

AN OPTIMISTIC ROADMAP OF OUR ECONOMIC FUTURE



Bill Losey, CFP®, CSA "America's Retirement Strategist"



Bill Losey, CFP®, CSA, "America's Retirement Strategist", has nearly 20 years experience in the financial services industry and is a Certified Financial Planner™ practitioner, a Certified Senior Advisor and Certified RSP-Trained Retirement Coach. He is Founder of [National Retirement Planning Month](#), and publishes [Retirement Intelligence™](#), an award-winning newsletter that reaches over 5,000 subscribers worldwide.

As a qualified professional in the areas of retirement strategies and investment alternatives, Bill has been interviewed on the CBS Radio Network, CNNfn, FOX's "Hannity & Colmes", Bloomberg Business Radio, RNN-TV, and over 100 radio stations nationwide. He is a former guest host of "Money Matters", a daily personal finance radio program simulcast throughout NY, NJ and CT, and formerly a financial commentator for RNN-TV and guest host of the "Issues on Aging" radio program in PA.

Bill was recently interviewed on the "Leading Experts" television program and currently writes a weekly column in *The Saratogian* called "Making Work Optional". He has also appeared in *Financial Planning*, *Inside Information*, *Triathlete*, *Senior Market Advisor*, *Reach!*, *Violet for Women*, *Boom News*, *The Albany Times-Union*, *The Saratoga Business Journal*, *The Capital District Business Review* and *The Chronicle of Higher Education*. Bill's first book, [101 Stock Market Guarantees](#), was published in 2004. His next book, ***Retire in a Weekend! The Baby Boomer's Guide To Making Work Optional***, will be released in November 2007.

In his leisure time, Billy, as his friends call him, loves to sing. He is an accomplished vocalist and has performed the National Anthem at Madison Square Garden, the Pepsi Arena and other sporting venues. His love of singing and knowledge of money, combined with his witty sense of humor and desire to fight financial illiteracy, come full circle with his development of hilarious financial-related song parodies found at www.PerfectHarMoney.com.

Bill is a graduate of Marist College and obtained his certification in financial planning from The College for Financial Planning in Denver. He is a member of the Financial Planning Association, the Society of Certified Senior Advisors and the National Ethics Bureau. Active in his community, Bill coaches youth soccer and basketball, and has volunteered to help raise money for Special Olympics, March of Dimes, Make-A-Wish Foundation and the American Heart Association. He has been married for nearly 20 years to his wife Tori. Together they have 3 sons, 2 dogs, 1 hamster and 6 fish.

Begin Transcript

Bill: Ladies and gentlemen, today is Friday, July 20, 2007. I want to welcome you all to today's teleconference celebrating National Retirement Planning Month.

As a matter of introduction, my name is Bill Losey. I'm President and Chief Retirement Strategist at Bill Losey Retirement Solutions, headquartered in New York. I'm also the founder of National Retirement Planning Month.

July is National Retirement Planning Month and we are conducting a series of free educational teleseminars throughout the month. We created National Retirement Planning Month and wanted to make it an annual event to really draw attention to this important topic and hopefully get it moved to the top of your to-do list to do an annual check up every July.

For those of you who were on the call yesterday, we had a great teleseminar with Ann Fry, the CEO and head boomer of It's Boomer Time, a company committed to helping boomers having fun. She discussed strategies boomers can pursue to create the life they want.

A week from today, next Friday, July 27 at 10:00 a.m. Eastern, 9:00 a.m. Central, my guest will be Kendra Todd. Kendra is an award-winning TV personality, a best-selling author and a nationally recognized real estate broker.

If you recognize her name, it's because she is the first and only woman, as well as the youngest competitor, to ever win the NBC primetime show *The Apprentice*. She'll be our guest next week, talking about the knowledge and mindset needed to achieve financial independence. She is the author of *Risk and Grow Rich: How to Make Millions in Real Estate*.

I'm very excited to introduce our guest for today. Jeff Thredgold is president of Thredgold Economic Associates, a professional speaking and economics consulting firm based out of Utah.

