

August 26, 2008

## **Retirement Wake-Up Call**

by The Mogambo Guru

*"Perhaps this loss in housing equity is why an AARP survey that found increasing numbers of people who are eligible for retirement are, instead, continuing to work, and some of them are even going back to work after retiring."*

I figure that the proverbial poop will hit the proverbial fan when people finally realize that they have been played for chumps, as it is obviously mathematically impossible for everyone, or even the majority of people, to take more purchasing power out of the stock market than they put in. So investing in the stock market, especially over the long-term, is, for almost everybody investing in it, a loser.

The only question is, "How bad will it get?", which is a question born of despair and yet tinged with hope, like when my wife rushed home from our disastrous honeymoon complaining about what a disgusting pig I am and is reported to have also wailed, "How bad will it get?"

The answer to her question is, "Worse than in your nightmares, honey, because I am really weird, paranoid and stupid! Hahahaha!", and the answer to the investors' question is that the Final Price Tag (FPT) that the majority of investors will pay has to equal all those trillions and trillions of dollars in salaries, generous retirement packages and stunning bonus plans for the banks and financial services people who "handle" all this money, plus the zillions of dollars in taxes and governmental levies that are paid on the churning of the money, plus a nice chunk of change for a few investors who, somehow, show a small profit, plus their taxes and fees.

It is indeed a lot of money when you add it all up, which I thought was a pretty novel thing to say, but without admitting that this is the cause or even has anything to do with it, Bill Bonner here at The Daily Reckoning reports that the fact is that over the last ten years, "Adjusted for inflation, investors have lost 20% to 40% of their money."

It's just like I said! The majority must lose money, unless the majority made 40% and another 30% to pay the capital gains taxes over the last ten years and I ain't heard about it! Hahahaha!

And now, alas, they have lost money on their "investment" in their houses, too, as house prices are down nearly 20% nationwide from this time last year, which were down from the year before that, too. It just keeps getting worse!

In fact, Bloomberg.com reports that Zillow.com reported that "Almost one-third of U.S. homeowners who bought in the last five years now owe more on their mortgages than their properties are worth", which can also be explained by the fact that these bonehead "homeowners" probably weren't making any payments against principal the whole time, but were paying only the minimum, interest-and-escrow-only monthly payment. If that!

As I can see that everyone is getting suicidal over these huge looming losses, I decide to lighten the mood by presenting a classic comedy line that should live forever.

Bloomberg.com says, "Negative equity and declining prices are making it difficult for

homeowners to sell property for a profit"! Hahahaha! No kidding? Hahaha!

Well, I noticed that nobody else was laughing, probably because some of them are terrified as to what this means to them, as the Mortgage Bankers Association reports that almost one out of every 10 mortgages in the U.S. was in some kind of trouble! 10%! The term "decimated" comes to mind, and I shudder.

And as a prime example of pure managerial incompetence on a grand scale, Freddie Mac "now anticipates losing 26% on each loan, up from 22%", which may explain why, "The fair value of its assets fell to a negative \$5.6 billion." Hahaha! A Government-Sponsored Enterprise, indeed! Hahaha!

Perhaps this loss in housing equity is why an AARP survey that found increasing numbers of people who are eligible for retirement are, instead, continuing to work, and some of them are even going back to work after retiring.

Around here, retirees are going back to work because they found that if they stay home, then I will be calling them on the phone all day and berating them for not buying gold, silver and oil in response to the fiscal and monetary insanity that has infested this country, and then I would actually go over to their houses and continue yelling at them through closed and locked doors, and then they would turn the volume up on their TVs, and I would yell louder, and it's back and forth, back and forth, until they finally say, "Okay! I'll go get a damned job to get some damned money to buy some damned gold, silver and oil if that will finally, finally shut you up!"

Mr. Bonner, unaware of these unique local conditions, figures that the reason is because "Many had counted on the value of their houses to finance retirement. But house prices are down as much as 40% in some areas, putting a big hole in retirement budgets."

And with delinquencies and defaults rising in every category of mortgages, it will probably get worse, as Moody's, the ratings agency, predicts that "Defaults on bonds may rise to as much as 10% worldwide within a year."

Instantly, I can tell who has achieved True Mogambo Enlightenment (TME) about the significance of using massive leverage to buy assets like bonds, as they are the people who are screaming in sheer terror and outrage, as they alone seem to understand that even a 5% default rate to a guy who borrowed 95% of the price of the bond means the guy is wiped out.

Like I said - screaming in terror and outrage. You'll want to remember that technique when you find out who really, really, really pays for the bankruptcies and governmental corruption on such a sweeping scale, because if you ain't holding gold, silver and oil, it will be you. Surprise!