

THE RAND REPORT #208

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“Nearly all men can stand adversity, but if you want to test a man’s true character, give him power!”

Abraham Lincoln.

In my opinion, if I apply that test to President Obama I would have to add that his secondary objective to power is hubris.

Our President must now choose between “recovery” and “retribution.” Obviously the retribution is against the Bush administration; however that excuse only existed as part of an ideological, massive, successful propaganda scheme. The Democrats are the most powerful political party but, blaming Bush **no longer works.**

In addition to Bush bashing, the Democrats have made abusing corporate America as another “straw dog” enemy. That makes no sense. It is as though Democrats have to demonize successful corporations and successful people, our country’s largest taxpayers. Corporations and small businesses hire the most people and pay benefits as part of worker’s compensation plans. The only people with better benefits are bureaucrats and politicians. Is the public sector’s success supposed to be accountable to the government because their success did not include the unsuccessful? Is it because the success of the majority was made at the expense of the small minority that was not successful? Ridiculous! The primary exaggeration against corporate America is that most corporations are evil, or at best corrupt. If you measure the number of American corporations that have been found corrupt either by numerical count or by dollar volume of commerce the percentage of corruption is under 2%. If you measure that corruption against the S&P 500 it is less than 1% and in the DJII, **there is no evidence of corporate corruption.** Why does Obama oppose corporate America? America’s great success story and our prosperity is a result of the success of American corporations and the principles of free enterprise. We thrive because of rugged individualism that develops technology through free enterprise. American technology has led the world for two centuries and accounts for most of the world’s prosperity including raising hundreds of millions of people out of poverty. The history of all governments trying to create prosperity has failed at a 100% rate and the combination of socialism and communism has murdered hundreds of millions of people in the past two centuries. What is happening? Are we going crazy? Talk about killing the goose that lays golden eggs.

In my opinion, without exception, all US economic, social and political problems began when Pelosi and Reid took charge of the Congress in 2007! I challenge anybody to show me evidence to the contrary. And don’t contact me and call me nasty names. I had two calls last month from anonymous strangers calling my research “garbage.” I challenge you cowards to come and meet me and let’s talk and debate the issues. It is such bad taste to demonize someone when you can’t debate an issue or use facts, but a typical strategy for Democrats. I have thousands of pages of files in my office



“It’s a boy!”

documenting proven statistics and historical fact. Come see for yourself.

I just heard where our magnanimous President will waive capital gains taxes on small businesses. Can

anyone name any small business that pays capital gains? Think about that; virtually all small businesses provide services or make a product, all to be sold for ordinary income and profits. If a small business deals in investments, then the capital gains taxes apply to the clients. Rand Financial Advisors has never had a capital gain, only income and the same holds true for gas stations, dry cleaning establishments, restaurants, medical clinics, and manufacturing facilities, etc. That phony benefit by Obama is another example of “conning” the public and the unknowledgeable voters about how business works. Obama has given away nothing but words, yet gets good publicity for his generosity.

Another example of the Democrat’s trickery is the 2000 page healthcare bill. For example, Section 3403, which is approximately 1000 pages into the 2000 page document that is being kept secret from the public and Republicans, states **“it shall not be in order in the Senate or the House of Representatives to consider any bill, resolution, amendment or conference report that would repeal or otherwise change this subsection.”** Section 3403 goes on to provide authority for an Independent Medicare Advisory Board to reduce the per capita rate of growth in Medicare spending. Of course, these clauses are unconstitutional, but it will take a Republican majority to repeal them and the Democrat’s are depending on keeping control of the government. The mistake they are making is underestimating the intelligence of the public. The Massachusetts Senate election replacing Senator Ted Kennedy’s seat may have indicated a trend that the voters are catching on to this trickery.

Republicans are not opposed to universal healthcare, as the media would like you to believe. Republicans simply don’t want socialism. Republican’s have offered many solutions to universal healthcare and the Democrats refuse to listen and, instead, call Republicans obstructionists. This is another great propaganda scheme that denigrates the views of the majority. Why not consider allowing insurance companies to compete across state lines? Regulations of securities and interstate commerce are currently enforced by the Federal government and that overrules the State governments. Also, allowing small businesses like Rand Financial Advisors, to form co-ops to buy health insurance that would drastically reduce costs. And for those with preexisting bad health conditions, how about a program similar to “no fault insurance” for automobile insurance?