Jeff has made dozens of appearances on CNBC and CNN. He's a member of the Blue Chip Financial Forecast panel and he's been writing a weekly economic and financial newsletter, now entitled *Tea Leaf*, for 32 years. Jeff, welcome to the show.

Jeff: Thank you, Bill.

Bill: That's how I heard about you in the first place. One of my clients from upstate New York asked, "Have you ever heard of Jeff Thredgold?" I said, "No," and he said, "You've got to get *Tea Leaf*." He forwarded me a copy of your newsletter and I've been subscribing for about 18 months.

Jeff: There's no accounting for taste, is there?

Bill: Folks, Jeff is not your usual economist. He actually has a sense of humor, which is one of the reasons why I wanted to have him on the show. Despite all the doom and gloom out there, he's actually one of these optimistic guys.

He also just recently released a new book published by Wiley called *EconAmerica: Why the American Economy is Alive and Well and What that Means to Your Wallet*.

Jeff, there's so much doom and gloom out there and your book is optimistic. What's up with that?

Jeff: It is somewhat different. Economics is a dismal science. Everything is typically negative, or all the thoughts and views tend to be negative.

You walk into Barnes and Noble and in the business section, there might be 50 books about the economy. Five might feel like textbooks and the other 45 are typically negative. It's usually the coming economic collapse, oil crisis, dollar crisis, debt crisis,

budget crisis or whatever. It's the rise of China and the decline of America.

I don't think that way, I don't write that way and I don't speak that way. I try to be realistic but also optimistic.

EconAmerica tries to be exactly that. It is an optimistic look at our ability to compete around the world. It's an optimistic look at the future of retirement. It's an optimistic look at the quality of compensation for workers in what will be an incredibly tight labor market over the next 20 or 30 years. There are some other optimistic and realistic views as well.

Bill: In your book, you talk about four silver bullets that you think are actually going to drive the economy for years to come. What are the bullets and how can people profit from them?

Jeff: We focused the book, *EconAmerica*, on four key points that I call silver bullets. The first one is that American workers will prosper in coming years as a result of extremely tight labor markets. Nationwide, we have unemployment of 4.5%. We're close to a six-year low.

Where I am right now, city unemployment is 2.5%. In many states in the West and the upper Midwest, unemployment rates are in the 2% to very low 4% range. Companies are having a tremendous challenge in terms of finding and retaining quality people.

This will become more and more of a nationwide phenomenon over the next 20 or 30 years. The US labor force in the next 20 years is projected to grow at an annual rate of less than 1%, the slowest it has ever grown.

Supply and demand does work sometimes. When you've got a limited supply of labor and tremendous demand, that boosts the price of labor, or in this case wages and benefits.

One of the things that I'm convinced will happen is that what we call "enlightened companies" will recognize that if they want to attract and, more importantly, retain quality people in coming years, they'll

have to pay them better and provide them more incentives. They're going to improve benefit programs, strengthen 401k contributions, etc. in order to keep these people on the job.

Bill: Your viewpoint actually seems to contradict what you hear out there all the time. We hear that it's every man for himself and companies are freezing and reducing benefits.

Jeff: We have seen this move toward replacing defined benefit programs with defined contribution programs, which are typically 401k programs. There's no doubt that that has taken place to a fairly substantial extent.

At the same time, over the last 18 months we've seen more and more companies who are now using the 401k plan as the most attractive of their retirement features. They're boosting payments, matching features and the percent of wages that the company will match as a way to enhance these programs and keep people in the fold, so to speak.

I'm convinced you're going to see more of that down the road.

Bill: The bottom line is, you're saying American workers are actually going to prosper in the coming years from this extremely tight labor market. If there's a boomer or a grandparent listening, how can they help the future generations?

Jeff: It's still all about education. When I speak, I tell the audience, "Of all the numbers I'm going to give you, these next two are the most powerful you'll hear today." In 1980, the average college graduate in this country made roughly 25% more than the average high school graduate. That number today is 90% more.

