Where to Put Your Money NOW: How to Make Super-Safe Investments and Secure Your Future

Peter Passell
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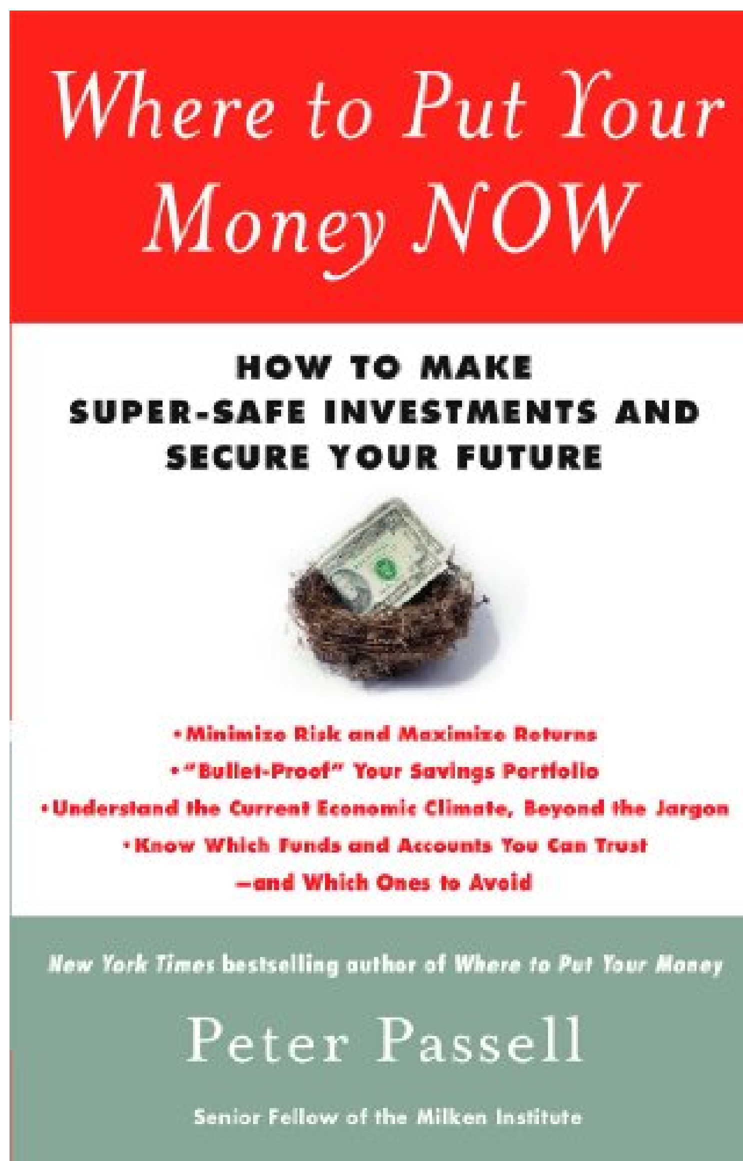

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Peter Passell : Where to Put Your Money NOW: How to Make Super-Safe Investments and Secure Your Future before purchasing it in order to gage whether or not it would be worth my time, and all praised Where to Put Your Money NOW: How to Make Super-Safe Investments and Secure Your Future:

11 of 12 people found the following review helpful. Has some glaring holes, but worth readingBy M. L

LamendolaThis book begins with a synopsis of what led to the Wall Street collapse of 2008/2009. The author does a good job of providing a succinct, accurate explanation. He then provides his recommendations for where to put your savings. I don't see, in these recommendations, fulfillment of the subtitle. None of the investments he discusses are super-safe, and few can do much to secure your future. In this review, I'll explain where the book falls short, and what you can do to make up for that.Despite the fact the book doesn't deliver on its subtitle promise, it generally doesn't steer the reader wrong. In addition, the author pokes holes in some common misconceptions about saving and investing. The advice he gives in this vein is more valuable than the price of the book, several times over. It can prevent a person from making matters even worse, which most investors invariably do.I was pleased to see that he tackles the "gold harbor" theory and explains why gold isn't a safe harbor. When you read the gold bug propaganda, these points are always glossed over or missing, and that's because if you understand those points you won't make the mistake of hoarding gold in an attempt to preserve your wealth.This book consists of an introduction and six chapters occupying 138 pages. The introduction is unusual in that it wasn't just tossed in there per the normal tradition. The author had specific goals in mind when writing it, and I found it to be an excellent start to the book.Chapter One explains how the panic of 2008 came to be. It doesn't explain what set the stage for that panic, and understanding that origin is instructive for understanding where you might invest. However, in subsequent chapters, he does address this but he doesn't go into much explanation.Here's a short version of the explanation that should have been in the book. As a consequence of how the Federal Reserve operates our central banking system, inflation is inherent. That is, your dollars lose value over time. And it's not just a little value. During Alan Greenspan's 18-year reign of error, the dollar lost half of its value. So if you held $100 in gold when Greenspan took office, you could redeem it for $50 when he retired. Or if you had saved $20,000 in hard cash, you could buy $10,000 worth of goods with it. Or if your salary was X, you'd need to be making twice that just to be paid the same (in fact, people are working much longer hours in response).Chapter Two discusses inflation, but in a way that seems abstract and barely relevant. For any investing strategy, inflation is a key problem to overcome. But the author seems to consider it of only minor importance. He also talks about the federal deficits run up during the Bush years, but not those of the Clinton years. He mentions the Obama spending spree, but doesn't explain it in terms that allow comparison. If you take Obama's trillion dollar hit on American taxpayers during his first two months in office as his spending rate and apply it to 6 months times 8 years, he makes Clinton and Bush seem to have behaved responsibly by comparison.Chapter Two does a good job of discussing other factors, such as leverage and home ownership. But then he falters. He talks about accounting for taxation in your investment planning, but frames it all only in terms of the federal income tax. This is way down the list of taxes in terms of cost to the taxpayer. In fact, the cost of compliance far exceeds the amount of revenue raised (businesses pass compliance costs to their customers, thereby making it a tax in itself) by the income tax, which means the IRS serves no financial purpose for the Treasury whatsoever. If we abolished the IRS today and stopped collecting the income tax, the Treasury would have a net increase in revenue.The largest tax you pay is the federal sales tax. Yes, we really do have one. You pay for the cost of federal regulations compliance every time you buy a product or service. You pay for the enormous cost of federal borrowing that crowds out business credit, every time you buy anything. You pay for quite a few federal follies every