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The Solari Report

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Equity Overview & Rambus Chartology with Timothy Caban

Catherine Austin Fitts: Ladies and gentlemen, welcome to *The Solari Report*. This is the *2020 Annual Wrap Up*. We start the launch of our *2020 Annual Wrap Up* with the unprecedented *Equity Overview*, and I am joined by a wonderful financial professional from Pennsylvania, my old home turf, Timothy Caban. He is the founder and leader of Copper Beech Advisors, LLC in Malvern, Pennsylvania.

Tim, one of the reasons I wanted to speak with you is that I keep getting the question, "How do we find a financial advisor who understands the real deal?"

I met you in person several years ago, but I saw you on email before then. In my experience, you are one of those absolutely unique financial professionals who actually understand the money world. You have all the credentials of the well-credentialed, classic financial professional, but you really want to know about the 'real deal'.

Timothy Caban: Yes, I wish there was such a thing as www.FindTheRealDealFinancialAdvisor.com, but unfortunately, that doesn't exist.

I think that the suggestion I would make – and certainly you can look on my website, but if you aren't in my area and want somebody local – is try to find somebody who doesn't sell financial products and who acts as a fiduciary. Then hopefully, if they are acting as a fiduciary, which means that they act in your interest before their own, and you go to them and say, "I have these concerns, and I have this knowledge about what I think is the 'real deal' and how can we incorporate that?" at least they would be willing to talk about it with you.

They may not match your understanding exactly, but I think that might be one way to approach that question.

Fitts: Another suggestion that I would make – and tell me if you agree – is that one of the advantages of doing the kind of work you do, particularly with individuals and families, is you start to learn all the different risk issues that harm a family, and you also get an incredible education on the financial blessings resulting from good habits.

You will see that financial professionals who understand the 'real deal' start to make changes in the lifestyle of their family to protect their family from the risks, particularly the healthcare risks.

I'll tell you where you find them: Go to the Weston Price meetings of the local Weston Price chapter; you find the 'foodies' and you find the farmers markets. You will find financial professors who are going to extraordinary lengths to make sure that their children get proper food and a good education. So, you will find them homeschooling or at the Waldorf School. Much of it comes through the children and the things they do to protect their them from the risks.

Caban: I would fit that model because we have five chickens in a coop in our backyard. I'm a fanatic about food, so I absolutely agree with you.

Fitts: You look so healthy!

Caban: Thank you.

Fitts: I should note that for the last couple of Christmases (although this Christmas we weren't able to do it), we had a wonderful party in Malvern for the subscribers. We can always see you shining across the room looking super-healthy.

Let's dive in. I know we are only going to do an hour because your schedule is very tight. I want to do a quick screen share. For every *Wrap Up,* there are four commentaries that we publish on the four sections, the first being the *Equity Overview*. Can you see that?

The commentary for this *Equity Overview* is on the homepage, and I have gone through some of the charts that we use in the web presentation, and then the *Wrap Up* has a web presentation. At the financial section – and I'll quickly go there – we have the charts. You will see a section called *'Financial Markets'*, and that shows you an even more extensive review of the charts for the year. So, we can see performance and fixed income commodities and equities as well as the *Rambus Chartology*, which is Rambus' technical analysis and review of the charts.

Let's just dive in and talk a bit about performance last year. Walk us through what happened in the markets. Let's start with fixed income.

Caban: Clearly, as Rambus says, you have a bull market going on in many areas. The fact that fixed income was up significantly; I think I heard you say this that you wouldn't have predicted that.

Bonds across the spectrum of maturities are having positive returns for the year.

Fitts: We came into the year with interest rates so low, and the problems with the Federal credit were obvious. I never dreamed that bonds would gain as much as they have. It's interesting. Now that we are looking at the long treasury up 18% for the year, who would have bet that? This is a real conundrum for investors because where are they going to get income?

It was bad enough at the end of last year, but now it's really dreadful.

Caban: I think that you have to look at the reasons to hold different types of assets. Traditionally, I would say that you hold fixed income, in not a small part, to protect against deflation. Deflation was always somewhat in the long-term rearview mirror, in terms of the Great Depression, but that we have actually experienced this year with the lockdowns and things like that.

