

**Workshop Brochure**

# **Fall 2018 Workshop**

**Chicago/Naperville, IL  
October 27-28, 2018**

**Presented by Daniel R. Amerman, CFA**

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## A Model That Better Fits The Data

Let's say that our goal is to maximize our investment returns, and minimize our risks. And in order to do that, we have to make a choice:

A) Invest for reality and the situation as it is, wherever that may lead us; or

B) Take the easy and popular route, even if it ignores the situation we are in.

Which is the better choice, "A" or "B"?

Many people would not see the distinction - for the easy and popular route, what we are encouraged to believe, is that the process of reliably and safely creating wealth over the long term is no mystery, but rather is effectively a solved science.

What this belief system boils down to is that the financial patterns of the United States and other developed nations in the 20th Century are assumed to be a fixed and governing reality. And while the specifics may vary in the short term, we can supposedly be confident over the longer term that the past will endlessly repeat itself when it comes to how stocks, bonds and other assets will perform in the future.

However, there is a problem with that belief system when it comes to the last twenty or so years - it hasn't been working. We have seen the collapse of two asset bubbles, with results that include the Financial Crisis of 2008, and the most severe recession since the Great Depression of the 1930s. We have also had unprecedented Federal Reserve interventions to contain those crises, including creating trillions of dollars out of the nothingness, and forcing the lowest interest rates in history.

***Most importantly, we have also seen record or near record valuations for stocks, bonds, real estate and precious metals.***

From the perspective of the patterns of the past - those are all abnormalities, although what is abnormal is a matter of perspective.

From a mainstream perspective, the ruinous financial damage from the collapses of the bubbles, the Great Recession, and the Federal Reserve effectively wiping out the ability of retirees and retirement investors to earn interest income were each complete shocks and surprises, abnormalities that should never have happened.

The traditional alternative to the mainstream is a “doom and gloom” perspective, and from that perspective, the last twenty or so years have also been deeply abnormal. It is now the crises that are expected - but the Federal Reserve actions are a bizarre form of “cheating” that should not have worked, and the record high prices for stocks, bonds and real estate are all completely unexpected abnormalities.

In most fields, if we have to disregard most of the data for the last 20 years because it doesn't fit the model, then a question should arise - are we using the right model? And if the subject is important - such as the value of our life savings and potential standard of living for what could be decades of retirement - then shouldn't we be insisting on a model that actually fits the data, instead of ignoring much of the data as being “abnormalities”?

## The Crisis & Containment Of Crisis Analysis Series

The series of analyses linked below is based upon the foundation principles of finance and economics, as well as many years of work. The premise behind the analytical series is that investment results in the 21st century have in practice been dominated by cycles of crisis and the containment of crisis.

<http://danielamerman.com/va/ccc/RedBlackSeries.html>

As developed in those analyses, when we take that perspective - the abnormalities disappear and the data far better fits the model.

The sharp losses caused by the popping of asset bubbles become rational and expected.

Federal Reserve interventions and the destruction of interest income for retirement investors becomes rational and expected.

***Most importantly, record or near record prices for stocks, bonds, real estate and precious metals all become rational and expected at various points in the cycle.***

The last twenty years have included some of the worst financial conditions that most of us have experienced in our lifetimes. The last twenty years have also included some of the most profitable market conditions that we have ever seen.

Both are true simultaneously - and there is good reason to think that both could potentially be true in the future. To protect ourselves from the risks and to position ourselves to profit from the opportunities, we have to be able to truly see and understand the logical relationships between crisis, the containment of crisis, and investment price movements in each of the major categories.

## **What If There Is A Third Iteration?**

Finding an investment model that better fits the data may sound quite abstract for the average person.

What needs to be kept in mind, however, is that these data points are our lives, our financial security, what our actual standard of living will be in retirement, and whether we can retire at all.

If we invest all that we have on the basis of a model that has been a poor fit with the data for almost 20 years, and the model continues to be a poor fit - then we have no security and no assurances.

Perhaps the easiest way to illustrate this is to ask a quite simple question: what if we get a third iteration? Starting in the year 2000, we've had two Red Zone crises (more on what that means in the pages that follow), and we've also had two Black Zone containments of crisis. What if there's another round to the cycle?

From a mainstream individual financial planning perspective, the data points of the last two bubbles popping, the tech stock bubble and the Financial Crisis of 2008, have already been (effectively) thrown out as being rare abnormalities that never should have happened in the first place. That means that the potential data point of a third crisis - and perhaps the largest crisis if amplification continues - is ignored, and the possibility of it is more or less precluded by definition.

So, if there is a third iteration, and our only protection was to theoretically exclude the possibility of a third crisis - then we have no protection whatsoever. There would be devastating financial damage to tens of millions of retirees and retirement investors (and pension funds).

Because we have in practice had two previous rounds of "abnormalities", a previously obscure term has become part of the professional vocabulary, and that is "sequence of returns risk". As was demonstrated in the real world in 2000 and 2008, long term averages do not protect individual investors if there is a sharp enough loss that occurs near to the year they retire or in retirement. There may not be enough time to recover from the damage, and the loss of financial security and/or lifestyle can be permanent over their remaining years.

## **Not Seeing The Third Containment**

Now, let's consider a different financial model, which is that of "doom & gloom" investors. Their financial model completely incorporates the previous two episodes of crisis, for they are the very core of the model. So if there is a third round of Red Zone crisis - these investors are likely to come through with flying colors, with financial security intact and possibly in better shape than ever.

However, what if there is not just a third round of crisis, but a third round of the Black Zone containment of crisis? A third crisis could be an existential event for the United States government and the Federal Reserve, and they would have extraordinary motivations to do whatever they could to contain the crisis, prevent a financial meltdown, and try to get the economy going again.

That could be a daunting task - but never forget that the law and the very nature of money itself are not fixed, but are variable, and can be changed by the government and Federal Reserve if the need is urgent enough. We saw this the last time around, and it could certainly happen again, perhaps even in amplified form if there is an amplification of the crisis.

Now, a crisis can deeply impact asset prices and returns across all the asset categories, and that is reasonably well understood. What is far less understood is that extraordinary interventions to contain crisis can also have a dominating impact on asset returns and prices.

How the containment of crisis can produce record or near record prices for multiple asset categories including stocks, bonds and real estate - even while destroying the interest income that is one of foundations of retirement financial planning - is not taught in Finance 101, and it is not part of the conventional wisdom. It not only not part of Modern Portfolio Theory, but it contradicts the very foundation assumptions of MPT, which are based upon investors determining prices rather than governmental interventions.