time you buy anything. Yet, Passell doesn't even mention this. It's fine to catch mice, but not when there are several elephants stampeding around in your living room.If Americans would stop voting for the Demopublicans (who control the ballot, by the way), this enormous taxation could be removed from our backs. The Demopublican Party is essentially in the business of taking your money and handing it to their real employers, which is why Demopublican members of CONgress are nearly all millionaires. How do you think they get that money? It's not by saving their nearly $200,000 a year salaries and living off their bloated perk packages.Making a 5% return on some of your money when the govt takes 60% (or more) of all of your money is like bringing a squirt gun to a house fire. Yes, it helps, but it doesn't solve the problem.Calculate your current portion of the $11 million million dollar current federal debt and $100 + million million of the unfunded federal obligations by dividing those numbers by the number of wage earners in the USA (about 75.6 million). Did that make you gasp? Now suppose you invest $5,000 at 5% a year, which after income taxes is 2% a year and after inflation is a minus 4% a year. Do you see the problem, here? None of Passell's recommendations overcome this reality.Passell does mention, almost in passing, the value of investing in yourself. This should have been a chapter in itself. He mentions education, but fails to mention how you can eliminate health-related bills by adopting a healthy lifestyle. I have an immune deficiency, but because of the health practices I have adopted I haven't been sick since 1971. I've saved thousands of dollars and huge amounts of pain and suffering. Talk about a great investment!He also fails to talk about investing in your brain power. People who watch television and people who read have such starkly different brains due to the adaptation response that any medical examiner can tell if the deceased was a reader or television watcher just by looking at the brain. If you want to be stupid (and disinformed), watch television. If you want a brain capable of dealing adroitly with today's problems, read instead of watching television. The value of this will manifest itself in real money, but also make you more fully human. What a great return on investment!Chapter Three is entitled, "Bulletproofing Your Savings." I don't see that theme realized in the subsequent text. None of the investments he discusses can earn a high enough return to counteract inflation. He even talks about bonds in this chapter, despite the fact a bond is a guaranteed loss of wealth. I

think if he'd entitled this chapter "Slow bleeding investments" then it would have been fine.One place where he errs is his discussion of "inflation protected investments." These are all bonds. And the wealth in a bond is "borrowed" rather than owned. Thus, it can never create value or wealth. It can only store it. In our debt-based (as opposed to credit-based) monetary system, you can't get interest without inflation. Any interest paid comes from thin air, and thus must be paid by inflating the currency. Therefore, bonds cannot and do not outpace inflation.When the govt issues its inflation figures, those figures are always understated. Sort of the way the warnings on cigarette packages understate the real costs by failing to mention impotence, bone cancer, disfigured skin, and a persistent personal stench. Like the tobacco companies, the govt has a vested interest in understating the damage it does.To get the correct figures, you have to compare price data over time. And you can't cherry pick the data to get the results, if accuracy is your goal. The govt always cherry picks the data, so it can keep picking your pocket.Passell does a good job in this chapter of exposing the reverse mortgage fraud. This alone more than justifies the price of the book if you were considering subjecting your parents or yourself to this kind of lunacy. The language used to sell this scheme comes straight out of the con man's handbook.In Chapter Four, we get into investments that just might bullet-proof your portfolio. Those would be stocks, which are partial ownership of companies. Many "investors" don't understand this, and treat stocks like chips on a poker table instead of as the long-term ownership assets they are to wise investors. But don't take my word for it, just look at what Warren Buffet does.Passell correctly points out that the average person doesn't have the resources to learn about a business before buying a piece of it. The solution is to buy shares of mutual funds. This, also, needs to be a long-term strategy because the fund managers are buying ownership in companies.As we know, the trading