Keep in mind the reason you are holding fixed income. But from a return standpoint, I agree with you. It becomes less and less compelling – even from just a traditional measure – in terms of return. But then if you add in the real deal, so to speak, and you start to understand the underlying credit issues and missing money and things like that, it becomes even less compelling, especially if you don't want to participate in that.

Everything has risk, and the other option is to go more heavily into equities. But then you have risks that are associated with that. How can you balance that for your own situation in a way that makes sense?

Fitts: That is one of the reasons I keep saying to everybody, "Any time you can invest money to permanently lower your expenses, it's a no-brainer." It's much easier to lower expenses than to get income. It's a whole different way of thinking, but I think it's a way of thinking that we have to do.

So, let's talk about the equity markets. The equity markets were quite a wild ride.

Caban: Yes.

Fitts: Did you have fun in March?

Caban: Yes, and I think it's great that you offer the *Rambus Chartology* because it gives people reference points. Even with my client base, when we experienced that straight line down of the market, I did some basic, simple charting with line charts to give people reference points because, when you see that going straight down, where does it stop? You don't know where it's going to stop.

The work that Rambus does is excellent to give you both the short-term, but also the longer term, and it is able to tie that all together.

I encourage people to realize, in terms of what we experienced this year, is that we have more volatility, and the amplifications gets bigger; the range gets bigger.

If you can expand your thinking a little and not be overwhelmed by the scale of the ups and downs, then you might be a bit more able to make decisions in that environment.

Fitts: When I used to manage money, one of my partners figured this out and showed this to me: The successful long-term strategy was not buy and hold; it was a modified buy and hold where you stay long as long as you are in a bull, and as soon as it turns to bear, you are out; you stay in cash until you go back to bull.

It sounds simple, but as you know, it's not. How do you know when you've turned into a bear? What is the difference between a major correction and a bear? The magic number was always 35% down, and in March, we hit a magic 35% down. If you got out, of course, that would have been the worst thing to do at the bottom of the 35% down because it turned out to be a major correction, not a conversion to bear.

Caban: The one thing that I would add to the buy and hold is that a buy and hold traditionally implies that you totally take your hands 'off the wheel' and don't do anything. Typically – at least for most of my clients – we have a balance between some mix of stocks and bonds and have a target. Having a target allows you to rebalance. That is rather like an 'old saw', but it is a useful way to respond in a measured way to market dislocations.

For example, we had that down market, and almost all of my clients said, "The world has changed. We can't do this."

I had one very math-oriented client saying, "It's down. We are going to rebalance," and he did that.

Fitts: He won!

Caban: Then I was talking to him in August, and he said, "I have more money than I've ever had in my life!"

I said, "That is right because you bought when the market was low."

There are different ways to approach it for sure.

Fitts: One of the challenges that I face is: Do you hedge or not? There is no doubt that we are in a bull, and in a bull wasting money on hedges is wasting money if you are only going to go up. At the same time, if you live through the financial crisis, you do not have the capacity to live through a 35% down without having a heart attack.

I always tell people, "If you don't want to live through that down hedge, you can stay in, but you don't have the heart attack."

For the people who have that long-term Rambus perspective, they don't need that. And your strategy is that they waste less money on the cost of the hedge.

Caban: I suppose it's the old saying, "Sell down to the sleeping point."

If having a hedge allows you to sleep at night, it's really about expectations and managing expectations versus the reality; it's not 'one size fits all'. For many people, a hedge could make sense, and for other people, maybe they should do something else.

Fitts: There are two interesting things in the equity markets that really stuck out this year. First of all, the IPOs are extremely up, but we had something called SPACs. If there was ever an example of 'funny money', this is it; this is like the 'tulip bulb thing'.

Caban: I looked at that and saw what it was, and it's generally referred to as a 'blank check' IPO. I could not think of anything more inappropriate in terms of a way to evaluate an investment than to do no due diligence at all; to write a blank check. I couldn't imagine ever investing my own money or clients' money in that except if somebody knows the insider who is running the pool of money, and then it's somewhat of a fait accompli (already happened).

Fitts: I recently recorded '*Money & Markets'* with John Titus, and he put up a chart that showed the gap where S&P earnings are going down, but the S&P is going up. The gap has never been this wide between what earnings will support and where the price is going. I think that one of the things that you saw happen with the game between essential and nonessential businesses in COVID-19 was a 'giant sucking sound' of small business revenues and profits into publicly traded stocks. Part of COVID-19 was trying to help that earnings line stay up.