But nonetheless, what we have seen since 2001 has been ever more aggressive Federal Reserve interventions, including the lowest interest rates in 50 years, followed by ZIRP (Zero Interest Rate Policies) and the lowest rates in history. We've seen the Federal Reserve using quantitative easing to create dollars by the hundreds of billions to stop a collapse of the global financial system in 2008, and then even more to effectively fund the purchase of most of U.S. homes that sold in 2009 and early 2010, and then even more trillions to effectively fund a big chunk of the U.S. national debt.

And the results of this seemingly bizarre process have been not been some dark scenario, but record real estate prices, record bond prices and record stock prices. The price of not understanding the process is to miss out on record profits in different asset categories at different times.

Because the "doom and gloom" model does not incorporate the containment of crisis - it cannot see this process. The amount of data that must be thrown out here is actually worse than with mainstream investors, because most of years since 2001 have been dominated by the containment of crisis.

In a classic “doom and gloom” model, crisis is supposed to lead to an annihilation of the value of paper currency as well as much of the financial system. From that perspective, record asset prices and profits in the aftermath of crisis are completely illogical events that should not have happened in the first place, and they can therefore be safely ignored as abnormalities that won’t happen again.

So while a “doom and gloomer” can come through a third round of crisis just fine, the risk is that they will not be able to see a third round of the containment of crisis. They therefore risk staying hunkered down in their financial bunkers for many years after the crisis has passed, discarding the data points of what is actually happening and missing out on what could be extraordinary profit opportunities in multiple markets, even while the value of their crisis oriented investments continues to decline.

## **The Advantages Of Seeing & Using All The Data**

This is a short introduction to a much larger body of work, and there is not room herein to fully develop what follows. But as a start, let’s consider the advantages of using a financial model that includes all of the data points.

There is no certainty that there will be another Red Zone crisis. But if it does happen for a third time then a model that sees with clarity the data points that have already happened, and allows for the significant possibility of crisis has major advantages over a model that ignores what has happened and precludes the possibility of its happening again.

There are greater chances of defense, and of being able to preserve the value of assets. There are greater chances of offense, and of being able to aggressively take advantage of the major price swings that accompany crisis.

There is no certainty that there will be another Black Zone containment of crisis. But if it does happen for a third time, and if we see the data points, and if we understand why they are happening and what the implications are - then we have the ability to potentially benefit from major price swings in multiple different asset categories at different points in time.



The greatest benefit of all that comes from moving to a model of crisis and the containment of crisis is the ability to see the cycles.

A key difference between normality and cycles of crisis and the containment of crisis is that with the cycles there are higher highs, and lower lows, and they can occur closer together. So a cycle is a major price movement across multiple categories in the first half of the cycle, followed by quite different major price movements across multiple categories in the second part of the cycle. This is true whether we are looking at a Red to Black cycle, or a Black to Red cycle.

If the price swings are from higher highs to lower lows for us on both sides of the cycle - the results could be life changing in a quite negative way.

If we mix it up and our strategy gets one side of the cycle right and the other side wrong - then it all depends on the specifics.

But if we were to get both sides of the cycle right, and go from lower lows to higher highs, two times in succession on both sides of the cycle - then the results could be life changing in a very positive way.

The future is never certain - but the knowledge we have and the choices we make can shift the odds in our favor, compared to what would otherwise be the case.

If the model we are using to make our choices requires throwing out large chunks of the last twenty years as being abnormalities because they don't fit our model - then our odds of success may not be what we think they are.

On the other hand, if our decision making changes to a model that fully includes all of the data points, where none are abnormalities but rather all are rational and expected - then the odds may indeed move materially in our favor.

## Workshop Goals & Content Overview

Consider the following eight statements:

- 1. The U.S. economy is currently thriving, with robust economic growth and record corporate profits contributing to new record stock index values in 2018.*
2. The official U.S. national debt works out to be almost \$200,000 per above poverty line household, and projected record setting deficits mean that number is expected to grow by about \$100,000 for each of our households over the next ten years.
- 3. The United States currently has near record low official unemployment, and an inability to hire enough new workers is one of the biggest problems facing many employers.*
4. The last little more than ten years has included a near collapse of the global financial system in an acute financial crisis, with most of those years having unusually low economic growth rates and high real unemployment as a result of the Great Recession and its lingering aftermath.
- 5. The last little more than ten years also included record or near record real estate prices, bond prices, precious metals prices and stock prices, which have created record amounts of household wealth.*
6. The current aggressive use of tariffs by the United States on both friends and foes is unprecedented in the modern era, and could lead to trade wars, recession and a collapse in global economic growth.
- 7. The United States dollar is robustly strong, and U.S. Treasuries remain in high demand as the global safe haven investment of choice.*
8. Projected federal deficits, the Federal Reserve reducing its ownership of Treasuries, and Social Security selling the Treasuries in its Trust Funds, means that unprecedented amounts of debt will have to be purchased by the markets in the coming years, yet paying higher interest rates to get the money could lead to an exponential acceleration in the deficits and the debt.

In looking at the list above, some people will focus on the odd numbered statements, which are remarkably good - and all true. Many of these same people will choose to effectively “throw out” half of the data, preferring not to think about the even numbered statements.

Other people will focus on the even numbered statements, which are potentially remarkably bad - and are also all true. Many of these people will also choose to effectively “throw out” half of the data, but this time it is the odd numbered statements they will be discounting.

As explored in the previous section, common though it may be - choosing to throw out half the available data may not be the best way to prepare for an uncertain and potentially volatile future.

On the first day (primarily) of the workshop we will use all the data - the remarkably good and the potentially remarkably bad - as we take a broad look at where we are, where we’ve been, and where we could be going. The framework we use will be one of risks, constraints - and opportunities. More information about that framework is available on the “Supporting Analysis Links” page.

We will look at the economy, the markets, relevant international developments, the dollar, inflation, interest rates, the national debt along with Social Security and Medicare, the Fed, the financial and economic impacts of protectionism and populism, and other relevant considerations (participant interests and requests are an important component).

The emphasis is on integrating the information we have, with a particular focus on what has been happening in recent months and what has been fundamentally changing. Based upon this information we look at how this fits in with the cycles, where we are, and the impact on near term and long term risks and opportunities.

The second day (primarily) of the workshop we will closely focus on what we can do about it, what risks need to be controlled and what opportunities may be out there. Using the methodology of the Red/Black matrix, we will

look at whether the risk of crisis is shifting, and what risks - and opportunities - that opens up among the asset categories.

We will also look at potential changes in the Black Zone containment of crisis - which have dominated most investment results over the last almost 20 years - and see what asset category risks and opportunities may be shifting or opening up. (As discussed in the "Workshop and DVD Relationship & Package Discounts" section, while the second day of the workshop has a strong overlap with the related DVDs, the particulars of the discussion and the applications are quite different.)

