AMERICAN
HARTFORD GOLD GROUP

GOVERNMENT DEBT SURVIVAL GUIDE

Understanding The Problem

If you listen to the financial news, you know that volatility in the markets is a fact of life. The Dow Jones Industrial Average goes up and then goes down. Consumer confidence rises and falls. Numbers, statistics, indices and averages bombard investors. Then come the talking heads: ***"The economy is showing signs of recovery."*** Two days later: ***"Concerns are mounting there will be a double dip recession."*** No wonder the typical American investor has trouble making sense of all the noise.

The fact is: the market goes from euphoria to fear every day. Most investors focus on short-term headlines and miss important long-term trends: ones that threaten the underlying integrity of our nation and all paper assets.

Building wealth is challenging in today's uncertain times. The official reports coming from the federal government and the Federal Reserve are meant to lull you into thinking things are really looking up. Yet, for the millions of Americans living with stagnant wages, rising health care costs and ballooning deficits, the picture is not so rosy.

Let's look at some facts:

1. The U.S. has a national debt of $20 trillion. By 2040, net interest is projected to rise to 18% of the federal budget.[1]

2. The FDIC has only about $67 billion to cover $10 trillion+ deposited in banks.[2]

3. Unemployment is higher than reported statistics and many new jobs are low-wage and dead end.[3]

4. Many experts believe we are in a housing bubble that could crack at any moment.[4]

1. https://fred.stlouisfed.org/series/GFDEBTN.
2. https://www.fdic.gov/news/news/press/2016/pr16021.html
3. http://www.gallup.com/poll/189068/bls-unemployment-seasonally- adjusted.aspx.aspx
4. http://www.cnbc.com/2016/08/29/were-in-a-new-housing-bubble-why-its-less- scary-this-time.html

Luckily, there is a window of opportunity to take steps to protect your wealth against future market crashes and uncertainty.

Identify the Trends, Make a Plan and Keep it Simple

If you're like most people, you're worried that you haven't prepared enough for your retirement. The good news is that it is never too late.

The first step is identifying the long-term issues that matter. You missed this morning's Regional Manufacturing Surveys numbers? Who cares! Didn't catch the latest Wholesale Inventories information? No big deal. You don't need to call down to the Census Bureau and update your stats sheets!

Keep your investment plan simple, and focus on the economic indicators that matter: **employment, housing** and **debt**.

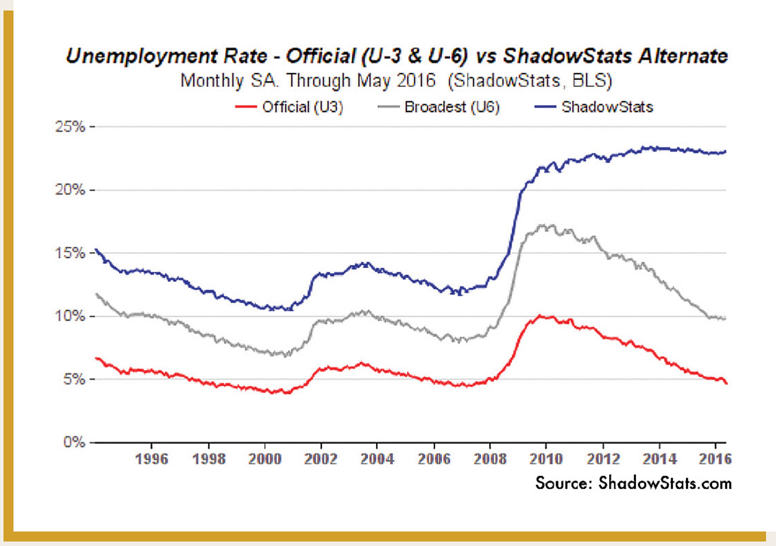
These three indicators enable you to create a common-sense understanding of the long-term outlook for the American economy and gain valuable insights into how the federal government is likely to respond. Do you think unemployment will subside, taxes will go down and government spending will be reigned in? All the facts say this is very unlikely.

You must formulate a plan that prepares you and your loved ones for the worst.

Unemployment: What's the real number, and why does it matter?

Not too long ago, the Great Depression brought unemployment and misery to millions of people for the better part of a decade. As we discovered at the time, dumping money into government-funded programs to boost employment temporarily or printing money at the central bank was not a solution.

History shows that Franklin Roosevelt was still contending with a 19% unemployment rate in 1938: five years after the "New Deal" began. It wasn't until the outbreak of World War II that real demand for products rose and production increased in the U.S. The war lifted the U.S. out of the Great Depression, doubling Gross Domestic Product.