Plenty of earning got consolidated into the big publicly-traded stocks.

Caban: Absolutely. I don't think that you need to be an expert to understand how apparently unconnected from reality the earnings of the big companies are. I was interested seeing the John Titus video where he explained the mechanism for how the Fed might inject money directly into the stock market using a commercial bank as a middleman.

There are some different things out there, and I think they could all be going on at once.

Fitts: We did an analysis from the time the Going Direct plan (BlackRock's Bailout Plan) was approved in August 2019 to the end of the year 2020 on '*Winners and Losers*', and we will have that up on our website. One of the things that you see is that Asia is clearly a winner.

Caban: I don't have the answer to why that is, but maybe you do. Certainly, it makes me ask the question, "Why is that?"

Fitts: I think it's pure growth rates. I also think that right now, if you look at those economies – not to say that they are not dealing with much risk – the two best performers in Asia were South Korea and Taiwan. I think the US and China are in a trade war. Some of that is US corporate work coming out of China and going to, what is called, 'the Quad' which is Taiwan and South Korea.

China did very well, too. Several years ago, we did a *Wrap Up* called *The Rise of the Asian Consumer*, and I think that it is stronger growth rates, and I think that it will continue.

Caban: What's interesting is that it could be a real phenomenon that might continue.

Fitts: What was interesting was at the beginning of last year, I was talking with a variety of different money managers, and everybody was saying, "Now is the time to go into non-US. The US is 'long in the tooth'; it's time to go long with developed markets and emerging markets," which was primarily 'heavy' Asia. Then COVID-19 happened, and – boom! – suddenly, the dollar saved the US stock market. It was quite pro-US.

Caban: Yes, and when you do that, there is the real economic component, but there is also the currency component of the returns when the dollar gets weaker. The dollar got stronger during the initial meltdown; I think it ended down 6% according to the charts.

When you are invested in non-dollar markets and the dollar gets weaker, you have a little extra 'juice' or 'tailwind' on your investment.

Fitts: Right, and that is clearly part of what happened.

Let's look at commodities. I have been waiting for commodities to turn into an opportunity. It was very interesting to read Rambus because he said, "Commodity bull is starting."

What do you think?

Caban: His section on gold was very extensive, and I think he mentioned something to the effect that gold was the 'General', and when they see the General out there, the soldiers start to follow over time.

Even only looking at that long-term chart, at the time, nobody thought that gold would go above $300/ounce. But in that chart, I think the thing to understand – and he says this in his memo there – is that the chart is actually just a visual depiction of all the emotions of all the market participants, and that you can see patterns emerge over time that you can't easily change. It's everybody participating, and when the long-term pattern is showing positive things for the future, that is something to pay attention to.

Fitts: I will take a quick look at *Rambus Chartology*. I love his charts, and this time he had some very interesting commentary. You can find it right under *'Financial Markets'* on the *Going Direct* website. That is the web presentation for the *2020 Annual Wrap Up*. Every *Wrap Up* has a web presentation where we build it during the month as we publish.

The reason I love his charts is not that I use them to predict where the world is going to go, but that it synthesizes such an enormous amount of data about the patterns to date. He goes long, and he looks far back in history. So, you can really get that perspective.

If you look at how much the central bankers are printing, I know they have created a great deal of offsetting deflation with the pandemic, but if you look at how much they are printing, I expect inflation.

Let's touch on real estate versus equities, but then I want to get to the material that you sent me on, 'Are we keeping up with inflation?'

We saw the Gallup Poll come out again. They've done it for 18 years now, showing that investors prefer real estate to equities. In fact, we've been in two decades now where the concentration of ownership in the United States and the equity markets have become more and more concentrated.

The US was traditionally something where a large number of people in the middle class participated in the equity markets. As we have institutionalized retirement capital, that has been changing. The emerging markets have not yet picked up on retail investment in the equity markets. So the question going forward is: How are investors going to feel about the equity markets?

Gallup comes out again and says, "Real estate is still more popular." Any thoughts on that?

Caban: I have some clients who are in that 'boat'. Even before they've started working with me, historically they have invested in real estate because they understood it. They felt as though they could at least understand what was happening. Nothing is without fraud or risks, but it was too overwhelming to try to figure out what was going on in the stock market.