For each asset category, we will explore the heart of the greatest risks and the greatest potential returns, which is the cycles of Red to Black and Black to Red. As introduced in the "18 Years Of Red Zone Crisis & Black Zone Containment" section, being on the wrong side of the cycles has in practice been financially devastating for many millions of people in the past, but as reviewed in the workshop, the cycles also have the potential to be lucratively profitable for those who can understand and anticipate them.

Once we have the first 24 matrix cells of (1) exploring the six asset categories of cash, stocks, bonds, REITs, precious metals and cryptocurrencies under (2) the four scenarios of Red Zone, Black Zone, Red to Black cycle, and Black to Red cycle, then we will be able to do some remarkable things.

By combining the information from each asset category, we will be able to come up with optimum investment strategies for reducing potential risks and maximizing potential returns in a Red Zone crisis, in Black Zone containment of crisis, in both sides of a Red to Black cycle, and in both sides of a Black to Red cycle.

We will have the ability to dial the potential returns (and risk) up with the aggressive wealth creation strategies. We will have the ability to dial the risk (and the potential returns) down with the retirement account preservation strategies.

The premise of the workshop (and the related DVDs) is that using an uncommon model that includes all of the data is a much better way of understanding where we are, where we've been and where we might be

going. The corollary is that we can then have the knowledge and the tools that we need to construct and apply strategies which do indeed have the potential ability to both reduce risks and increase returns, with possibly life changing results.

## The Workshop Goals

- An exploration of current topics, including the following:
  - Impact Of Deregulation & Tax Cuts
  - Tariffs, Trade & Protectionism
  - Economy & Inflation
  - Federal Reserve & Interest Rates
  - Economic Risks & Constraints
  - Social Security & Medicare
  - Geopolitical Risks & Other Considerations
- An understanding of how future interest rates are likely to be impacted by the national debt and benefit promises.
- An understanding of how future inflation and the value of money are likely to be impacted by the national debt and benefit promises.
- An understanding of how the promised benefits of Social Security and Medicare will transform government finances, when the pressure points arrive, how this can change interest rates and inflation, and how this can change personal Social Security and retirement decisions.
- An understanding of how this all can lead to a crisis or series of crises, how the crises can be prevented or contained, and the impact of containment.
- An understanding of how changing interest rates, inflation, benefits and possible crisis will not necessarily destroy wealth, but will powerfully

redistribute wealth, and in many cases how this redistribution will be from those following conventional individual strategies to institutional and other sophisticated investors following quite different strategies.

- As always, workshop participants are welcome to ask questions before the workshop, and every effort will be made to integrate those questions with the workshop, so long as they are a reasonable fit that are likely to be of interest to all the participants.

## Red/Black Matrix Goals

- Learn the core Federal Reserve “playbook” for interventions and policy changes at various stages of cycles of crisis and the containment of crisis
- Learn how the use of the Federal Reserve “playbook” has created quite different asset performance through the last two cycles than conventional financial theory would lead one to expect
- Learn how the Federal Reserve interventions in a cycle of crisis and containment produce major risks that are ignored by conventional financial planning - despite their real world occurrence
- Learn how the Federal Reserve interventions in a cycle of crisis and containment create a series of extraordinary profit opportunities that in theory simply should not exist in free markets - but they do, in markets that are in practice dominated by cyclical central banking interventions
- Learn how a Red Zone crisis spinning out of control produces varying degrees of risk and opportunity across the six asset categories of cash, stocks, bonds, real estate (REITs), precious metals and cryptocurrencies

- Learn the Black Zone tools that governments use to contain financial crises, and the (often counterintuitive) major price movements in the six asset categories that can result
- Learn strategies for aggressively benefiting from a Red Zone crisis
- Learn the quite different strategies for aggressively benefiting from a Black Zone containment of crisis
- Learn reduced risk strategies for asset protection from Red Zone and Black Zone crises, as well as positioning for subsequent long term wealth creation, that can be accomplished within a retirement account
- Learn the sequential asset price dangers of a Red Zone crisis that is stopped and controlled through a Black Zone containment of crisis, and how this can shred the values of many mainstream financial planning strategies, as well as many common contrarian strategies that don't consider the possibility of containment
- Learn strategies for aggressively benefiting from the double major price movements of a Red Zone crisis that starts to spin out of control but that is ultimately stopped by Black Zone crisis containment
- Learn the sequential asset price dangers if Black Zone crisis containment is attempted but fails, and a Red Zone crisis then spins out of control
- Learn strategies for aggressively benefiting from the double major price movements of the government attempting Black Zone containment - but failing, with a Red Zone crisis overcoming the monetary and market defenses
- Learn reduced risk strategies for retirement accounts that emphasize asset protection during Red Zone to Black Zone crises, as well as Black Zone

to Red Zone crises, while also positioning for the longer term creation of wealth

- Explore what could happen with cryptocurrencies in a major crisis, and why this new investment category could generate unprecedented results
- Conventional financial planning generally ignores the possibility of another crisis - the financial crisis of 2008 notwithstanding. Learn some simple ways of avoiding unnecessary “landmines” if there is another crisis
- No direct real estate investment or asset/liability management needed
- Everything with the reduced risk strategies can be done through funds, ETFs and REITs inside a retirement account

## More Information

The workshop is a highly valuable resource for current and future retirees who are financially preparing for a future that - realistically - will include some challenges. The scope of the workshop goes far beyond retirement investing, however, and financial professionals as well as younger individual investors may receive the greatest benefits of all.

Workshop participants will receive a manual for the presentation. This will include a detailed outline, supporting graphs and financial exhibits, and supporting articles & analyses with much more detail on some of the subjects covered in the workshop.

The two day presentation will take place in a relatively small seminar room with a classroom atmosphere. The focus is on communication, and attendance will be limited so that participants can easily ask questions and engage in back and forth discussions about what is being covered.



## Understanding & Using The Red/Black Matrix

The “Red/Black Matrix” is a powerful tool for understanding the practical applications of investing for cycles of crisis and the containment of crisis. It is based upon a substantial body of work, and reviewing the analysis series linked below is a good way to understand the principles:

<http://danielamerman.com/va/ccc/RedBlackSeries.html>

### Understanding The Columns

The core of the matrix (on the next page) is the four columns, which use both letters and color codes to facilitate understanding .