How does the situation today compare? When you add the underemployed and short-term discouraged workers to the official unemployment rate, **the true unemployment rate today is much higher and probably well over 20%**.[5] That's a scary number, when you consider that unemployment during the Great Depression peaked at over 22%.

Why is today's actual number so much higher than the government says it is? Unemployment was redefined in 1994 to exclude "long-term discouraged workers" (those have given up looking for work), meaning that the real unemployment numbers are much higher than those reported by the U.S. Bureau of Labor Statistics.

Even mammoth increases in infrastructure and defense spending will not address our nation's structural unemployment problems due to technology advances and outsourcing. Yes, the federal government can print money for job-creating projects, but real job losses due to technology are only going to get worse and worse.

5. http://www.shadowstats.com/alternate_data/unemployment-charts

Game Over: Housing, Debt and Bankruptcy

So what can be worse than structural unemployment and the loss of jobs to technology and globalization? Combine these ominous social trends with a growing housing bubble, signs of re-emerging inflation and growing geopolitical risks from Russia and China and the true state of the economy begins to emerge.

Before the Great Recession that began in 2008, lenders were handing out mortgages to anyone who applied. Many of these were adjustable-rate mortgages with unsustainable teaser rates. As buyers clamored for homes, prices surged. But then the economy slowed and the bottom fell out of the housing market. Homeowners were unable to make payments, and sagging values made refinancing or selling impossible. The market crashed in what is widely considered one of the worst recessions to hit the country.

Here are some interesting facts:

1. While the U.S. economy and home prices have performed well, some people have expressed concern that we are headed for a repeat housing bubble. In 2016, home prices were rising at a rate twice that of inflation, according to the S&P/Case-Shiller U.S. National Home Price Index.
2. According to NerdWallet's 2015 American Household Credit Card Debt Study, the average U.S household with debt owes $130,922 -- including credit cards, mortgages, auto loans, student loans, and other forms of debt.
3. According to the ABF Journal, about one out of eight adult Americans has filed for bankruptcy at least once in their life.

The implosion of the housing bubble in 2008 wiped out net worth across America. When home prices adjusted and credit dried up, the lack of demand for goods and services resulted in higher levels of unemployment and underemployment and loss of credit lines.

Without jobs and credit, people don't spend. Without spending, there is no growth in demand. Without demand, production cannot expand. Without production, GDP falters. GDP growth supports the U.S. dollar and gives our government the ability to continue borrowing.

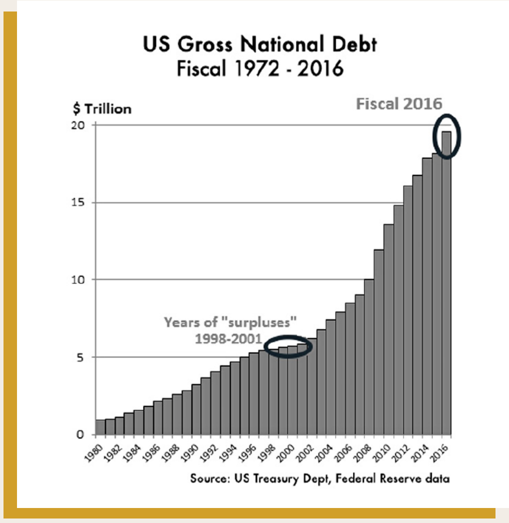
Today, our own government is also showing the ill effects of too many years of easy credit. Understanding the effect of growing federal debt and its ratio to GDP is essential to formulating a common sense plan to survive the eventual unraveling of the value of paper-based assets.

The Real Problem: Government Debt

What do high unemployment, record bankruptcies, faltering spending and collapsed housing all have in common? They all decrease government tax receipts.

From the local level all the way to the halls of Congress, tax revenues are lagging behind high government spending.

The problem is critical: the federal government has already borrowed more than it can ever hope to pay back… to the tune of $20 trillion. Clearly, one of two events must happen: Either Washington must dramatically cut spending and increase taxes, or the federal government must systematically devalue the nation's currency so it can pay back the debt with "cheaper dollars."



Preparing for the consequences of these actions is crucial in preserving wealth in a nation drowning in debt.

Who Foots the Bill?

There is a simple reason for Americans to generate income: to provide a satisfactory lifestyle and legacy for ourselves and our families. Money management helps us move beyond relying on income alone so we can grow our assets and preserve purchasing power over time.

Should the government continue creating money through liquidity enhancement and quantitative easing, it's common sense to assume that each dollar you save will gradually lose value in terms of what it can buy. This is why currency devaluation is such a destructive force. A 20% annual return on your investments is worthless if the currency you hold is worth 20% less at the end of the year than it was at the beginning.