Even if they didn't do quite as well as they could have if they had their money in the S&P 500, it gets back to them being able to sleep at night. It's a way for them – whether they think that the stock market is corrupt or not – to not participate in something that they don't understand, and able to sleep at night, and maybe grow their investments over time. It makes sense to me why people would do that.

Fitts: I found it to be the same with gold; gold is simple, you can understand it, and it's easier to follow. If you are new to gold, the time that it takes to learn about gold is much shorter and much more fun.

I do a screen, so I spend a fair amount of time looking at companies and stocks. Until this year, I traveled a great deal. As I traveled, everywhere I went I would underwrite all the stocks in their exchange.

In 2019, I was in Thailand. I went through all the companies in the Thai exchange, and I found a company that I loved that makes rubber gloves; I just loved them. So, I proofed them for the screen, but I made a terrible mistake, and didn't buy them. I should have bought them because when COVID-19 happened, rubber gloves skyrocketed, and they were one of the big winners for the year, and I completely missed it! It was quite humorous.

What is interesting is when I work on *The Solari Report*, I look at corruption by big companies in the stock market. When I work on the screen, I run around the world, and I find all these wonderful companies and all these entrepreneurs who are creating new companies that are wonderful and do very useful things. But you don't see them if you are in the United States only looking at the stock market; what you see is more and more quantitative easing and all of this horrible stuff. Yet if you go around the world and watch how securitization is allowing entrepreneurs to participate in building useful companies, you see a very different picture.

Caban: And you have such a unique perspective, given your role, to be able to do that. It reminds me of the old Peter Lynch book from Fidelity when he ran the Magellan fund. He said, "Just buy the companies you use. If you use Colgate toothpaste, buy Colgate toothpaste."

You have a much broader universe of things to look at.

Fitts: That is an amusing story because as a young associate at Dillon Read, I was required to go to the annual meetings for some of the companies, and I went to the annual meeting for Colgate, who was a big client. The chairman was British at that time. There were no women on the board, and there was this activist in a fur coat and sneakers who came waddling down for the annual meeting and said, "Why don't you have women on the board?" in a very New York way.

I had watched a 20-minute video that they ran which showed all the products, and it was 20 minutes of watching women buy products for their children or for their household; it was women, women, women. The chairman stood up and said, "There are no qualified women."

I thought, "What do you mean that there are no qualified women? What about Erma Bombeck? You need Erma Bombeck on this board."

I went home and said, "Sell Colgate because they're not going to do it."

Caban: That's a smart decision because it was aligned with your values; it was aligned with what you care about.

Fitts: Do you know what it is? When I look at the board of a company, the first thing that I say is, "Do they have the networks and intellectual capital to have the best intelligence they need to run their business?"

So, I'm looking at it like an intelligence agency. From what I could tell, that board definitely needed Erma Bombeck's intelligence.

Caban: You've mentioned before about your experience with women and men in your company, and you think that the optimal balance is to have an equal balance between women and men.

Fitts: Right. I'm a great believer in having a balance of, what I call, the Myers-Briggs profiles, and a balance of generations and sexes because then you get the best intelligence. That is an entirely different conversation, and I want to get to the question: Are we keeping up with inflation?

You sent a very good package to me on that topic. I think it's an unbelievably important topic. Let's just dive in. Are savers keeping up with inflation?

Caban: I think that you can look at it in two ways: If you look at it in the traditional way-I sent you something that I want to mention called the 4% rule. I work in retirement investments. That is one of the roles that I serve, and people don't want their money to run out over the course of their lifetime.

There is a popular precept called the 4% rule which is published in periodicals like *Money Magazine* and similar journals. I think that many people may not understand that that rule was created, not only with the return of stocks, but with the level of inflation. So historically, if you say that the after-tax return of stocks is at 7% and inflation is 3%, then 7-3 leaves 4% for you to be able to withdraw over time. It's more complex than that, but I wanted to boil it down.

That is the difference between the return that you get when you see what the S&P 500 return for the year is, and the return that you get after you subtract inflation. So historically, the level of inflation has been reported as the CPI as a common measure. There are different versions of the CPI. That, I believe, started to change through the 70's and early 80's when the government started to change the measure to change things historically. For example, we went off the gold standard, and you had the Volcker Fed and some things going on where it wasn't in the government's interest to keep recognizing the real level of inflation, so they changed some of the statistics. There are other sources, and you mention the Chapwood Index all the time.