What the “Red” & “Black” represent are a combination of economic and financial factors that can determine investment performance at different stages of cycles of crisis and the containment of crisis. Describing each stage in detail takes some time and requires the use of some technical financial and economy vocabulary. The repeated lengthy use of the descriptions and vocabulary create unnecessary complexity and a barrier to understanding, particularly for someone whose profession is not finance or economics.

A simplifying teaching method that greatly increases understanding is to initially describe the stages in a way that is clear, and to then go back to the underlying details when necessary - but to for the most part, simply replace the lengthy descriptions of the two key components of the cycle with the terms “Red” and “Black.”

When tested in a workshop/classroom environment, this teaching simplification has proved quite successful in practice. What initially seemed complicated became clear after exploring the first matrix cells. It then became intuitive, and participants were able to quickly move from cell to cell of the matrix, gaining new understandings and perspectives.

# Investment Strategies For Crisis & The Containment Of Crisis

*DanielAmerman.com*

<b>Red/Black MATRIX</b> Exploration Of 4 Kinds Of Past & Possible Future Crises  Identification Of Opportunities & Risks For 6 Investment Categories In Each Type Of Crisis  Strategies For Aggressive Wealth Creation & For Retirement Account Preservation In Each Type Of Crisis	<b>A: Red Zone Crisis</b> (Losing Control)	<b>B: Black Zone Crisis</b> (Tightening Control)	<b>C: Red To Black</b>	<b>D: Black To Red</b>
1. Cash & Equivalents	A1	B1	C1	D1
2. Stocks	A2	B2	C2	D2
3. Bonds	A3	B3	C3	D3
4. REITs & Real Estate	A4	B4	C4	D4
5. Precious Metals	A5	B5	C5	D5
6. Cryptocurrencies	A6	B6	C6	D6
7. Aggressive Wealth Creation Strategies	A7	B7	C7	D7
8. Retirement Account Preservation Strategies	A8	B8	C8	D8

All the cells in the “A” column begin with the letter “A”, are colored red, and their contents included asset category and investment strategy performance in a Red Zone crisis. A good introduction for Red Zone, Black Zone and the cycles is found in the “18 Years Of Red Zone Crisis & Black Zone Containment” section.

All the cells in the “B” column begin with the letter “B”, are colored black, and their contents includes asset category and investment strategy performance in a Black Zone containment of crisis.

All the cells in the “C” column begin with the letter “C”, they change color from red to black, and their contents included asset category and investment strategy performance in a Red Zone to Black Zone cycle.

All the cells in the “D” column begin with the letter “D”, they change color from black to red, and their contents included asset category and investment strategy performance in a Black Zone to Red Zone cycle.

## Understanding The Rows

The top six numbered rows are the asset categories of 1) Cash & Equivalents; 2) Stocks; 3) Bonds; 4) REITs & Real Estate; 5) Precious Metals; and 6) Cryptocurrencies.

The bottom two numbered rows are the investment strategies of 7) Aggressive Wealth Creation Strategies; and 8) Retirement Account Preservation Strategies.

## Understanding The Matrix Cell Labels

Each matrix cell is the color coded and labeled intersection of a lettered scenario column, and a numbered asset category or investment strategy row.

So “A1” is colored red, and examines risks and returns for the 1st row of Cash & Equivalents, in the A column of Red Zone crisis.

“B3” is colored black, and examines risks and returns for the 3rd row of Bonds, in the B column of Black Zone Containment of crisis.

The “C4” cell changes colors from red to black, and is in the C column of the Red to Black cycle. It examines two quite different places - risks and returns for the 4th row of REITs and Real Estate in the Red Zone, risks and returns for REITs and Real Estate in the Black Zone, and then most importantly, the very sharp changes in investment prices and returns that can occur in the transition between the two stages of the cycle.

## The First Twelve Cells: Red & Black For All Asset

### Categories

A number of factors can go into the determining the contents of each of the twelve core matrix cells, which are A1-A6, and B1-B6. These are the six investment categories, and expected performance under the alternative states of Red Zone crisis or Black Zone containment of crisis.

The specifics vary by the cell, but factors can include:

- 1) Fundamental investment characteristics and whether the asset has a history of being cyclical or contra-cyclical.
- 2) The Federal Reserve “playbook” for that stage in the cycle, what its mandates and policies call for, how those are likely to impact performance for that investment category, and when in the cycle that is likely to happen.
- 3) What we’ve seen in previous iterations of the cycle, when it comes to the intersection of historical investment performance and how that has been changed by increasingly aggressive and unprecedented Federal Reserve interventions.
- 4) What we may see with a further amplification of the cycle in terms of crisis or new and more powerful containment of crisis, and how that could change future performance.
- 5) The above are combined to provide an understanding of whether to expect asset inflation or asset deflation for the investment category with that scenario.

## The Second Twelve Cells: The Cycles For All Categories

The premise of the matrix is that we have been in a cycle between the Red and Black zones, and while there are no guarantees, there is a good chance that we will see further cyclical changes.

As covered in the “A Model That Better Fits The Data” section, the problem with both the mainstream and doom & gloom schools of thought is that they are blind to the cycles.

The Modern Portfolio Theory-based mainstream where prices are determined solely by rational investors whose behavior is governed by the assumptions of the Efficient Market Hypothesis (upon which much of conventional financial planning is based), precludes the possibilities of regular asset bubbles creating a potential string of devastating market downturns, or how the response of aggressive central banking interventions can change prices and yields across all of the investment categories.

Despite the aftermath of the Financial Crisis of 2008 creating record or near record prices for stocks, bonds and real estate, the traditional doom & gloom perspective is effectively meltdown based, and does not allow for “successful” aggressive central banking interventions, or new record profits, or a stronger dollar in the aftermath of crisis.

As covered in the “A Model That Better Fits The Data” section (as well as the analysis series), what we have experienced in practice over the last almost 20 years is a series of changes in cycles that have produced some of the greatest price swings of our lifetimes. We have seen some of the greatest losses, we have seen some of the largest gains, and in some cases - they have been quite close to each other in time.

If there are further iterations of the cycle, particularly with amplification, then some people are likely to be completely blindsided by devastating losses - with results that could change the rest of their lives. Conversely, those who see the low to high price cycles in advance and positions

themselves accordingly, could experience the opposite results, with the opposite impact on their future standard of living.

Using all of the information value in the Red/Black matrix and as part of a very logical and analytical process, the cycle cells of C1 to C6 and D1 to D6 are focused on finding the asset categories that may experience the greatest price swings in a Red to Black cycle - or in a Black to Red cycle. The price swing could be high to low, or it could be low to high, and of course the price swings change with the asset category and the cycle.

## The Last Eight Cells: The Investment Strategies

The eight investment strategy cells of A7 to D7, and A8 to D8, examine strategies for avoiding losses and increasing returns under each of the four scenarios.