value of a company can plummet dramatically in terms of dollars (share price drops). To a real investor, this doesn't mean anything. If you bought a company because you have done your homework and believe (based on solid evidence) in its products and management, then you own something valuable. What the stock exchange thinks is not relevant in the long term, because the stock exchange chases returns and stock prices instead of value and wealth creation.This instructs how you should pick your mutual fund. An intelligent decision will take a little more time than picking an individual stock. The reason the mutual fund is a solution to the resources problem is you don't have to keep investing the time to keep picking stocks, you simply invest enough time to pick a mutual fund that invests in the kinds of companies you would pick. Passell doesn't mention this.Passell once again discusses bonds, in this chapter. I guess if your goal is to just lose money more slowly one way rather than another, this information is worth reading. If your goal is to preserve your wealth, skip past it.Passell ends this chapter with a concise but valuable discussion of gold and commodities. Right now, the gold scammers are sucking in victims left and right. Reading this last part of Chapter Four is required reading if you are considering putting yourself into that particular cattle chute.Chapter Five is about various govt programs for saving for college and retirement.Chapter Six is pretty much a "for more information" chapter. It lists various sources of information and gives you a thumbnail about each one. He lists a few financial writers also, but amazingly omits Jim Rogers! If you can read only one financial writer, Rogers should be it.This chapter ends the book, and it ends with a subsection called "Calling the Cops." It lists a few resources for researching and reporting scams. Amazingly, it doesn't list the National Taxpayers Union, which reports on the biggest scams of all.The Missing Chapter. There isn't a chapter on the proven method of buying items you need when they are on sale and stocking up. Yet, this is just about the only way to make a super-safe investment and secure your future.The key isn't to buy things just because they are on sale. Do that, and you merely accumulate clutter. The key is to buy things you'd use anyhow. For example, there's a sale on motor oil, 20% off. You buy the oil. If you use it 6 months later, you've made a 20% annual profit. If the price goes up in that time, you make an even higher return.Inflation may not stay within reasonable bounds. So even if you were able to buy everything with, say, an annual profit of 20% you could still lose wealth at an alarming rate. Of course, your 20% return is much better than the 5% return someone else is making via a financial investment.Most people will not do the math on investing. There is no broker's statement showing you made 20% on it. So you might not understand that you made that kind of return on the investment. Plus, you are going to use the oil and then it's gone so all you see is that they spent money on oil. Yet, you made a bullet-proofIf you think about it, this example is actually a leveraged investment. It's money you were going to spend (not have) anyhow, and so you make 20% on someone else's money but do so with real goods. Pretty hard to lose in that scenario. Do this for anything you can reasonably stock up, you've made a nice return on money you otherwise would not have invested.ConclusionObviously, this smallish book is meant to be a quick read rather than an encyclopedic treatise. It doesn't deliver on it subtitle, and one chapter is simply misnamed. Yet, it does provide solid advice with few errors (if you skip the stuff about bonds). Where it really falters is in its glaring omissions. This writer took the "write what you know" adage to heart, and didn't look at things from a perspective informed by the current (and classic) literature.His list of suggested references contains exclusively periodicals and Websites, most of which are in the "mudstream media." He even mentions the New York Times, a publication that any serious analysis will show to be horribly biased and seemingly allergic to editorial integrity. It astounds me that anyone would suggest relying on it when it comes to deciding your financial future.I think if you read this book along with others, it's helpful. Just don't consider it complete or authoritative.1 of 1 people found the following review helpful. "Nailed It"By David Peters----- Original Message -----From: David PetersTo: Peter Passell ; Joan K PetersSent: Saturday, February 07, 2009 1:22