If you have 4% left over after inflation for yourself, and using 3% inflation, and the Chapwood Index inflation level of 8-11%, then that will erase the 4%.

The things that you have said before ring true, which is that managing your costs is one way to do it, and pay attention to costs in your life, but it's also something to be aware of. You can't just automatically say, "4% is the number," and not be aware of inflation.

Fitts: I will do a screen share with you and show you the Chapwood Index .

The person who put together the Chapwood Index is a money manager in Chicago. His mother got 'squeezed to death' between social security and the cost of living. So, he decided to put together an index that showed the top 500 items in a household in the 50 largest cities. Then he looked at the increase in those costs of goods.

So, these are the top ten cities. San Jose used to be 14-15%, but it has come down.

One of the reasons I chose to live in Tennessee after the litigation was that if you look at the Chapwood Index, it is one of the areas with the lowest cost of living increase. At that time, San Jose was 14% and Memphis was 8%. That is a huge difference over ten years.

I chose a very low-cost area. I had three properties, and my combined tax on those three properties was $500 – which is unbelievable. So even if it tripled, I could handle it.

Caban: I think you have mentioned before that sometimes when people ask you questions about relocating; personally, I used to work in New York City with my wife. We lived in Hoboken, and had a high cost of living. So relative to that, even to move outside of Philadelphia, it was a lower cost for us because of that differential. But if you are moving from Tennessee to Philadelphia, then your cost may go up. So, you have to look at where you start and where you end up.

Fitts: I am a great believer in planning using something like the Chapwood Index because you have to deal with the real cost of living that you are confronting. We have seen extraordinary movement out of the two coasts into the heartland, and I think that is part of the driver.

Caban: One thing that I take away from the Chapwood Index is that if you apply the Chapwood Index to the traditional numbers, you realize there is no investment that can magically have you keep up with the Chapwood Index; there is no Chapwood investment number. So, it forces you to look at other aspects of your life, to be able to manage that. You can't only buy an investment that is going to keep going upward.

Fitts: Here is what always struck me when I was doing individual investment advisory: Families would spend an inordinate amount of time trying to ensure that their assets were growing – whether they invested in gold or real estate or equities – and then it would all be wiped out by one vaccine injury or one healthcare fraud or one bizarre litigation out of 'left field', or government enforcement.

In other words, you had these risks that could broadly be defined as coming from the corruption that could wipe out 20 years of hard work.

Caban: Trying to at least think about those potential risks is something that could be extraordinarily valuable. Suppose you are able to make a simple decision that eliminates or greatly reduces the risk of some litigation or something. In that case, you may never even realize the value of that decision because you didn't experience the negative effects. But absolutely pay attention to all the other risks, which can be greater than only having a 35% decline in the stock market over three months or thereabouts.

Fitts: I used to have a partner at Dillon Read; you would have loved him. He would say, "The number one rule of making money: Don't lose money."

Caban: Absolutely.

Fitts: One of the things that I really enjoy about Rambus – and Rambus is always a little different every quarter – is what he had to say about commodities. Before we leave Rambus, I want to ask you what you think about commodities.

I know commodities will 'drive us crazy' in terms of household expenses, so I am confident that commodities are going to go up when it comes to paying our oil bill. What do you think the opportunity is in commodities? Do you think there is an opportunity yet?

Caban: I don't know. Many of these markets that have gone up in value, you wonder where they are. Do we have more to go on the upside or not?

I think that in Rambus, he provides an analysis that gives you a trading range on gold. I think it's $1,775 with a high at $2,011, and explains how that works. At the bottom barrier and $2,020 on the high side, it may end up being a range there that gold goes into as it consolidates. To me, that makes sense.

Then, if you are trying to make decisions about when to enter or exit, and you follow that type of approach, it gives you reference points. Right now, we are at $1,900 or so on gold, which is in the middle of the range. It's hard to say, "I either want to buy or sell," because it's in the middle of the range, but if it gets closer down to the $1,775, you might consider buying.

Fitts: It's clearly going to be a buy. I think gold will have another good year.