The A7 investment strategy cell combines the results of cells A1 to A6, all the investment categories in the Red Zone "A" column, and looks at which asset categories to avoid, and what to focus on, for someone who does not mind taking risk in order to try to maximize investment returns in a future Red Zone crisis.

The A8 investment strategy cell also utilizes the information that was developed step by step in the A1 to A6 red column cells, but instead takes the perspective of a retirement account investor who would like to pick up some gains, but who is primarily focused on account preservation and avoiding losses during a potential Red Zone crisis.

The B7 investment strategy cell uses the information assembled in the B1 to B6 cells of the Black Zone containment of crisis column, and looks at what categories to avoid, as well as identifying where the maximum sources of return could be. The B8 investment strategy cell is based on the same information, but is more focused on someone who has a limited appetite for how much risk they are willing to take in the pursuit of gains.

The C7 investment strategy cell looks at all the "C" column Red to Black cycle information developed step by step in the C1 to C6 cells, and explores the

maximum negative price swings to be avoided, as well as the potentially most lucrative price swings for profit maximization. Again, the C8 investment strategy cell looks at the same information from the perspective of dialing back the risk.

The D7 investment strategy cell explores the “D” column Black to Red cycle information from cells D1 to D6, and identifies the maximum negative price swings to be avoided, as well as the sources of potential maximum wealth creation in a Black to Red cycle. The D8 investment strategy cell then uses the same D1 to D6 cycle information but with more of a focus on reduced risk inside of a retirement account.

## Matrix Organization In The DVD Set

The organization of the presentation of the Red/Black matrix in the “Investment Strategies For Crisis & The Containment Of Crisis” DVD set can be found in the graphic below, as well as on the back cover of the case for the DVD set.

Disc 1: Overview, Playbook, Cash

**A1**

Disc 2: Cash, Stocks, Bonds

**B1 C1 D1 A2 B2 C2 D2 A3**

Disc 3: Bonds, REITs

**B3 C3 D3 A4 B4 C4 D4**

Disc 4: Gold, Cryptos, Aggressive Strategies

**A5 B5 C5 D5 A6 B6 C6 D6 A7 B7**

Disc 5: Aggressive & Preservation Strategies

**C7 D7 A8 B8 C8 D8**

The first DVD provides an overview of the approach, and reviews the Federal Reserve playbook and how it changes at different points in the cycle. The end of the first DVD explores the A1 matrix cell, and the rest of the DVDs are devoted entirely to the cell by cell analysis of the Red/Black matrix, in a logical step by step sequence that ends with the investment strategies.

The order used is row based, with the first row of (1) Cash & Equivalents being explored in a Red Zone crisis, Black Zone crisis containment, Red to Black cycle, and Black to Red Cycle. The same analysis order is then used for the next five asset categories of (2) stocks, (3) bonds, (4) REITS, (5) precious metals and (6) cryptocurrencies, and then again for the (7) aggressive and (8) preservation investment strategies.

On average the 32 matrix cells explored in the "Investment Strategies For Crisis & The Containment Of Crisis" DVDs take about 9.5 minutes each, with the beginning materials that comprise much of the first DVD being in addition to that. The range is from 2 minutes to 20 minutes per cell, most are within several minutes of the overall average.

The video is not live video of a workshop presentation, but consists of audio and slides along with a supporting manual. A substantially expanded version of this information with a focus on the current situation is available in the form of two day workshops.



## Supporting Analysis Links

The “Investment Strategies For Crisis & The Containment Of Crisis” DVD set is based upon many years of analytical work.

An overview of “Red Zone” & “Black Zone” crises can be found in the next section of this brochure, which contains the analysis “A Continuous Cycle Of Crisis & The Containment Of Crisis”.

That analysis is part of a series of analyses, the rest of the series can be found at the link below:

<http://danielamerman.com/va/ccc/RedBlackSeries.html>

A related series of analyses examines how the national debt, interest rates and inflation can change investment outcomes.

<http://danielamerman.com/va/macro/RatesSeries.html>

The analysis matrix linked below also provides many resource links with regard to interest rates, inflation, Social Security and the possibility of crisis.

<http://danielamerman.com/va/AnalysisMatrix.html>

# 18 Years Of Red Zone Crisis & Black Zone Containment

by Daniel R. Amerman, CFA

Conventional financial planning is based upon the assumption of financial normality. “Normal” returns are assumed for the long term performance of stocks, bonds, real estate and other investment categories, with the definition for that normality often being based upon the last 50 or so years of the 20th century.

However, a problem has developed over the almost 20 years since then - we’ve had almost continuous “abnormality”. The disastrous popping of the tech stock bubble was followed by the quick growth of the real estate bubble. The popping of the real estate bubble and the financial crisis of 2008 then nearly destroyed the global financial system.

The containment of the financial crisis of 2008 required some of the most “abnormal” market conditions in financial history, including a quick doubling of the federal debt and the use of quantitative easing. Literally trillions of dollars were created out of the nothingness by the Federal Reserve and used to manipulate bond markets and interest rates, thereby forcing rates down to the lowest levels in modern history.

Ten years later, while there is talk of a return to normality, trillions in created money and unusually low interest rates are still here, meaning that we have not once had “normal” markets in the entire time since the financial crisis. Indeed, actual performance in every major investment category over almost the last two decades has been dominated by sequential “abnormalities” in practice.

There is an alternative to taking the usual approach, and dismissing what we have actually experienced over these many years as being aberrations and abnormalities. This alternative, which will be explored herein, is to intensely focus on understanding what has actually been happening - a continuous cycle of crisis and the containment of crisis.

What if this cycle is our new reality? What if in this time of record national debt, soaring budget deficits, trade turmoil, political turmoil and sky high stock and real estate markets - we get another crisis? And what if the government then intervenes to try to contain the crisis?

This is what has happened in reality twice in a row now - is it really so radical to think it could happen a third time?

This question is of critical importance, because investment strategies based on the assumption of "normality" - with abnormality being excluded by definition - can be not just wrong, but dangerously wrong if what we get instead is a continuation of the cycle of crisis and the containment of crisis. Many millions of current and future retirees would likely once again face devastating financial damage if that were to happen.

On the other hand, for those who see the world in terms of an ongoing cycle of crisis and the containment of crisis - quite different investment strategies can be implemented. And the major asset price movements associated first with crisis, and then second with the containment of crisis, can become an opportunity rather than a danger.

This analysis is part of a series of related analyses, an overview of the rest of the series is linked below.