That system works and all those with auto insurance pay additional premiums to cover the uninsured. That system is not perfect because it is regulated by individual states and some states ignore the benefit. And finally, why not enforce Federal limitations on mal-practice lawsuits. **We need "Tort Reform!"** Most such class actions lawsuits are considered frivolous, yet the Democrats need the political subsidies paid to them. It's a down right shame that the high costs of medical insurance is caused by Democrats as a political necessity to keep lawyer votes. **Is this a fair policy? I resent having it forced upon me.**

The Obama administration has now proposed a \$3.8 Trillion annual budget. The last budget under President Bush was close to \$2 trillion and Federal revenues remain about 25% of the GDP. The Obama budget fits the formula, but the spending does not. Discretionary spending by the government makes up 17% of the new 2011 Obama budget. That doubles the percentage of discretionary spending under the Bush administration. (Because the budget doubled) Federal spending has always been divided into Medicare and human resources at about 20%, defense budget at 20%, social security at 30%, interest on the national debt at about 10% and the rest on discretionary spending that is supposed to rebuild our infrastructure or provide new benefits to struggling sectors. All administrations overspend, but never like Obama. My 20% numbers are not accurate to the dollar, but are rough estimates of past divisions of Federal revenues. **Keep in mind that no Congress has ever managed the economy within a budget with the exception of the Newt Gingrich Republican majority starting in 1994.** Tom Delay and Republicans overran the Federal budget and I think began the partisan race to pay earmarks or favors to constituents. Republicans are so seldom in power that they seem to try and get even once they have the power. So far the stimulus package and the Democrat's spending is extremely biased in favor of their supporters, such as Unions, which were given ownership of General Motors at the expense of all shareholders and many millions of retirement plans. **That is a redistribution of wealth!**

What does this have to do with investing and your retirement plans? If you don't get it you are either naïve, or more concerned with ideology than reality. In my opinion, since 2007 my culture, my freedoms, my finances, my religion, and my country has been denigrated and about to implode. It is more difficult for me to remain an optimist or as I prefer to be called, a patriot. I think the stock market again faces extreme uncertainty and every word that comes out of Obama's mouth affects investing. Investor's are embracing sustainability, or in many cases struggling for survival. Most retirement plans are caught up in this mess of Federal spending, which if inflation ever gets serious with excessive debt, **will ruin your IRAs.** Know that 401K plans are at risk should the market be weak when you retire. The only good solution is to convert to an Individual Retirement Account (IRA) whenever possible and insure your retirement plan against loss. Your 401K plan is not insurable. **If you investigate these new investment techniques you can grow your IRA and receive guaranteed income for life that cannot decline with a declining stock market.** The residual value goes to your estate upon your death and death benefits can often be guaranteed.

The short term future is totally unpredictable, yet I predict the stock market will remain in chaos until after the 2010 November elections. The stock market reacts to uncertainty, **and do we ever have that.** Bad news for Obama will cause stock market advances as will favorable corporate earnings reports. If Obama appears to leading us (actually he isn't leading us he is ruling us) towards socialism or bigger government, more regulations, higher taxes and more debt spending the market will drop. Institutions are perplexed and their uncertainties cause more volume and more violent swings

in stock prices. The fluctuations are sector based more than individual stocks. **Check out insured plans that are not affected by market declines.**

My investment advice remains favoring family revocable Trusts and tax deferred investing. Tax deferred investing can be creditor proof should the government cause further economic problems that impact you more personally. There are no guarantees, but there are solutions. Unemployment and terrorism remains our primary concerns and I don't think those out of work and looking for jobs will be that successful as long as the government tries to solve economic problems. **It simply can't be done and never in history has any government created prosperity except by declaring war at greater costs of blood and treasure.**

Warren Buffett seems to be making money on investing. Buffett is not buying gold, rather he is buying railroads with the idea that rail freight movements will save fuel in the future and reduce highway traffic. Buffett is proposing to rebuild the railroad industry. More people die on our highways than in war, so reducing traffic may be beneficial in that respect.