Let me ask about questions because we've gotten a lot of questions at year-end. Everybody is doing their planning. One of the questions that we get every year, which we have gotten again, is: IRAs and 401(k)s – can you trust them?

Caban: I think you've seen things like the Secure Act, which was passed at the end of 2019. That is like the 'opening salvo' into bringing money out of IRAs. When you put money into IRAs, you don't pay tax, and the government doesn't get their money until the money comes out later. What the Secure Act did was got rid of, what was called, 'the stretch', which was the ability to stretch out withdrawals over, not only your own life, but the life of your children.

You can still do it over your own life, but when it passes to the next generation, they have to take it out in 10 years. That means there are larger amounts coming out that go into a higher tax bracket, which results in giving the government more tax money.

To me, that is the more moderate type of thing. Sometimes when we say, "Are these things secure?" the mind immediately goes to the extreme, like, "Would the government confiscate IRAs or 401(k)s?"

Fitts: They floated this one time a while ago, and then it got 'slaughtered'. My concern is that IRAs and 401(k)s would be converted into annuities, and at the end of your life, your children wouldn't inherit them. Essentially, by converting it into an annuity form, you could force investment into the US Treasurys.

Caban: I can't say that wouldn't happen. The Secure Act shortened the time when it comes out, and if you do the annuity, it will shorten it even more. That means if you have $1 million and have to take it out over the next ten years, more money will go to the government. Then if you force them into Treasurys, that would be another thing.

These things are all possible. I can't say that it's not possible, but I wonder about the resistance of people if they tried to do that.

Fitts: I think that the resistance would be enormous.

What I always say to people is, "These are vehicles where you are in business with the government, and you want to make sure that you don't have all of your assets and things that are in business with the government." So, there is a balance.

I had a very nasty experience during my litigation with the government over my 401(k). So when I settled the litigation, my accountant said, "We will just fund up the 401(k) again."

I said, "Nope. I'm never doing that again." But I'm different. I want to get on *The Solari Report* and say whatever I want to say and not feel conflicted. Given the politics they played with my 401(k), I am never letting the government into my money in that way again. But that is only me.

Caban: It doesn't have to be that extreme of an example. I have clients who were executives at a particular company, and they had a view about what was going on at that company. When they retired, it made more sense for them – given the risks of keeping the money in a pension system versus taking out a lump sum – to not put it straight into an IRA, which is what people traditionally do, but paying the tax bill on that immediately. It's a big tax bill, but that is a decision that can make sense for some people, depending on their situation.

Fitts: One of the things that I always say is that if you take advice given generically but not looking at your individual unique position, that is bad advice. That is what I discovered being an investment advisor. Everybody is very different. Your circumstance, your place, your talents, and your skills are all different.

I don't know if you saw Skidmore's report on TSP, the government's savings plan. He reported to me not that long ago that there is apparently a significant exit of Treasury employees. He and I are wondering if they read his article and want to make sure they get their money out of the TSP.

Caban: I did read that. I sent it to some colleagues who are in the fixed income market, and nobody wanted to comment on it. Even in the investment world, sometimes people just don't want to get involved.

Dr. Skidmore raises excellent questions that I don't think we have answers to.

Fitts: I'm trying very hard to get him to do online economics education because the need for that is extraordinary, and he has such high integrity. At this point, I think he is quite clear about the 'real deal'.

Caban: Absolutely.

Fitts: 'Do It Yourself': I am always encouraging people to disintermediate their balance sheet and invest in things that lower their expenses. Do you have any thoughts or comments on that?

Caban: I think that it depends on your community. Since I'm such a food person, I would say to connect with things that are in your community and things that are local. It could be food or it could be shared community efforts in different things.

I think to look at a more endogenous view of things within your control is a good way to approach that.

Fitts: Think resiliency.

ESG: Obviously, I'm interested in ESG (Environmental, Social, and Corporate Governance) because of the screen that we do. Last year we wrote a *Wrap Up* on all of the abuses in ESG.

Visual Capitalists just came out with Big Trends for 2021, and the number one thing on their list is, "ESG is coming into its own."

I said, "Oh no!"

Caban: That really has the potential to be very bad, or if it is done in the right way – which is not easy – it could be very good. But the specifics really matter. That is something that is very hard to do individually. It depends on who you are and what your background is.