What's the long term effect? The government avoids politically difficult decisions (like cutting spending) or creates jobs with massive public works programs hoping to grow its way out of the strangulation of staggering debt. Although money can be printed, value cannot. By printing its way out of a debt crisis, the government levies a hidden tax on those Americans who have saved and invested their wealth: The tax of decreased purchasing power.

How to Survive the Growing Debt Crisis

Today's economic growth rate would be much worse if not for unbridled federal government spending. Securities markets have thrived on earnings posted by companies flush with federal money, or benefiting directly from programs such as the Cash for Clunkers and new home tax credits (all paid for by you know who). New programs and spending proposals coming down the pike from Washington cannot be counted on to drive the economy forever.

During the tech boom, anybody could throw a dart on a board and pick stocks with stellar returns. Today, this economy is different. It has never been more important to be diversified, conservative and prudent. Many of the old rules of good wealth management still hold true. But market uncertainty and higher volatility today have changed the investing landscape permanently.

Here are some new investing principles that can help you avoid some of the pitfalls ahead:

1. Diversify Beyond Traditional Investments

In an environment of negative interest rates, global instability and soaring debts, it's hard to find any asset that is not directly affected by these systemic problems. Investors need to look to assets outside traditional stocks, bonds, and real estate for potential diversification benefits. After the stock market collapse in 2008, many investors who believed they were diversified found out quickly that all sectors of a paper-based portfolio can come down at the same time. A well-balanced portfolio should contain at least some assets that gain ground in the event of a shock to the system. Those assets are out there.

2. Prepare for Currency Instability

In a world where central banks create and destroy money at such a breakneck pace, it's important to prepare yourself for currency instability. This means dealing with the possibilities of both deflation and inflation. In a deflationary scenario, cash is king. In a longer-term inflationary environment, commodities (especially precious metals) can play a role. In an uncertain situation such as this, it may not be a bad idea to have both.

Remember: Returns are not what they seem! You have to evaluate your wealth in terms of purchasing power. In a country with an unstable fiat currency, simply designing your portfolio to attain returns is not enough. You have to design it to weather the type of inflation that has followed every major expansion of money supply throughout the history of fiat currencies.

3. Don't Bet on Things You Don't Understand

In a stagnant economy, it is no longer enough pick a handful of stocks, invest for the long term, and expect decent returns. Today's turbulent market conditions make successful stock selection increasingly difficult, if not impossible for the typical investor.

Without sustained growth, the role of speculators and traders on asset prices are magnified. All you have to do is look at the trading records of the major investment banks over the years: they have been raking in the money. For every trade they make, someone is on the other end.

With the resources available to Wall Street traders compared to those used by everyday investors on Main Street, it's no wonder picking winners is so much harder these days. Having a portfolio comprised of 80% mutual funds which own stock in companies you don't even know is a dangerous position to be in.

4. Don't Count on the Status Quo

One of the worst mistakes many Americans make is betting on the false perception that their homes, incomes and net worth will increase indefinitely over time. Even in an economy free of government debt, functional credit markets and strong job growth, investors who do not plan for the worse are playing a dangerous game. In today's turbulent markets, that strategy can be potentially suicidal for your finances.

The federal government must ultimately take steps to address the debt. This means that your taxes have to go up eventually despite talk of tax relief coming out of Washington. Don't plan your retirement savings based on your current tax burden and the belief that future proposed tax cuts will be permanent. Never assume your income levels will stay the same or increase.

5. Create Your Own Gold Standard

Since the dawn of civilization, purchasing power has been measured by gold. Owning gold means no government, king or tyrant can control your wealth. Unlike paper-based assets, precious metals like gold and silver cannot be created out of thin air. Gold has generally retained its relative purchasing power throughout history. That's a key reason why each U.S. dollar was once backed by physical gold. The gold-backed greenback was once much more than a promise printed on a piece of paper. Consider these sobering facts:

1. With the current federal government at $20 trillion and climbing, it would take about 16 million ounces of gold to repay at today's price.

2. Throw in the unfunded liabilities of Social Security, Medicare and Medicaid, and you have much more than the total amount of gold ever mined in human history.

Putting the dollar back on a gold standard will never happen. Why? Because then the federal government would be held accountable for how they manage the nation's finances. But you can hold yourself accountable for your own finances and life by devising strategies that stress diversification, patience and a willingness to think out of the box.

The purchasing power of our GDP in gold terms has steadily decreased over time. Is it any wonder that the ratio of gold to oil has stayed relatively constant? If you look at the ratio of gold to housing costs, food, and most other essential goods and services, the same pattern emerges and the picture is clear. Are U.S. dollars a better measure of purchasing power than gold? They probably are not.

So does it make sense to keep track of gains and losses in your net worth in terms of dollars as opposed to gold? Can you purchase the same house for the same number of dollars you could in 1990? How about gas for your car? If you had maintained your net worth in terms of gold purchasing power, you would probably be miles ahead of where you are now.

