Something an Older Person Might Consider at 3 am.

By Carl Nelson

Being old, in many respects, is like camping on a shrinking ice flow. All of your supports; friends, health, vigor, capabilities, competence, networks are dissolving – perhaps save one. Senior citizens who have been prudent are often fairly well situated financially. Their children are self-supporting, (though as my in-law advised when I asked him years ago if children would get cheaper as they aged, said, “No. The checks just get bigger.”) But the car and house are paid for.

The one bit of agency one has left is money, and one can still do a lot with money. So it is very important for the older to husband their assets well.

If life were like sports, the rules would change very slowly, if at all, and one could settle on a successful strategy and simply stick with it and accept whatever was achieved. But life is much more complex than sports; its rules are constantly changing, and the changes always favor whoever is at the top of their game. What’s an old person with fading skills to do?

Two things pop to mind as regards finance. The first is diversification of your investments. Most financial advisors will advise this, as one can never know for certain what the future holds. Therefore it’s prudent to hedge your bets. This is especially true for the elderly who have little ability to bounce back from setbacks.

The second principle would be – as a former CIA agent advised regarding survival in dangerous situations – to “get off the X”, with ‘X’ being wherever the carnage is about to set down.

I’ve always felt that the great value of having money was that one doesn’t have to think about it. You just pay for your needs as you go along. Live prudently. Don’t spend more than you make, and things will mosey along fine. This might work if the world weren’t changing at a hell-bent-for-leather speed.

“*Tulipmania is the story of a major commodity bubble* that took place in the 17th century as Dutch investors began to madly purchase tulips.” – (Google) Rather like the housing market bubbles of recent years, even the prudent felt the need to join the hysteria, as without participating they might easily be priced out of the inflationary market forever. In other words, the prudent person is forced to speculate a bit with their savings (due to inflationary pressures, which are a form of a monetary bubble) – that is, one must invest (i.e. prudently speculate) – or watch their savings eaten away by the forces of inflation (speculators). So, in effect, even the prudent are force into speculating. Again the most prudent, or conservative, form of speculating involves diversification. To invest in the stock and bond market, for both inflationary and growth reasons would seem advisable. And to seek lower risk, diversified index funds (for low load fees and lower risk) would seem the ticket.

Fine enough. But the purpose of this essay is to explore the second principle. Is an ‘X’ forming? And where would we move to “get off it”?

The second principle requires a lot of reconnaissance. One can’t bury one’s head in the sand. There is a lot of study, some speculation, an independent view, and an instinct for when (and if) one needs to listen and update their diversification required, based upon an imminent rearrangement of the playing field. According to the following article, "Breitbart Business Digest: Trump's Economic Detox Plan Exposes the Fragility of Biden's Government-Driven Growth Model", we are nearing (or are in) a "Minsky moment".

The drug of good times and fiat currency, has led inevitably to spiraling inflation, spiraling speculation, and inevitably spiraling fraud according to the authors. Unless Trump's efforts to detox the economy succeeds, an inevitable collapse will occur. This is a Minsky moment. Where does the 'X' fall in this scenario? And where does one move one's monies to avoid it?

A second article, "The Imminent Restructuring of the Monetary System" addresses this. (Read it. It's fascinating.)

The intricacies of financial policy and the effects are a bit beyond my reach, though I believe I understand the fundamentals. I don't know how the restructuring of our monetary system will come about (does anyone?). I have tried to solve the problem of the second principle by utilizing the first, again. For example, to escape the ravages of inflation it would seem that placing a large portion of investments in index funds (as noted), would be reasonable, and then to escape the ravages of a depression or a recession, placing another portion in gold ETFs (Exchange Traded Funds) might suffice. A financial advisor assured me that these ETFs were backed up by actual bullion. However, in this insert into the essay noted above on the restructuring of our monetary system – gold funds might very well be worth nothing when redeemed. (If the gold isn't there; it isn't there.)