Do you know that there has always been a "Warren Buffett" type investor in our history? I was doing some research on how timing and acumen influences investment decisions and I was searching for an extreme example to make a point about investment advising and how necessary my services might be. America's first super investor was named Timothy Dexter, (1747-1806) and he might be considered the Warren Buffett of his day. My point is that acumen was never a factor. Timothy Dexter blundered his way into the largest fortune of his time, much to the chagrin of his many detractors and critics, of which there were many. Dexter was no run of the mill fool but rather a complete idiot having also written the stupidest book ever. While semi-illiterate at best, Dexter dubbed himself "First in the East, First in the West and Greatest Philosopher of all the Known World." He even volunteered himself to the new Congress and George Washington suggesting they proclaim him "King." **Talk about hubris.**

Born in Malden MA, January 22, 1747, Dexter was a dull normal student and placed on a working farm at age nine. At age 16 he became a "leather dresser" and began his investing career with the equivalent of \$8.20 in British coin. He married a rich homely fat widow and immediately proclaimed himself a successful investor. He so annoyed Boston society that there was a consistent scheme by Boston businessmen to ruin him because he was so obnoxious.

During the American Revolution, Timothy invested his wife's entire fortune in bonds of the various colonies at pennies on the dollar because the colonies were losing the war. Until George Washington's Christmas victory crossing the Delaware, the bonds were deemed worthless. But Alexander Hamilton insisted that the US never default on any bonds and when the war was won, all bonds were redeemed at face value by the new government. In effect, our National Debt was immediately paid. Dexter became one of the richest new US citizens. His enemies could not tolerate his overwhelming hubris so they schemed to trick him into cornering the market in excessive inventories of pots and pans made by local manufacturers and they pretended to compete with him to ship the metal ware to the Virgin Islands, where there had never been a market for pans. The timing was serendipitous for the new Caribbean rum industry that needed the hardware for hanging on trees to collect fluids. The hardware was sold at big profits much to Boston society's chagrin.

Dexter was then tricked into buying inventories of overstocked mittens and Bibles, which happened to coincide with the arrival of unexpected ships loaded with Scandinavian lumber. Christianity had found its way to Scandinavia and the mittens and

Bibles were traded for the lumber, which also brought Dexter big profits in the lumber hardwood business.

Dexter's bragging and obnoxious personality became a bigger and constant curse on Boston society. Dexter was always giving speeches to the poor and was always paying for his own newspaper publicity. So his enemies again conspired and tricked him into buying all the whale carcasses rotting in US shipyards hoping to finally ruin him financially and shut him up. After Dexter gained control of this worthless new market, a new product and new technology evolved and by pure timing luck there emerged the market for corsets, bras, and other foundation garments made popular the world over by the Victorian age. The exploding garment industry requiring shaved whalebones coincided with new problems with hunting diminishing whale schools (herd?) Dexter again became "filthy rich." This first "Warren Buffett" wrote a book about his success and philosophy and bought all the copies himself and gave the book away to a mocking Boston society. The book was ridiculed because it had no commas or periods and only random capital letters in the text. So Timothy republished the book with ten pages as an amendment with nothing but commas and periods allowing the readers to apply the punctuation wherever they desired.

Dexter was generous to the poor and they accepted his eccentricities for free handouts and free meals. Timothy got to bloviate to the poor, much like Obama does today, and every day. Dexter donated land for a park in Boston in his name and I don't know if that park still exists. Dexter goes down in investing history as the epitome of stupid investing being successful. Is there a lesson here? I see many investors that just happened to be in the right place at the right time. Does that prove that timing is everything? I again refer to tax deferred investing, which is a no brainer.

There are many such stories, and I hope I have amused you sufficiently to acknowledge that in spite of Obama and his anti-free enterprise stance, anything positive is possible. If Obama moves further towards socialism, I think the stupidity is on the other side of the fence and the burden has shifted from investors to politicians.

Investor beware!L. Terry Rand