<http://danielamerman.com/va/ccc/RedBlackSeries.html>

## **The Popping Of The Tech Bubble**

As covered in the analysis "The ABCs Of Popping A Third Asset Bubble" (linked below), the Federal Reserve responded to a recession in 1990, by pushing interest rates to their lowest levels in 30 years, in an attempt to stimulate economic growth. The economy did strongly rebound, and this was one of the factors in creating record stock market prices in the second half of the 1990s.

<http://danielamerman.com/va/macro/ABCsCrisis.html>

Indeed, as has happened many times in financial history, so much money was being made that rationality was left behind, and a major asset bubble formed in stocks, particularly with tech stocks. Profits became irrelevant for some leading pundits, and stock prices completely disconnected with reasonable projections for revenues or dividends or market share, or any of the traditional valuation measures. Many millions of people thought they had found the secrets of unending wealth - and they risked everything they had to get more of it.

Until the bubble popped and the market plunged - as had also happened many times before in financial history. This created a red hot crisis of the well understood type, as shown represented with the red graphic below of a "Red Zone Crisis".



Stock prices plunged uncontrollably. Investors were devastated in general, and this was particularly true for those who had gone all in, such as those who had quit their jobs to day trade the market. Spending fell with the evaporation of paper wealth, and there was a new and powerful recession.

## **Crisis Containment - The Lowest Interest Rates In 50 Years**

The Federal Reserve responded vigorously to this crisis, and indeed on a scale that had not been seen in a half century. In the effort to contain the market and economic crisis, the Fed pushed the Fed Funds rate down to the lowest levels seen in 50 years (more information on the specifics of rates and dates can be found in the previously linked "ABCs" analysis).

The containment worked. Despite its steep downward start, the recession ended fairly quickly, and economic growth began again.

There were also now the lowest mortgage rates seen in 50 years, and homes

became far more affordable. Indeed, much higher prices could be paid for homes because the very low mortgage rates were holding down the mortgage payments.

There were other factors as well, but a real estate bubble formed. Just a few years after the tech stock bubble, once again, many millions of people had found the secret of quickly building unending wealth, and they went all in on real estate speculation. Prices didn't matter, income documentation didn't matter, and neither did affordability or rental income. Buy, flip, take the profits, and do it again was the new formula as prices endlessly climbed.

This cool containment of crisis is represented by the black graphic below, that of Black Zone Crisis.



From a governmental perspective, what was happening was an example of crisis containment and re-establishing control. The recession ended, and income and payroll taxes rebounded. A floor was found for the market, and then the rebound began, and taxes on capital gains and investment income returned along with it.

What needs to be noted however, was this was not normality and containment was not free for investors, far from it.

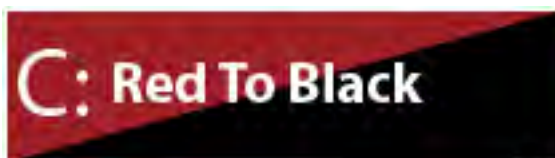
By slashing interest rates, the government also slashed investor income, and the ability to build wealth through buying bonds or certificates of deposit. Any retiree planning to live off of interest income - lost standard of living. Anyone attempting to build wealth for retirement through the time-tested power of compound interest - had a radical and artificial reduction in their ability to build wealth (The analysis [linked here](#) shows just how radical the wealth impact can be as the result of a reduction in interest rates.)

At the same time, many millions of people were at the least paying much higher prices for homes than they otherwise would have done, even if they

were thinking only in terms of shelter rather than investment potential. For those who were trying to make money in real estate - artificially low interest rates helped create an artificial pattern of wealth creation and bubble inflation that drew millions of people and all their savings in like moths to a candle.

So, when we look at government crisis containment in individual terms - we have a Black Zone crisis, with losses that are every bit as real as the better understood Red Zone crisis. The losses for individuals are completely real, they can exist in many different ways, and asset prices in general can move in patterns that have little to do with "normality".

Another way of looking at this is that what was experienced by the nation was a cycle of Red Zone Crisis to Black Zone Crisis, as shown in the graphic below.



There were quick and massive losses for stock investors during the "hot" Red Zone Crisis of the tech bubble popping.

The direct result of this abnormality was the Black Zone governmental interventions to contain the crisis.

The Black Zone interventions then created a long, "cold" Black Zone individual saver crisis of lost interest income, a lost ability to compound wealth, having to pay far above historically average prices to buy a home, and the drawing in of the savings of millions of investors into an unsustainable bubble in real estate.

The Black Zone Crisis was the direct result of the Red Zone Crisis, there was a Black to Red cycle. With major asset price movements in all the major investment categories that occurred twice - once in the Red Zone, and once in the Black Zone.

Both types of major asset price movements are not consistent with the assumptions underlying conventional financial planning. Indeed, from the traditional perspective that still dominates the industry, there were two unrelated abnormalities, each of which can be safely ignored when it comes to investment strategies and confidently making plans for the future that are based on “normality”.

It is also worth considering that many savers and much of the population did not participate in the creation of the Red Zone Crisis - they may have been skeptical of the high stock prices, or not stock investors at all. But, nonetheless, the Black Zone containment of crisis was far broader based, and impacted everyone who saved or bought a home.

## **The Popping Of The Real Estate Bubble & The Financial Crisis of 2008**

By 2007, the financial danger signs were beginning to flash loudly, and then in 2008 a much larger financial crisis arrived. Real estate and stock prices began to plunge, and a powerful new recession began, the so-called “Great Recession” which would become the most powerful since the Great Depression of the 1930s.

### **A. Red Zone Crisis (Losing Control)**

The red-hot core of the crisis this time around was a new type of security that few among the general public had ever heard of: “subprime mortgage derivatives”. Driven by greed and without consideration of the risks, the major banks and financial institutions of the world had entered into an interlocking web of promises, where the failure of a few major players could literally destroy the entire financial world.

Bear Stearns failed, and the damage was barely contained. Lehman Brothers failed, and the interlinked dominos were set into motion.

The institutional lenders who provided much of the short term money for Wall Street's speculative investments began to demand their money back. Wall Street couldn't sell the securities to repay the cash - even if there had been buyers - because the staggering losses they would have had to recognize would have driven them straight into bankruptcy. This would have then flashed into an acceleration of the falling of the dominos, as the failure of individual firms cascaded into an annihilation of the entire financial system.

By the middle of October of 2008 the global financial system stood on the precipice, with what was effectively an old fashioned bank run in progress, and facing the impossible dilemma of having no way to get the cash needed to meet lender demands for getting their money back without selling deeply underwater securities and taking losses that would have themselves caused collapse.

A useful framework for understanding what was happening was that the nation was going through a cycle of Black Zone Crisis (or crisis containment) to Red Zone crisis, as shown in the graphic below.