The market is an increasingly sophisticated, thinking-on-your-feet type of economy. Education is really the key to get people in the door, and it's rewarded more than ever before.

The other change that's going to be taking place in terms of the labor force is we've traditionally had this idea that when you get to

65, you suddenly stop working. In many companies, that is required.

We talk about retirement at 65 being replaced with a process we call "bridging," which is the idea that as people get older, around 62 to 66, millions of employers are going to hear something like the following.

These older workers are going to say, "I've been here for a long time. I'm 65 and I want to slow down a little bit, but I want to keep one foot in the workplace. From now, on I want to work three days a week," or "From now on, give me a month on and a month off," with the nature of work changing to less physically demanding and more mentally challenging.

About 85% of baby boomers say, "We never want to retire, but we want to have a life outside of work." We're going to have more flex time and more part-time employment, even for seniors, than ever before.

Bill: Yesterday when I was talking to Ann Fry, we were talking about this concept.

Earlier this week I met with some new people who said, "We're planning on working until we're 66." I said, "That's great, but what are you going to do between now and then?"

They have all these other goals about wanting to travel, spend more time with grandkids, take up some new hobbies and so forth. We had that discussion about bridging to retirement and I said, "Have you contemplated having that discussion with your employer yet?" They had not even thought of that.

Most people think in black-and-white terms. It's either, "I'm going to work," or "I'm not going to work." There isn't this sort of phased retirement over time.

Jeff: That is going to change. We've seen too many of our parents or grandparents retire at 65 and just kind of wither away. They lose purpose to an extent. I've seen that with my own parents.

At the same time, there's this incredible shortage of labor. In the last 20 to 40 years, you'd let somebody go or somebody would quit, you'd run an ad and get 10 or 15 qualified applicants. Now, you're lucky if you get two people to respond to an ad, and one probably couldn't find the bathroom.

It's the quality of replacement labor. Anybody with skills and talent almost by definition is already working right now.

Bill: One of the things I saw on your website that I thought was pretty interesting is that you have a four-word definition of the term "economics." In society, people are really confused about money and financial issues. Tell us what your definition is and how you came to that definition.

Jeff: My definition of the economy is, "People respond to incentives." That's what a free enterprise or a capitalist economy is all about. It's about the power of incentives—incentives to work harder, incentives to get education, incentives to do this and do that.

In a free enterprise or capitalistic economy, you have an incentive to work hard, to work late if necessary, to save and invest wisely and help your kids get a good education.

Contrast that with communism or socialism, which have very few incentives. This is one reason why, in their purest forms, communism and socialism have been imploding for about 50 years, to be replaced with the incentive-driven nature of free enterprise.

Bill: In essence, the economy is really going to demand and reward people that have an education.

Jeff: It's going to reward people with an education and it's going to reward people with ambition.

We make the point in the Introduction of the book that opportunities today for people of all ages are as good as they've ever been before. The internet provides this whole new world of opportunity.

The US economy is solid. We're getting solid economic growth. We're getting solid job and income creation.

In my mind, the ultimate judge and jury of what's going on with the economy is the stock market. The Dow hit 14,000 yesterday. It's under some pressure today, but we did hit the 14,000 level. We've been throwing out optimistic numbers for years about where the market was going and in every case, the market exceeded our very optimistic forecast.

Bill: In your book, *EconAmerica*, when we're talking about these four silver bullets, what is Silver Bullet 2?

Jeff: Silver Bullet 2 is the idea that at some point in the next few years, we're going to get bipartisan political cooperation to address the future entitlement funding and benefit imbalance.

We all hear from the media that we have this pending accident waiting to happen, which is the future funding of Social Security, Medicaid and Medicare. We all know it's coming, and it is a major challenge.

I make the case that at some point over the next few years through the power of the media and the power of the bond market, which will force responsible decisions to be made, we're going to get a bipartisan commission together to look at the opportunities and alternatives. Unfortunately, we've been there before. We don't have to recreate the wheel.