PMSubject: new bookDear Peter and Joan, Thank you for your new book, "Where to Put Your Money Now".I began this book and it immediately grabbed my interest. It wasen't with the feral excitement of a murder mystery, but with genuine interest and curiosity about "what happened and why". Although I have been reading about it for months, Peter seemed to nail it with crystal clarity, and conciseness. I didn't have to wade through all the esoteric high finance concepts. My first sitting was about an hour and a half. (I couldn't concentrate on a woodturning book that long!). I found it light, appealing, folksy charming with an engaging rhythm and cadence I could almost humm to. It was vintage Peter. I could almost imagine you talking telling one of those complicated economic stories in simplified humourous form. I think this book is a much needed, must read description of our current catastrophe. I have intelligent friends who are bewildered and struck dumb by the crises and need a readable guiding hand. I believe this book is it and I will recommend it to as many folks as I can. I hope it turns out to be a current best seller. Passell rides again! Best of luck, David--No virus found in this incoming message.Checked by AVG - [...]Version: 8.0.237 / Virus Database: 270.11.3/1971 - Release Date: 02/25/09 06:40:002 of 2 people found the following review helpful. Learn how the economic crisis happened and what to do going forwardBy Mariusz SkoniecznyWith the near collapse of the financial system in late 2008, people are asking how it all happened and what to do now. The author does a pretty good job explaining how the problems started. It all had its roots in the housing market. If banks kept all the mortgages on their own balance sheets, this would have never happened because they would have paid attention who they were lending money to. But since all the mortgages were being sold on Wall Street, no one really cared how strong the borrowers were.Even though the crisis created fear among people, the author argues that "Fear Is an Expensive Emotion." With fear, people tend to overreact, and this creates tremendous opportunities for those who are willing to think logically. This book helps you to look beyond this short-term economic situation, and invest your money wisely so those long-term goals are still met. Investment basics never change. If you are confused about what happened with the economy and would like to know how to protect yourself, read this book.- Mariusz Skonieczny, author of Why Are We So Clueless about the Stock Market? Learn how to invest your money, how to pick stocks, and how to make money in the stock market

It's your money. You worked for it. And there's one thing you can be sure of. One day, you and your family will need it. For college tuition. For retirement. For illness. Maybe even just because you want to take a vacation. But in a time when the socks have been knocked off Wall Street, when the world's economy is taking a shocking battering, and when everybody seems to have a horror story about a neighbor or a friend, it's easy to start wondering if your savings will still be there when you need them. Yes, you could spend hours combing magazines and websites, looking for advice that suits your situation. But what you need right now is trustworthy information, all in one place. And you need it to be short, easy to read, and free of all that banker jargon. IF YOU WANT TO BE SURE YOUR MONEY STAYS SAFE... ...then rely on this all-new book from acclaimed financial author Peter Passell, Where to Put Your Money NOW. In this down-to-earth guide, you will discover: bull; Whether you really need to pay to have someone manage your money bull; Specific lists of funds and accounts you can trust bull; Reliable websites where you can learn more bull; A complete index to all the savings options in the book

About the AuthorPeter Passell is a senior fellow at the Milken Institute (a non-partisan economic policy think tank in California) and the editor of the Milken Institute . He has taught economics at the graduate school at Columbia University; consulted to firms including Microsoft, verizon Wireless and Visa; written about economics for The New York Times and served on its editorial board; and analyzed public policy for other publications ranging from The Wall Street Journal to Le Monde. Excerpt. copy; Reprinted by permission. All rights reserved. ONE What Went Wrong Back when Americans listened to music recorded on vinyl and cars had tail fins, buying a house was straightforward -- if not always easy. First you saved for a down payment, then went to a local bank or savings and loan to apply for a mortgage. The bank checked your income and credit records, verified that the down payment was ample to protect its investment in the unlikely event of a foreclosure, and provided the