Fitts: I've 'bumped' into more and more people who are beginning to realize that they are so disgusted with what they are watching on the news. I remember during the big 'brouhaha' over Epstein last year, it came out that one of the top hosts on Disney's news channel had gotten the story on Epstein, and it was censored. I know who censored it; it was the chairman of Disney. I used to have an associate who was the Disney Chairman's assistant. The news division would send in their headlines for the nightly news, and then he would delete them or change them. It was very controlled.

So, this person saw Disney in their portfolio because their money manager had bought Disney. They realized, "I hate that guy. I've had enough with seeing it on the nightly news. I don't want to own it."

So, we are starting to connect the dots, and I think that is good.

Caban: Another thing to mention quickly is that sometimes there are examples of things in your control. I saw a study, which I think was out of Monsanto, and was an internal study. It was some low percentage. It was, for instances, if 15% of people converted to organic food, that put their business model at risk. So even making small decisions like we have done in our own family, it makes a big difference.

When we can, we always try to buy organic. That is another local way to express a view.

Fitts: I believe it makes a huge difference. I call it 'coming clean'. I think that if we can each do what we can do, it can be a revolution.

I will say this: Most of the ESG financial products that I look at are a source of great laughter and amusement.

I think JP Morgan came out with a new 'environmental ETF', and of course, the top 10 holdings were the same as if you just bought a large-cap fund.

Caban: I wonder if now ESG will be aligned with the Green New Deal, and they will say that is ESG.

Fitts: With the Democratic Senate and the Green New Deal, and you pull in the guns, and then pile on ESG, it will be beyond ugly.

Sometime we should review the Goldman Sachs index. They have one only for America of companies aligned with American values. We should do a 'real deal' on that index. It would be fun!

You own chickens, and the UK health department just started going to private homes and killing and culling chickens.

Caban: I saw that. I believe in the UK, the chickens had to be registered with the government. In my community, I read the local code and realized that it allowed me to have chickens, so I didn't ask anybody; I just put chickens in my backyard. You can do that where I live-Jurisdiction matters. You have to look at the local laws on that.

Fitts: I'm very concerned that they are trying to control the food supply. I think it's very important when you look at your assets to think about how you can strategically invest in providing my own food supply.

Caban: Before COVID, for the past number of years, we have a cow share. We have ¼ of a cow and half of a pig in our freezer.

One thing to mention is that this does not happen all at once.

Fitts: It takes time and it takes relationships.

Caban: Just get started. Even if you're not there right now, start with one little step. Over time, you build on it. Then when you look backwards five years from now, you might be surprised by how far you've come.

Fitts: You are looking forward, and have a group of clients. You are unbelievably knowledgeable, not only about the markets, but about the 'real deal'. So, you are the real deal financial advisor.

Looking ahead to 2021, tell us what you think is important for next year – what we should be looking for and what we should be thinking about. I'm getting many questions like, "Should I pay off my mortgage?" So, I'll throw that one out to you, too.

Tell us what is on your mind for 2021.

Caban: There is still a risk in the stock market, but I think that every indication, even from Rambus, is the stock market is likely to continue. Before I got on with you, I listened to your interview with Eric Best about scenario planning. One thing he said was that people might say, "This can't go on anymore. This can only go on for so long," and his answer was, "Yes, it can. It can go on for longer than you think."

So, I think that to not have any preconceived notions and try to have a plan that is appropriate for you and your situation allows you to respond to the different possibilities. Maybe we will have increased inflation.

One question I have about that with regard to inflation is, with John Titus' explanation about the Fed investing into the stock market, is this: Is it possible for inflation to express itself with a ballooning stock market but to not 'leak out', so to speak, into other aspects of the economy? What do you think about that?

Fitts: I think the stock market can balloon without the general economy going into high gear. I think that automation will be very deflationary for labor revenues and incomes, but I think it will absolutely seep into household expenses. So, I think you will see deflating incomes, inflating household expenses, and asset bubbles.

The asset bubbles will be tricky because they are not going to be across the board, and we have serious vulture capitalism and disaster capitalism going on. So, I think this is a time when you want to be doing everything you can to aggressively reengineer your household expenses down.

