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Our AARP model embraces the concepts of *Accumulate, Allocate, React* and *Protect*. For the better part of 6 months, we have been urging our readers to react to a worsening long-term US financial picture and take constructive action. If you have gotten sidetracked and not yet turned the ignition key, it is not too late. There is still time to get on the road before the detour signs start to replace the speed limit signs.

We encourage you to read the following commentary and acknowledge that oil at \$125.00/barrel might be trying to tell us something very important.

SPENDING PRIVATE RYAN

In the financial and investment world, we are at war. The allusion to "Private Ryan" is our illusion of the US Dollar, which has been the traditional symbol of America's global economic power during our lifetimes. Perhaps you are unaware that the US Dollar has been under attack for years and that it has been beaten back nearly 40% from its stronghold position in 2001. Nevertheless the Dollar still stands as the world's pre-eminent reserve and trading currency. However, we can sense that Private Ryan is tiring of the battle and this is altering the dynamics of the world in which we live.

Our lives increasingly are being impacted by increasing economic volatility. The root cause of this volatility will be explored as we move further into this commentary but suffice it to say that the saving mentality that built America into a global economic force has been eclipsed by an almost manic obsession with spending. Two generations of Americans--politicians and consumers alike--have decoupled from economic reality and spent Private Ryan into a very deep foxhole. As we illuminate the hole and gain an appreciation of its magnitude, we sense that the time is nigh for us to seek more stability within our wealth management strategies. Failure to do so will invite stress into our lives and added stress will move us to the edge of our personal comfort zones. In the end, we all wish to remain squarely within our comfort zones for as long as possible.

For the past few years, we have been acutely aware of the volatility in prices being paid for real estate, stocks, healthcare, food, energy and travel. It is as if our traditional price gauge needle suddenly began to gyrate wildly without explanation. If your expectation is for the pricing gauge to be magically repaired and for the fluctuations to stop, then you probably don't understand why it stopped working in the first place. Once you comprehend the reasons, you might reach the same conclusion as *DocOnomics*, i.e., that the traditional pricing gauge will not be fixed anytime soon and we must search for more reliable instruments of measurement.

Our main thesis is that the US Government's long infatuation with debts and deficits has flooded the world with Dollars to the point where the Dollar no longer can function as a reliable store of value. This is at the root of the chronic price volatility. We do not see this debt and deficit monster disappearing anytime soon. It is clear to us that the US Government will inflate the money supply for as long as possible to forestall a massive default of debts, which could take us back to a very dark period in history. Meanwhile, holders of US Dollars will be slowly stripped of their purchasing power unless they do something about it.

We are unsure that the US Government can successfully deploy monetary inflation as a tool for preventing defaults. On the consumer side of the ledger, the default dam already has visible leaks as foreclosures and bankruptcies have reached record highs and Federal "band-aids" are being

dispensed on a scale not seen since the 1930s. You may recall that what happened in the '30s did not stay in the Thirties. There are many stark and painful memories of how the conditions of the 1930s ushered in the worst bloodshed in modern history. This culminated in 1945 with the introduction and deployment of weapons of mass destruction and again in 1960 with nearly half the world living under Communist rule.

Today, the best-kept secret on Capitol Hill is that the US Dollar is empowered by a global energy platform that is centered on oil. This is not an immediately intuitive concept but can be captured in the following statement. Oil is the most universally-traded and consumed commodity in the world, it is priced primarily in US Dollars and therefore requires all oil importing and exporting countries to hold massive quantities of US Dollars. Once you grasp this, many geopolitical events of the past 40 years begin to make sense. The oil trade as well as an escalating oil price requires the entire world to hold mass quantities of US Dollars. This enables the US Government to keep manufacturing its currency to finance its debts and deficits. One might reasonably conclude that the US Government is defending the oil standard by all possible means to protect the Dollar regime even though the Dollar's purchasing power is being destroyed by this very process.

If your head is spinning by now, welcome to the club. We would like to believe that the gradual adoption of a new world energy platform based on renewable and clean fuels would have incalculable long-term benefits to society. However, we are forced to admit that the displacement of the oil standard would greatly undermine the US Dollar, causing massive economic dislocations as Dollar debts go into default or are repaid with a rapidly inflating currency. In either instance, we believe this would be the precursor to yet another global war. Our frame of reference is the hyperinflation of Germany's currency following World War I as Germany struggled to make war reparations payments to the victors. This subsequently produced German money that no longer worked as an acceptable medium of exchange. What ensued was widespread economic ruin in the 1920s and 1930s leading to the popular embrace of the Nazi political movement and its devastating military machine.

As we conclude this commentary, we hope that you understand and accept that the US Dollar is facing its moment of truth and that this is the root cause of the price volatility that has taken center stage in our lives. If you are looking for some peace of mind while the economic demons wage their own war, you must look for ways to protect the purchasing power of your income and savings. Our recommendations are (1) fixed income investments denominated in select foreign currencies, (2) various commodity-related investments and (3) equity-indexed annuities that offer stock market upside potential with little or no downside risk and allow penalty-free withdrawals during the annuity's contractual holding period.

While nothing is for sale at **DocOnomics**, please do not hesitate to contact us if you need specific recommendations in these areas. We are standing by as always, ready to save a few good medics.