Here is a simple experiment. Look back over your finances and estimate your net worth from past years. Then take the average gold price for that year (available from various sources, including kitco.com), and divide your net worth by the price of gold. How many ounces of gold could you have bought with your net worth in 2000? How about now? Have you kept pace with inflation? If you're like most of us, the answer is probably no.

That's because you would have had to select investments that delivered outstanding performance over the last ten years in order to keep pace with gold. Viewed another way, you needed to select investments that have outpaced the deterioration of the dollar's purchasing power. Very few investors have been able to identify investment opportunities like that, especially in turbulent markets. If your goal is to protect your wealth in terms of gold's purchasing power, there are only two ways this can be accomplished:

1. Pick investments that consistently outperform gold over the long run.
2. Own gold to diversify and hedge your assets from real risks.

In truth, the best investment strategy is a combination of the two. And if you have learned anything from investing these past years, the easy days of planning for retirement are long gone, never to return.

The Silver Lining

There is one piece of good news in this mess: the fundamentals of investing remain simple and are easy to understand. With minimal time and effort, you can watch data regarding unemployment, housing and debt to understand the true direction of our economic future. You can formulate a diversified portfolio that includes gold and silver.

Precious metals have proven to be a store of wealth that has withstood the test of time. There is only one asset class that can be categorized as a "safe haven," and that is gold and silver. Precious metals are finite resources that can't be controlled by any government or financial institution and they have held their inherent value over millennia. Unlike paper-based assets, precious metals may perform well when the federal budget deficits are eventually addressed with painful spending cuts and tax increases.

The only real solution to the debt crisis facing the U.S. is in your hands. Diversifying with gold and silver is a common sense strategy that every family should consider. You must take concrete steps now to preserve and protect the purchasing power of your wealth or face the consequences of a reduced lifestyle in retirement.

"We are a nation that has a government—not the other way around. And this makes us special among the nations of the Earth. Our government has no power except that granted it by the people. It is time to check and reverse the growth of government, which shows signs of having grown beyond the consent of the governed. For decades we have piled deficit upon deficit, mortgaging our future and our children's future for the temporary convenience of the present. You and I, as individuals, can, by borrowing, live beyond our means, but for only a limited period of time. Why, then, should we think that collectively, as a nation, we're not bound by that same limitation? We must act today in order to preserve tomorrow. We hear much of special interest groups. Well, our concern must be for a special interest group that has been too long neglected. It knows no sectional boundaries or ethnic and racial divisions, and it crosses political party lines. It is made up of men and women who raise our food, patrol our streets, man our mines and factories, teach our children, keep our homes, and heal us when we're sick—professionals, industrialists, shopkeepers, clerks, cabbies, and truck drivers.

They are, in short, "We the people," this breed called Americans. It is no coincidence that our present troubles parallel and are proportionate to the intervention and intrusion in our lives that result from unnecessary and excessive growth of government. It is time for us to realize that we're too great a nation to limit ourselves to small dreams. We're not, as some would have us believe, doomed to an inevitable decline. I do not believe in a fate that will fall on us no matter what we do. I do believe in a fate that will fall on us if we do nothing. Let us renew our determination, our courage, and our strength. And let us renew our faith and our hope. In this present crisis, government is not the solution to our problem; government is the problem. From time to time we've been tempted to believe that society has become too complex to be managed by self-rule, that government by an elite group is superior to government for, by, and of the people. Well, if no one among us is capable of governing himself, then who among us has the capacity to govern someone else? All of us together, in and out of government, must bear the burden. The solutions we seek must be equitable, with no one group singled out to pay a higher price. America must win this war. Therefore I will work, I will save, I will sacrifice, I will endure, I will -fight cheerfully and do my utmost, as if the issue of the whole struggle depended on me alone. And our willingness to believe in ourselves and to believe in our capacity to perform great deeds, to believe that together with God's help we can and will resolve the problems that now confront us. And after all, why shouldn't we believe that? We are Americans. God bless you, and thank you."

President Ronald Reagan

Inaugural Address, January 20, 1981

AMERICAN
HARTFORD GOLD GROUP
YOUR GOLD, YOUR HANDS, YOUR CONTROL

800.462.0071

www.americanhartfordgold.com

11900 W. Olympic Blvd., 7th Floor
Los Angeles, CA 90064

The American Hartford Gold Group (AHGG) is a family-owned company in Los Angeles, CA that helps individuals and families diversify and protect their wealth with precious metals. Through our website, publications and expert Product Specialists, American Hartford Gold Group offers a wealth of precious metals market perspective that empowers both new and experienced investors.