outright, much like you own your own future. You decide how it will unfold.

When you own your own bonds, you decide when to sell or when to hold until maturity. You're not at the whim of a fund manager you've never met or a big-time investor who doesn't even know you exist. If you're concerned, it's probably time we talk.

Investment Advice: Sticking with the Four-Year-Olds

You know Peter Thiel as one of the few people in Silicon Valley who backed presidential candidate Donald Trump in 2016. Thiel was also a co-founder of PayPal with some guy named Elon Musk. And he was an original backer of Facebook. The guy knows a thing or two about startups. Which is why I recently reread his book *Zero to One: Notes on Startups*, or *How to Build the Future*.

You and I know that technologists tend to think about the future in terms of technology, much like a farmer thinks about the future in terms of farming. It's what they do. Which is why, as an investor, I found this passage interesting and worthy your attention. Here it is:

> To understand the scale of this variance, consider another of Google's computer-for-human substitution projects. In 2012, one of their supercomputers made headlines when, after scanning 10 million thumbnails of YouTube videos, it learned to identify a cat with 75% accuracy. That seems impressive—until you remember that an average four-year-old can do it flawlessly. When a cheap laptop beats the smartest mathematicians at some tasks but even a supercomputer with 16,000 CPUs can't beat a child at others, you can tell that humans and computers are not just more or less powerful than each other—they're categorically different.

With all the talk about Artificial Intelligence and Robin Hoods, when it comes to your MONEY, it's important to REMEMBER: A four-year-old can do flawlessly what supercomputers can't.

Survive and Thrive this Month.

Warm regards,

E.J.

E.J.

"Your Survival Guy"

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P.S. "How's it going?" I ask.

"Good," he replies. "I don't know anything."

And with that, I know he's good because he's been telling me that for twenty years now. Now, I can assure you when he says he "don't know anything," he knows quite a bit. Because you see, he quit a lucrative job in his 30s to go to medical school simply to try his hand at being a doctor. He, we'll call him Doc now, is still working part-time as a doctor in his 70s.

When telling me the story, his brother-in-law, also a client, tells me Doc's the smartest guy he's ever met. Another client, the brother-in-law's best friend, concurs, "Yeah, Doc's as smart as they come."

After spending time with Doc in Newport and talking to him regularly, I see the intelligence. And when he says, "I don't know anything," I know we're just talkin'.

One of my favorite parts about working with you is we're always "just" talkin'." Your way of talkin' is your way of talkin', and yes, you have phrases that make me smile because I know you're being you. It's what makes this whole thing called a relationship, a relationship.

With all the noise out there, it's easy to get caught up in the emotions of it all and to begin to wonder about what you're doing. I know this. Because it's what you tell me. That's life.

In speaking with thousands of investors just like you, not one of my conversations has ever been the same. Period. Yes, every day we're a little bit older, and decisions we made months or years ago aren't always relevant today. And that's OK. But it would be a shame to react without thinking about what you're doing or talking it through.

Sometimes it's in times like these, you need someone to hear you out. Someone who knows your name simply by the way you say hello.

P.P.S. What's worked for us is to approach the daunting task of prepping with baby steps. Once you start it's easy to get overwhelmed. You don't have to save the world in a weekend. But you should be ready to survive and thrive no matter what comes your way. Ben Sixsmith reports in *Spectator World* that the world is perhaps not as reliable as it's made out to be. He writes of the recent Facebook outage:

> This peculiar occasion reminds us of the value of material possessions — and I emphasize material, as in 'existing in a *material* form'. The Facebook outage offers us a chance to reflect that a lot of the photos, videos, songs, texts, and so on that we take to be our own depend on other people's software to be accessed and to exist. If an app disappears, one can lose everything.
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> To be sure, physical objects need not be more resilient than data. Facebook reappeared with all of its users' content after that configuration change had driven it offline whereas a lit match lazily dispensed with inside an art gallery could lead to devastation from which only ash emerges. Still, it is worthwhile to have a physical *alternative* of your favorite photographs or texts – a back-up you can hold, which no configuration change can reach.
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> This was one of several small but suggestive incidents which have illustrated how the software and infrastructure that sustains our lives is less strong than we imagined. All the intricate systems that thread through our societies like pipes and beams through buildings have been shaken. There was the Texas power crisis in February, which reportedly left the Lone Star State within four minutes of a total grid collapse. There are the resource shortages caused by, according to an informative report from Axios, 'pandemic restrictions, labor shortages and record-high prices for Chinese shipping containers.' Hell, one could even mention the Suez Canal blockage, which, though hilarious, held up $9 billion in global trade per day.

The world is fragile. Remaining vigilant, and preparing your family for future risk is admirable.

P.P.P.S. In normal markets, when demand drives prices up, suppliers will produce more to meet the demand and take advantage of the higher prices. That's how the oil market is supposed to work.

But the Biden administration has taken a number of steps to hamper oil investment, by:

- telling drillers and producers of oil that they will be bound by ever-more-restrictive climate change rules
- eliminating pipeline approvals
- and preventing new drilling on federal lands

Those actions have given power back to OPEC, which has no incentive to produce more oil, and even said it won't.

Add on top of Biden's anti-oil measures the modern-day Salem witch hunt that is the EGO-driven development of ESG funds, and is it any wonder gasoline prices are rising so fast?

> Gas prices rose to the highest levels since 2014, amid increased demand and concerns about supply.
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> According to AAA, the national average for a gallon of regular unleaded gasoline rose two cents to \$3.204, the highest level it has been since October 2014, according to USA Today. California's prices are the highest, at an average of \$4.414 per gallon. Mississippi has the lowest prices, averaging \$2.829 per gallon.
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> Gas prices have also risen more than a full dollar since last year, from \$2.186 in October 2020. The highest recorded national average was \$4.114, in July of 2008.
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> The increase in prices at the pump is likely due to the substantial increase in oil prices. Crude oil prices have spiked to more than \$80 per barrel, according to Bloomberg.

It appears that the Biden administration will be defined by shortages and inflation. Protect yourself from shortages and inflation by preparing both your household and your portfolio ahead of time.