We were there in 1983. In 1983, Social Security was in crisis. At that time, we created a bipartisan commission. It was chaired by Alan Greenspan before he went to the Fed. They came back with a series of increases in the tax rate and the level of income subject to taxation, at that time scaled in over a half a dozen years, to then make social security viable and vibrant for the next 50 years.

We've done it before. What I suggest is this pressure from the media and financial markets will force Congress. Maybe it's the next Congress or maybe it's the one after that. It won't be under this president.

At some point, they will get together and say, "We've got to deal with these issues. Let's create a commission, half Democrats and half Republicans. We'll sit down behind closed doors and come up with some ideas. We'll take it to the full Congress. They have to vote it up or down with no changes." They'll do it quietly, they'll get it done and we will fix these issues going forward.

Bill: In retirement planning, they talk about a three-legged stool. Hopefully you have some sort of a company pension, although that's really being minimized and downplayed now in the world. Companies are switching from defined benefits to defined contribution plans like 401ks.

They always talk about the need for people to save so you can supplement your retirement income with interest, dividends and systematic withdrawals.

The third part of that stool is Social Security. When you're talking about this bipartisan political cooperation that is going to address these entitlement programs in the future, do you think there's any possibility that Social Security will not be there in the future?

Jeff: There's absolutely no chance that that will take place. My parents both draw Social Security. I tell them they have absolutely nothing to worry about. They're roughly late 70s, early 80s.

The viability of Social Security is not an issue. At my age, I don't draw full benefits until 66. I tell my married kids, "Social Security will be there for you, but don't expect it until you're 67, 68 or 69 years old." The media constantly distorts things. Economics is a dismal science, and a lot of the negativity comes from the national media.

Right now, if somebody says we need to look at entitlements, either the media or the other political party says, "You're going to cut spending on Social Security or Medicare." We don't have to cut spending on anything. We just have to slow down the growth rate. There's a big difference.

When they create this commission, they have to stop finger pointing and name calling at each other and act like the politicians that we hope we are sending to Washington to deal with serious issues. They'll adopt some steps.

I think the retirement age, which is currently extended out to 67 for younger baby boomers, will move up toward 68 or 69 for younger people. Many Democrats would say, "Let's take this roughly \$96,000 or \$97,000 cap for income that is taxed and make it unlimited." That's not going to happen. That's a huge tax increase.

I make the point, since we already increase it each year, how about for a 10-year period we increase it by inflation plus 1%? That by itself goes a long way toward fixing the Social Security funding issue over the next 30, 40 or 50 years.

Bill: Do you think there's any possibility that with the Social Security system they will do the same thing they did with college financial aid formulas, where it will be doled out on a needs basis?

Jeff: In terms of Social Security, it's a good yes and no answer. We have never in this country's history tested an entitlement program until last December. For the first time, the premiums paid for Medicare insurance were different. If you have a higher income, you pay a larger premium than if you're lower income. We've never done that before.

I think we will do that to an extent in Social Security. It gets fairly complex when we try to make it understandable. I am an economist, after all.

Right now for someone in their 40s, 50s or early 60s, there are adjustments made each year to the range where Social Security payments will be in the future. Right now, that range moves up with the average growth in wages.

What we may end up doing is for higher income people, we will adjust that range in coming years based on the growth in inflation. For lower income people, we will modify that band tied to the growth in wages, which typically is higher.

Where you get to over the next 10, 20 or 30 years is a little better increase in Social Security payments for lower income people and still attractive, still rising payments for higher income people. But that differential will decline a little bit. In a sense, that's a form of means testing.

Bill: We're getting back to these four silver bullets.

Silver Bullet 1 was that American workers are going to prosper in coming years as a result of extremely tight labor markets. You said the benefit and retirement programs are going to be enhanced as successful companies in all industries and of all sizes will actually strive over the next 20 years to minimize costly employee turnover and reward the employees.

Silver Bullet 2 is that we'll finally have some bipartisan political cooperation in Washington to address the future entitlement funding and benefit imbalance in programs like Social Security, Medicare and Medicaid.

What is Silver Bullet 3?