One of the things that I discovered when I was running Hamilton was that telecommunications' pricing was so dynamic that it was advantageous for me to pay someone to constantly figure out how to engineer our bill down every month. It was like economic warfare with the telco companies. If I paid somebody to only 'play that game', we would make money.

If you look at the amount of time within a given household that you need to spend on managing risk, given what is going on in the broader operation, – whether it's COVID-19 or vulture capitalism – it is avoiding risk but also playing this game of deflating expenses.

I used to always have clients do a time budget. You need to budget more time for intelligence and aggressively managing the change.

Caban: You asked me about paying off your mortgage. That is one way to do that, but I believe you have to think about how much you want to 'go to war' or be defensive. When interest rates are so low, traditionally, I've always had people carry a mortgage and do what is called 'the carry' because you make more on your investments than you are paying on the mortgage, especially if you have a tax deduction.

Fitts: Right, so it's an arbitrage.

Caban: It is an arbitrage. That can go on forever, even through your retirement, as long as the numbers make sense. But now when you start overlaying these other risks, part of my approach is to not have to go into the 'bunker'. You really can't find a place to hide from this; you have to learn to live in the world.

Even with lower rates, there is certainly an opportunity for people to lower their costs by refinancing and even shortening the terms. Most people don't have the ability to pay off a mortgage instantaneously, but they might be able to take a 30-year down to a 15-year if they wanted to.

In that case, they are saying, "That arbitrage, Tim, that you are talking about isn't as important to me. It's more important for me to lower my costs." So, it comes down to your individual situation.

Fitts: I think it very much gets into individual risk issues. There are some people that I would recommend they do it, and others where I wouldn't. I hate to say this, but back to my game of economic warfare at *Solari*, I kept a mortgage because I figured that if they burned the house down, it's the insurance company's problem and the mortgage company's problem, so they wouldn't do it. I'm safer with a mortgage.

Caban: You can think of all different scenarios. Absolutely.

Fitts: Do you have any other thoughts for the *Solari* group? If anybody wants to contact you, what is your website?

Caban: It's www.CopperBeechAdvisors.com, and my name is Tim Caban. My phone number is 610-647-4014. So, you can feel free to call me using that information.

One quick thing that I wanted to mention was I think many times when we are 'going to hell in a handbasket' and things are collapsing, I've always listened to the saying that says, "Tend your own garden." I particularly have a garden, so there is a direct way for me to do that.

Many people can't do that. So, I looked into what that means and how people could do that in other ways. I came to understand that cognitive psychologists have identified the way to be 'happy'. That doesn't mean running gaily through your backyard in the flowers. I use the word 'contentment'. I find it very valuable, so I mention these three things. The three keys to happiness, according to cognitive psychologists, are: 1) **Autonomy**. That means different things to different people. Not everybody has 100% autonomy. 2) **Meaningful connectedness with others**. This is increasingly difficult during lockdown because I don't consider communicating through a phone to be meaningful connectedness. 3) **Development and exercise of competence**, which can also be called 'pride of craft'. You can think of an old craftsman building skills in carpentry over time.

So, look at your own life in those three aspects. If you can improve even just one of them, you may find yourself more content and more mentally resilient to deal with these kinds of issues in the world that we are living in.

Fitts: Right. I have a time budget for the next year: Where am I going to invest my time? So, you are planning on investing your time here, and then the world imposes, and you can't do that.

The first thing I always say is, "Okay, what is on my list that I *can* do?"

What is remarkable is if you keep doing what you *can* do, it's amazing how much you can get done.

Caban: But you have a list. When you have the list, you can just look at the next thing on the list. When you don't have the list, then you may lose time in trying to figure things out.

Fitts: Right. Whatever you do, don't use your time watching TV.

Caban: Yes.

Fitts: Tim, it's been great to have you on; we are in 'cahoots'. I hope you will keep me posted. If you see important things that you think we should be covering on *The Solari Report*, let me know.

We are changing our mission statement or our vision statement to say, "Helping each other live a free and inspired life."

Caban: I love it: I love this intelligence network, and I'm happy to be a part of it. Thank you for the opportunity to be here and talk with you. I look forward to being in 'cahoots'.

Fitts: There is nothing that I would love more than to see you at Christmastime next year in Malvern, PA.

Caban: Absolutely. If our Governor allows it, I will be there.

Fitts: Have a great day!

Caban: You, too, Catherine. Take care.

MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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