The Black Zone interventions of the Federal Reserve creating between 2000 and 2003 creating the lowest interest rates in 50 years had been intended to shorten the 2001 recession that resulted from the previous tech stock bubble Red Zone crisis, by encouraging higher asset prices and an environment where investors taking risks would be rewarded.

The interventions worked. Asset prices soared, to all time historic highs for real estate. There was rampant speculation and risk taking.

There is an inherent dilemma with the Fed's policy of rebooting the economy by using low interest rates to create artificially high asset prices while encouraging risk taking, and that is that if another crisis develops - there is



an *amplification* of the losses, and of the crisis.

Asset prices are artificially higher than they should have been - so the plunge from those heights is greater than it should be. Investors are encouraged to take more risks than they otherwise would be - so they have a higher exposure to that greater degree of losses.

A higher exposure to larger losses means that the net result of the Federal Reserve Black Zone interventions is a multiplication of losses occurring, which produces a far worse Red Zone Crisis than would have happened in "normal" market conditions.

The Black to Red cycle created staggering gains and losses that were far outside the range of what conventional financial planning would say was "normality". The price increases in (some) asset categories during the Black Zone Crisis phase were extraordinary, albeit "abnormal". The collapse in prices in (some) asset categories when the cycle flashed to Red was also extraordinary, albeit also "abnormal" from the usual perspective.

If an investor is blind to the Black to Red cycle, because it is dismissed as an "abnormality" that shouldn't exist, then there is a combination of missed opportunities and heightened losses, which can produce quite different results than expected. On the other hand, if one recognizes the existence of the cycle and properly positions for two major price changes in sequence in the correct asset categories, then the results could be highly positive rather than highly negative.

## **Crisis Containment - Creating Trillions From Thin Air & The Lowest Interest Rates In Modern History**

The most important part of what happened in October of 2008 was that there was no collapse - the system held together. Oh yes, there was a financial crisis and the subsequent Great Recession, but each were a mere pale shadow of what they would have been if it were not for the largest Black Zone intervention to contain crisis that we have seen in modern financial history.

## **B: Black Zone Crisis (Tightening Control)**

There were two key events that happened in October of 2008. What was presented to the nation was the very public face of the TARP program, which gave the endangered financial institutions a way to get cash for their distressed toxic security portfolios so they could pay back lenders, without recognizing the severe losses that would have created a bankruptcy cascade.

More importantly, the Federal Reserve began a program of quantitative easing, and on a massive scale. The core problem was that the money did not exist to lend to the banks to repay their lenders - but the solution was that for central banks, "money is a much more flexible concept than the average person has any idea.

By expanding "excess asset reserves" the Fed effectively created over \$400 billion in new money out of the nothingness in a week, it lent that newly created money to Wall Street and European banks so they could repay their lenders, and it thereby stopped the bank run in progress in its tracks. More importantly, the Fed let the world know that it stood ready to create as much new money as would be needed to keep a bank run from occurring, which then gave the lenders the assurances they needed to keep them from pulling more cash out.

Quantitative easing would then be used to accomplish a series of goals. These included rebooting the real estate market through purchases of mortgage-backed securities, as well as funding the rapidly increasing United States national debt through purchasing over a \$2 trillion portfolio of Treasuries.

However, the most important aspect of quantitative easing - after the initial containment of crisis - was that it was used to force interest rates to the lowest levels in modern history.



In successive and amplifying Red to Black cycles, the Red Zone of the recession of 1990 was contained by the Black Zone of creating the lowest interest rates in 30 years; the Red Zone of the crisis/recession of 2001 was contained using the Black Zone of the lowest interest rates in 50 years, and the Red Zone of the financial crisis / Great Recession of 2008 was contained using the Black Zone of the lowest interest rates in modern history.

In the following decade, there were major pricing implications for all the major asset categories. As I have been writing about since 2008, we have experienced quite different asset prices for stocks, bonds, real estate and precious metals than we would have without the Black Zone containment of crisis. Indeed record highs were eventually reached in many major markets as a direct result of the containment, which is the opposite impact of what would be expected with crisis with no containment.

However, the price of the Black Zone containment was also the effective destruction of many of the basic foundations of saving money and financial planning.

For decades, savers and depositors had received interest rates that were above the rate of inflation - but short term rates went to 0%, and were negative in inflation-adjusted terms. The nature of savings turned upside down for an entire nation.

The mathematics of compound interest - which involves the continuous reinvestment of interest (and dividend) payments over time - is the single most reliable form of building wealth in history. As explored in more detail in the analysis linked below the Black Zone Crisis for individuals inverted compound interest, so that wealth was lost over time rather than being built in after-inflation terms.

<http://danielamerman.com/va/Inversion.html>

The most reliable form of income for retirees in retirement was supposed to be interest payments. With the forced collapse in interest payments, this no longer worked, and retirees were given the choice of safely settling for almost no interest income, or taking risks for higher interest or dividend payments that could lead to major investment losses in the future.

For decades, two of the core tenants of financial education and financial planning were 1) the Investor Life Cycle, one component of which included retirees *reliably* earning most of their cash flow in retirement from interest payments; and 2) the *reliable* ability to build wealth in the decades prior to retirement through the use of the mathematics of compound interest (including reinvested dividends as well as interest payments).

Both of these supposedly rock-solid tenants have been almost entirely invalidated for a decade now, as a direct result of the Black Zone Crisis which is the result of the government interventions to contain the last Red Zone Crisis.

But yet - "the band plays on" when it comes to the "solved science" of conventional financial planning and the reliable ways in which educated and disciplined investors can create wealth over time.

The extreme asset price movements in the Red Zone Crisis of 2008 are ignored as abnormalities.

The extremely low interest rates and resulting major asset price moves in the ten years of Black Zone containment and crisis are also ignored as abnormalities.

Indeed, when one comes right down to it - the great majority of the last two decades is effectively ignored as a series of abnormalities which are not supposed to have happened in the first place, and therefore the possibility of their happening again can purportedly be safely dismissed by reasonable and financially educated investors.

While not usually phrased in this way, that perspective is the dominant perspective - but is it truly the safest and most reliable way of making long term financial decisions?

## Seeing The Cycle

There is an alternative approach, which involves recognizing and accepting that we have spent the last almost 20 years in a near continuous cycle of crisis and the containment of crisis.

If we take that perspective, then perhaps the single most important question becomes - will the cycle continue? If it does continue - what form will it take?



Will there be another crisis? Will it be a pure Red Zone Crisis with no containment? If there is further amplification, will it be the largest crisis yet?