Jeff: Silver Bullet 3 really involves the idea of low inflation and low interest rates. Right now, you have very high levels of confidence in the Federal Reserve's ability to keep inflation pressures under control. What that suggests is that long-term interest rates will stay historically low.

You don't have to be very old to step back to the double-digit inflation and double-digit interest rate days of the late '70s and early '80s and all the volatility that we've seen.

I wrote a piece about 15 years ago called "The Dog and the Tail." It said that in the old days, 30 or 40 years ago, the Federal Reserve could do whatever it wanted in terms of monetary policy. It was the dog and the bond market would just meekly fall behind as the tail.

That relationship changed 15 to 20 years ago. The bond market became so inflation-sensitive and so wary of anything that the Fed

might do in terms of irresponsible money creation, like they did in the late '60s and the early '70s to help Richard Nixon get reelected. They created this inflation problem.

The Fed can't do that right now because the bond market simply will not allow it.

You've got a new Fed chair in Ben Bernanke. In his academic days, he wrote about the desirability of having inflation targeting, which is saying we will keep core inflation between 1% and 2%. While he has never officially adopted that at the Fed, the bond market is holding his feet to the fire to do exactly that.

The bond market is saying to the Fed, "You don't do anything in terms of policy that violates this 1% to 2% band." Inflation pressures have been a little bit above that. They are slowly coming down.

That means that the Fed can't move toward their responsible stimulus policy, which is then followed later on by much higher inflation. The best example in terms of economic growth, having had this new process, for the last 25 years we have had two very mild recessions.

We went through painful recessions in the mid-1960s, 1970, 1974, 1980 and 1981. We've had two very mild ones in 1990 to 1991 and 2001 to 2002 in a 25 year period. Consumer prices have averaged a 2 ½% increase over the last 14 years.

If you make the assumption that the power of the bond market keeps the Fed under control, which it will, that guarantees that over the next 10, 20 and 30 years low inflation and low interest rates. Where we tend to be a credit-using economy, that level of low interest rates is a very positive development over the next 20 or 30 years.

Bill: That will continue to spur economic growth, right?

Jeff: It will spur economic growth, borrowing by corporations and borrowing by homeowners. It's ironic now when we talk about

mortgage rates being at a five-year high, around six and five-eighths for a 30-year fixed-rate mortgage. Think back 15, 20, 25, 30 years ago how incredibly attractive something like that might have been.

Bill: I bought my first house in 1989 and it was 13%. My rate now is down in the low fives.

I want to talk to you for a second about this whole thing with inflation targets. It seems that the media jumps all over it any time that the Federal Reserve officials and Bernanke get together to speak and make a decision about rates.

For the last six months or so there have not been any rate changes. I know that earlier this year it seemed likely that we were going to see an interest rate cut, but now the odds are that we are not going to see any cut at all. If anything, we might potentially see an increase. What's your feeling on that?

Jeff: The Fed has been on hold since June 29 of last year. We are now almost 13 months into the Fed being on vacation, so to speak. Obviously they are not on vacation and they are watching things closely.

Their key rate is the overnight rate between banks on unsecured funds, called the Federal Funds Rate. That is the most important interest rate of all. They had raised that rate from a 46-year low that was in existence from June 2003 to June 2004.

Fed has a group internally called the Open Market Committee. They meet roughly every 45 days. They raised that rate 17 consecutive times by a quarter of a percent.

We've been at 5 ¼ % for almost 13 months. A few months ago the feeling was given weakness in the first quarter, which grew at a pathetic 0.7% annual rate after inflation. The first quarter was the weakest quarter in about four years.

The feeling was that if it continued, and the housing issue continued, and the sub-prime lending issue continued, the Fed may need to step in and cut rates to try and provide some stimulus.

The reaction in financial markets more recently is that this 0.7% growth rate in the first quarter was an aberration. The second quarter growth was very strong. It was around 3% to 4% annual rate after inflation. There were expectations of about 2 ½ % to 3% annual rates in the second half of the year and about 3% next year.