necessary cash from the savings deposits entrusted to it by your neighbors. What you saw was what you got: a mortgage with a fixed monthly payment that would be paid off twenty years down the road. But big changes were coming -- most of them built around the entry of Wall Street into the home mortgage market. Actually, the seeds of these changes had been planted decades earlier. The Federal National Mortgage Association (later to be dubbed Fannie Mae) had been created during the Depression to increase the availability of home loans for middle-income Americans. One way it did that was to create a "secondary" market for mortgages, based in New York and Washington. Why, you ask, would investors in some distant city be willing to buy mortgages on houses they had never seen that were owned by people whose names they didn't know? Fannie Mae set broad minimum standards for mortgages based on the assessed value of the house, the size of the down payment, the credit rating of the borrowers -- you get the idea. Then they bought thousands of mortgages that met their credit-quality standard and sold securities that represented claims on the interest and principle for tiny slices of each mortgage in the big pool. That made it possible for an insurance company in Omaha or a pension fund in Dallas to invest with confidence in, say, $10 million in ten thousand mortgages from California. Some of the mortgages might

default, but the risk was predictable -- and shared with others who had invested in the same pool. This secondary market for mortgage-backed securities got a huge boost in 1968 when Fannie Mae was privatized -- that is, sold to private investors -- and it adopted policies designed to increase its profitability. The pace of expansion further accelerated when Congress created a second private "government-sponsored organization," the Federal Home Loan Mortgage Corporation (Freddie Mac), with the goal of giving Fannie Mae some competition. Banks discovered they could make more money in originating mortgages than by owning them. They began to sell most of their newly minted mortgages to Fannie, Freddie, and other investment firms for a profit, then use the capital they got back to do it all over again. If "securitization" transformed high-quality mortgages into a standardized investment that could be sold and resold like stocks and bonds, why stop there? Why not create packages of riskier mortgages from loans with lower down payments and less creditworthy owners, then sell the resulting "mortgage-backed securities" to investors willing to bear more risk in exchange for more interest? And why should banks, which had largely switched from investing in mortgages to creating them, get all the action? Why not let specialized mortgage brokers find the home buyers, create the mortgages, and sell them to Fannie or Freddie or a private investment firm that would repackage them as mortgage-backed securities? Why not, indeed. And for a long time, it looked like a good deal all around. Home buyers, especially those with modest incomes and less than perfect credit, now had a choice of lenders and lending terms. Institutional investors -- pension funds, bank trust departments, insurance companies, mutual funds, even foreign governments -- got to quench their voracious appetites for what seemed to be relatively safe investments that paid more interest than, say, a bond issued by Shell Oil or the U.S. Treasury. In 2001, new issues of mortgage-backed securities reached an astounding $1 trillion. Wait, it gets better. Mortgage-backed securities created other new opportunities to make big bucks. Uncle Sam had been insuring the timely payment of home mortgages for middle-income families since the Great Depression of the 1930s, charging lenders a small premium for the guarantee. Fannie Mae and Freddie Mac continued the practice of insuring the mortgages behind the mortgage-backed securities they created and sold. The credit insurance side of the business proved lucrative. With house prices rising by 50 percent between 2000 and 2005, homeowners who couldn't afford their monthly payments usually had the option of refinancing their mortgages instead of defaulting. The prospect of easy profits in guaranteeing mortgage repayments lured other investment firms into the act. Giant insurance companies such as AIG dived into the mortgage insurance business. While they were at it, these firms couldn't resist extending similar "credit enhancement" services in any direction the market pointed. You want to guarantee the repayment of your $5 million loan to Company X five years from now? Just write a check to the Acme Insurance and Storm Door Company today for $100,000. The game was so lucrative that it was extended far beyond the