The concern in financial markets has not been about a weak economy. It is that perhaps it is growing a little faster than markets might like. That is one reason long term rates have moved up a little bit. It's reflecting the fact that the U. S. economy is doing well and the global economy is booming.

Hence, the Fed probably does nothing. I am telling my clients that I think the next move by the Fed will be a rate cut early next year. There was a *USA Today* survey of 55 national economists, including me. The consensus had rates staying unchanged through the first three quarters of next year.

You also have a few people saying that the Fed will probably be compelled to raise rates around the end of the year to keep these inflation pressures under control.

Bill: That's the good thing about being an economist. You can guess and it doesn't matter if you are right or wrong. That's even better than being a weather man.

In case you are just joining us, you are listening to the National Retirement Planning Month teleseminar series. My name is Bill Losey. My guest today is Jeff Thredgold, who is the president of Thredgold Economic Associates. Jeff recently released a book called *EconAmerica, Why the American Economy is Alive and Well and What That Means to Your Wallet*.

Before we continue on with our dialogue, tell people how they can get hold of you and get hold of your book.

Jeff: Our website is www.Thredgold.com. I've been writing a weekly economic financial newsletter for 32 years. We provide it free via email to anyone who wants to take it. Typically, my speaking audiences will sign up for it at no cost. You can also sign up on our home page at no cost. It's every Wednesday and it is a two-page PDF.

EconAmerica was released two weeks ago today by Wiley and Sons. It is available in larger bookstores around the country and many smaller ones as well. They can also go onto our website, www.EconAmerica.com. We have a link to www.Amazon.com to buy books at a discount. For both purchases we can also do some attractive pricing.

Bill: We've been talking about these silver bullets in your book. The premise is that there are four silver bullets. We've covered three so far. This last one that I want you to talk about is going to be really interesting. I think that sort of contradicts the media method that is out there.

We've talked about these doomsayers before. They have so many people concerned that all the baby boomers are going to retire at exactly the same time. They are all going to pull their money out of the stock market at exactly the same time and that's going to wreak havoc on the financial markets. You don't think that's going to happen at all, do you?

Jeff: I don't buy that at all, although that question does come up all the time.

The fourth silver bullet is that the stock market will continue to do well in coming years. As aggressive baby boomers recognize that they have not saved enough for retirement, they will save more consciously. They will convince the government to provide more tax-based incentives for people of all income groups to save money for the future.

That is why I address this when I speak. I spoke yesterday at a conference in Denver.

Let's say I'm speaking to 300 people. I'll split the room into four groups. I'll say that this room is our entire economy. Over here we have the greatest generation, our parents. In this other corner we have the boomers. In the other corner we have the children of the boomers, Generation X. In the other corner is Generation Y, the grandchildren.

You have perhaps one table of people who are slowly liquidating investments to pay for retirement. You have another table of people breaking even. You have the third table where people are continuing to add to their portfolios. Driving this discussion is the view that at some point the boomers all come in together and start selling everything to finance retirement.

That is a view expressed by well-known futurist Harry Dent, among others. He had two bestselling books in the 1990s, *The Roaring 2000s* and *Great Boom Ahead*. He came out with a new book about 18 months ago with a very long title.

He is still talking about the Dow moving toward 41,000 over the next few years and this recession lasting between nine and 12 years. Not months, but years, because the median age of the baby boom generation gets to a point where they all start dumping stocks at the same time.

I don't buy that. We talk about what's happening with the oldest generation. Then you shift to the boomers. The boomers will inherit an estimated \$15 trillion from our parents. We talked a long time about one more boomer hitting 50 every seven seconds. Twelve thousand five hundred boomers hit 50 every day.

We now talk about one boomer hitting 60 every eight seconds. The oldest of the baby boom generation will be able to draw social security in six months. The majority of the boomers are in their 50s and late 40s. They recognize that they have not saved aggressively enough for retirement and they will save more aggressively.

Generation X, our children, are in many cases already saving more aggressively for retirement than boomers for two reasons. One reason is that many do not trust in the future of social security. The

other reason is that the 401K has been there for them since day one. I would suggest that the same logic will apply to our grandchildren.

You can take it a step further. Let's say that Harry is right and the boomers depress the value of stocks, bonds and real estate to finance retirement.

What's happening around the world? You have hundreds of millions of Indians, hundreds of millions Chinese, hundreds of millions of Indonesians, hundreds of millions of Malaysians moving into their prime earning years. They already save aggressively. They will be more than happy, if Harry is right, to step into the U. S. markets and buy U. S. assets at distressed prices.

That is my view. However, Harry Dent gets \$40,000 to speak and I don't. Harry Dent owns his own Caribbean island and I don't. You make your own judgment.

Bill: It's all in the marketing, isn't it?

Jeff: The first piece that we sent out to our clients last year was dated January 4, 2006. It was called "Dow 12,000 in 2006." The Dow had closed in 2005 at 10,575. A few years before the all-time record had been set at 11,722.

We spelled out four reasons the Dow would move into the 12,000 level and set a new record. It did that in October. We have set 54 new highs in the Dow since then. As you are well aware, we went through 13,000. We closed yesterday at 14,000. I'm very comfortable with the idea that stocks will continue to move higher over the next 10 or 20 years.

Bill: I see that people in their early to mid-60s are concerned that foreigners from China, India, Japan and other countries are coming in. They almost get the feeling that America is not owned by Americans anymore. Does that have any impact on their retirement moving forward? Should they be afraid of that?

Jeff: Not really. Anybody who has prepared diligently for retirement is going to be fine. We do have one-third of the population who save zero for retirement. Those are the people who are going to have some major challenges. You can't necessarily survive just on social security.

What we have around the world is increasing cross-investment and cross-ownership around the world. Americans have always had substantial investments around the world in the European economy, economies across Asia and South America, etc.

As economic growth continues around the world, we find that countries become wealthier and their people become wealthier. They want a share of this prosperity as well. The place to invest has always been the U. S.

You have this cross-investment, cross-ownership taking place and there is nothing wrong with that. One way to minimize future military aggression is to be in bed together. You have this tremendous cross-investment and cross-dependence, such as the cross-dependence that the U. S. has with China.

Bill: Should people be concerned at all about the deficits that we have run up?

Jeff: You certainly hear a lot about it. The good news is that the deficit this year will decline for the fourth year in a row. It will come in around \$138 billion. The Administration is talking around \$200 billion but the private sector believes it will be lower than that. Three years ago the deficit was \$413 billion, the largest ever in dollar terms.

When you talk about deficit you have to relate it to the size of the economy. If the deficit is around \$138 billion, that is 1% of the size of the U. S. economy. We have close to a \$14 trillion economy. The average deficit over the last 25 years is 1.7%. We've been below the average.

When you talk about surpluses at the state level, the combination of federal deficit and state surpluses get you essentially to zero. There

are concerns. My biggest concern is that we should not be running a deficit at all, even as small as it is. Part of it is driven by costly expenditures in Iraq and Afghanistan and this war on terror.

The deficit right now is manageable. We do have these concerns down the road about the funding of entitlements. That is where silver bullet number two comes in, about political cooperation being forced on Congress to deal with these issues.

The total national debt right now is about \$9.3 trillion. In a \$14 trillion economy that is about 65% of the economy. That is exactly what it was in the mid-1960s. Of that \$9.5 trillion, about half of it is owned inside of government. The Social Security Trust Fund, the Highway Trust Fund, the Airport Trust Fund, etc. owns about half the debt.

The other \$4.5 trillion is owned in the economy. The concern there is more and more of that is being owned by the Chinese, the English, the Japanese, the Saudis and the Dutch. They have a little more influence on potential policy in the future than they have had to date.

Bill: Those are the points that all the doomsayers harp on. That scares us and gets the media rating.

Jeff: Domsayers are a dime a dozen and they are always wrong.

Bill: Another topic that comes up every once in a while is the value of the dollar. We hear that the value of the American dollar has fallen rather sharply. Can you explain in layman's terms what that is and how it affects us as investors?