sales of credit enhancements to the actual creditors. You haven't loaned any money to Company Y, but would still like to place a bet that it will default on its bond obligations in ten years? Write us a check now, and we'll pay you $1 million if Company Y does indeed go belly-up. Once liberated from the necessity of selling services to real creditors and debtors, the credit enhancement business took off like a jackrabbit at a greyhound convention. At its peak in 2007, some $62 trillion worth of guarantees were outstanding -- a figure that is much larger than all the debt of all the debtors in the world. Meanwhile, the big investment firms were hiring mathematicians (the insider's term: quants) to tailor esoteric new securities from the mortgage-backed securities as well as from other sorts of assets -- for example, securitized credit-card debt and securitized car loans. The advantage of these collateralized debt obligations, or CDOs, was that they could be sliced and diced in a zillion ways according to when the investors wanted their money back and how much risk they were willing to bear. A CDO might, for example, give the owner a claim on the first 80 percent of the interest on a specific pool of mortgages -- a pretty safe bet in most cases. That would leave the claim on the last 20 percent to an investor willing to take much bigger chances. Of course, the more complicated these securities got, the harder they were for the mere mortals who bought them on behalf of pensioners, life insurance policyholders, etc., to understand. A problem, you say? Yet another opportunity, Wall Street replied. A handful of companies had long been in the business of assigning credit ratings to newly issued bonds. They made their money by charging the bond issuers for the service. The debt of, say, General Electric might be rated AAA, the highest rating. A successful midsize auto parts manufacturer might only earn a BBB rating ("satisfactory credit at the moment") because it faced growing competition from China and its financial health was linked so closely to the auto-sales roller coaster. It didn't take a lot of imagination to extend the ratings concept to all manner of newfangled securities -- including, of course, the ones backed by home mortgages. This effectively transformed metaphoric black boxes stuffed with only the quants knew what into assets any institutional fund manager thought he/she could understand. So now the Central Bank of China or the pension plan for municipal employees in six small towns in Norway (both real examples) could invest in impossibly complex securities backed some way, somehow, by loans made to, say, homeowners in Riverside, California. Good Times Must End... As the economist Herb Stein once said, "If something cannot go on forever, it will stop." The long boom in housing prices came to a shuddering halt in 2006 and began a steep decline that is apparently not over. Not surprisingly, housing developers and real estate brokers have been badly hurt, as have their employees and the myriad industries supplying everything from lumber to appliances to the bloated housing sector. But this had all happened before -- in fact, it seems to happen every fifteen to twenty years. And while in the past the deflation of housing bubbles had led to real hardship for lots of

people, housing busts didn't bring the mighty American financial industry to its knees. What was different this time around? The bubble did inflate faster this time and affected housing prices in more regional markets. But the mega-shock was largely a consequence of changes in Wall Street that left all the big players (not to mention the rest of us) far more vulnerable to surprises. Nasty Surprises Bankers Don't Act like Bankers Anymore When banks retained the mortgages they originated, they had a strong interest in making sure that borrowers kept up their payments -- or at least invested large enough down payments to protect the creditors in the event of foreclosure. During this last housing boom, however, most mortgages were quickly sold to investment firms to be repackaged as securities. As long as somebody would buy them, bankers weren't too picky about to whom they extended the credit. That explains why banks were happy to make even "liar's loans" -- mortgages in which the applicants were required to declare their income, but the banks promised not to check whether they were fibbing. Still, why didn't the investment firms that bought the mortgages pay more attention to the risk they would never be repaid? Because these firms didn't have much incentive to care either, as long as somebody would buy the mortgage-backed securities from them. This goes on and on. Why were the pension funds, mutual funds, insurance c...