Jeff: My views in many areas tend to be different from the consensus. I don't have a big problem right now with some modest continuing weakness in the dollar because that is the easiest way to deal with our trade imbalance around the world.

The media will have you believe that that dollar is getting trashed and that everybody is dumping it in order to buy the Euro, the Canadian dollar, the British pound and the Australian dollar.

The dollar has weakened versus those different currencies. What you don't hear is that the dollar is at a four-year high versus the Japanese yen. It's the Japanese who need to be more concerned about weakness in their own currency. It is very weak compared to the Euro and some of these other major currencies.

A weakening of the currency, as long as it is done in an orderly basis, is fine in my opinion. It helps us deal with our trade imbalance around the world. It helps us deal with what we call our current account imbalance. We are running \$700 billion shortfall in terms of trade of goods and services. We are buying more from the world than they are buying from us.

By definition, if the dollar weakens a bit then the goods we sell around the world are less costly. Therefore they are more likely to be purchased. The goods coming into this country are more costly, so we are more likely to buy U. S.-made goods. It's a way that you can deal with a trade imbalance in a fairly orderly fashion.

If the dollar were to freefall, that would be something different. I don't expect that to happen. The dollar is down on a trade-weighted basis, 4%, 5%, 6% or 7%, depending on whose numbers you are using. At the same time, the dollar is exactly where it was 10 years ago. We've had ups and now we are having some downs. I don't worry a lot about it.

Bill: National Retirement Planning Month is a celebration to educate millions of Americans how to enhance their health, wealth and happiness both through lifestyle and financial choices. In your remaining time, what would you say are your personal keys to financial and retirement success in the future? How can people profit from the economy moving forward?

Jeff: I think there are a number of things one can do. You can ignore all the pessimism out there. The discussion of the economy is a dismal sign. This is a great country. We have great things going on. We have great institutions. We have a tremendous future for people of any age. We have great opportunities.

The national media has people believing the economy is right on the edge and continues to be on the edge. We are not creating good jobs, which is nonsense. We are creating good jobs. Incomes are growing faster than inflation.

The stock market is doing well. About half of the people in this country own stocks, primarily through involvement in the 401K program. Those programs will get stronger. We will hear a lot more in coming years about wellness issues and taking care of ourselves. That's going to be a critical issue going forward.

Recognize that this is a great country. It has great opportunities and those are as attractive as they have ever been before.

Bill: Can you tell us again how we can get in contact with you and/or purchase your book *EconAmerica*?

Jeff: The weekly newsletter is at no cost via email. You can go to www.Thredgold.com and subscribe on the home page. The book *EconAmerica* can be bought at any Barnes and Noble around the country. You can also go into any bookstore and ask for it. You can also find it on www.EconAmerica.com, which is one of our sites. We have a link to www.Amazon.com where you can buy it at a great discount.

Bill: Thank you so much for joining us today. We really appreciate it.

That is Jeff Thredgold, President of Thredgold Economic Associates of Professional Speaking and Economic Consulting, a firm based out of Utah.

I want to remind you that next Friday, July 27 at 10 a.m. Eastern, I will be interviewing Kendra Todd. Kendra is an award-winning TV personality and nationally recognized real estate broker.

She is going to be talking with us about the knowledge and mindset needed to achieve financial independence, primarily by investing in real estate. She is an award-winning and bestselling author of *Risk and Grow Rich, How to Make Millions in Real Estate*.

I certainly hope you enjoyed today's teleconference with Jeff. I hope you learned something and that it was time well spent. We will be posting the audio and transcript up to my website in the next few weeks.

If you would like to be kept posted on when they are available, you can go to my website www.MyRetirementSuccess.com. In the upper right-hand corner you will see a little image of "Retirement Intelligence," which is my award-winning weekly newsletter.

You can type your email address in there and hit "subscribe." As these new audio programs and transcripts become available, we will be more than happy to get them out to you.

This is Bill Losey saying so long for now. Have a great day and we'll talk to you next week.