Will the Federal Reserve recognize the warning signs this time around and create a Black to Black cycle, intervening to preemptively prevent the formation of another Red Zone Crisis?

Could it be Red to Black, where another "hot" Red Zone Crisis occurs, and where subsequent containment for another decade or more is achieved with a new Black Zone of unprecedented size and (market distorting) power?

Could it be Red to Black to Red, where there is another crisis, it is again followed by the attempted containment of crisis, but this time around the attempt fails after a period of months or years, and the crisis does ultimately go out of control?

Could it be a return to normality with no crisis, where we exit the cycle for hopefully many years or decades to come? (That is indeed a possibility - but

the problem comes when one assumes that it is the only possibility.)

Whatever the path turns out to be, it could produce a possible sequence of very large asset price movements, with some of those movements being perhaps the largest of our lives. Depending on the particular investment choices, these could include some of the large losses in modern financial history - as well as some of the largest gains.

## Testimonials From Prior Participants

Because the October 2018 workshop is new, none of the participant testimonials below are about that particular workshop. The new workshop is the culmination of almost ten years of delivering live workshops while refining the strategies and analyses as well as how to teach the materials - and the testimonials are for earlier versions of the workshop that were part of the development process.

“Finding Daniel Amerman was one of the best things to happen to me. I have been concerned for years about preserving the purchasing power of my retirement savings, which is a challenge unto itself. When you add the additional burden of paying taxes on top of any gains, the task seems impossible to overcome. Daniel is the first person I have found that provides an answer to this challenge. He is truly a creative thinker, playing the chess game 5 moves ahead of most people. After reading his Turning Inflation Into Wealth emails, I decided to buy his course. It is one of the best things I have ever done to help me clarify what is going on and have a plan for the future that gives me confidence. It was an easy decision to attend his second course, which is an update of what has happened in the past two years. I found this seminar to equal his first course in terms of original thought and actionable content. Keep ‘em coming Dan.”

Bill C.

“Although I am a financial markets addict, my husband is not and he somewhat reluctantly agreed to attend the workshop with me. Halfway through the first morning, however, his attitude completely changed! Dan’s presentation captivated him. Dan’s precise analysis of current market trends are brought into sharp focus with very practical examples. The unprecedented world of

negative interest rates is bewildering to say the least. Not only does Dan help make sense of it all, he provides the tools you need to survive and thrive!

Far from being dry or boring, Dan presents and analyzes the current trends and provides very practical applications. The workshop was packed with useful information. Dan encourages engagement during the sessions. Your questions and comments are welcomed and he incorporates them into his presentation with the skill of a seasoned expert in the field. If you want analysis of the current trends and practical, useful advice on how to navigate them, Dan is your man!"

Sue and Mike B., Ohio

"Following the 2008 financial debacle, I began frantically searching for reliable sources to understand and prepare for what appeared to be instability in the U.S. and world economies. Amazingly Dan Amerman, I discovered, had already been writing about such possible market risks. Dan's gift to take the complex and simplify into meaningful, practical terms provided me an understanding of the various dynamics at the core of the volatility. More importantly, Dan's publications (DVD's, books, and seminars) provided me with actionable insights and strategies to incorporate in my investment and retirement plans. Today I continue to benefit from Dan Amerman's educational tools and insight and highly recommend them to anyone interested in building financial wealth."

Ron K, KY

"My husband and I are both pleased to recommend Daniel Amerman as a singular and top rate financial educator. We are impressed by his ability, as well as his willingness, to provide his students with guided tours into the murky waters of economic theory in a way that is practical, factual, data-



driven, and ideology-free. One comes away from each of his trainings and workshops with a little more insight into how both the American and the global economies actually work, and with a little bit of the wool of politics and “common knowledge” removed from one’s eyes.

One of the most helpful things Mr. Amerman does is expose how the players at various levels in the financial industry think and act. It is incredibly useful simply to understand the mindsets of those who are in control of the game. He also integrates quantitative with qualitative data to generate insights and perspectives that other economists either miss or dismiss, to the average investor’s detriment. The asset/liability management matrix he created to help students “run the numbers” and understand the financial consequences of various investing strategies under different scenarios is, in particular, of great help. That sort of practical education is difficult to come by for those not already in the financial industry.

We will continue to study and find ways to apply Mr. Amerman’s work as we chart our financial future in today’s very confusing and uncertain waters. We also look very forward to attending future workshops to keep up with changes in economic policy and its consequences. I am happy to say that Mr. Amerman has earned our trust, which is not an easy thing to give to anyone in an industry that is dominated and controlled principally by predators, fraudsters, clueless academics and salespeople posing as “advisors”. Thank you, Mr. Amerman, for showing us that all is not lost in your industry, and for giving the rest of us a fighting chance to survive and even thrive in what is becoming an increasingly bizarre and uncertain financial world.”

Jennifer CM

“As a successful businessman for 35 years, I found myself ready to retire and confident that I had gotten myself out of debt and accumulated a decent retirement nest egg. As one of the baby boomers, I was feeling pretty comfortable until I viewed Dan’s DVD material and realized my traditional retirement strategy was going to result in a significant reduction in what I would really have for retirement because of what was coming. Attending Dan’s workshop helped me to understand the core issues we face and change my paradigm and use a strategy that aligns with that understanding so that not only will my retirement assets be protected but they can significantly increase as I move into my retirement future. My (and my family’s) future looks much brighter and secure thanks to Dan’s insights.”

John B

“I found the workshop to be extraordinary. It was extremely thought-provoking, and it helped me to focus my investment decisions very sharply. I do not think that it is an exaggeration to say that there is not a single other researcher or investment professional who provides this depth of analysis and focus on the real implications of where the U.S. economy -- and its political institutions -- are, and what it means for our future. I have no reservation at all in recommending these workshops to others.”

David F

“Attending Dan Amerman’s seminars, reading his publications and viewing his DVD’s is a financial perspective changer. Dan’s professional training and “boots in the trenches” real life involvement with how our nation finances various segments of the economy provide unique and useful insights which he clearly articulates with both written and graphic materials. By word and by illustration he clearly shows the role inflation plays in our personal finances

and the real but sometimes “hidden” outcomes that affect each and every one of us.”

Ken

Washington State

“Dan Amerman is a ‘banker’s banker’ in the world of high finance. Be one of the few to see how the real game is played, especially relevant since the 2008 chaos. Study his materials. Attend his seminar to relearn how to apply these unique strategies to your personal portfolio. The seminar attendees are sophisticated and add considerable insights!”

Ron C

Wisconsin

“I’ve been investing in cash flow real estate for nearly twenty years, and in one weekend my entire perspective has changed. I will never make another deal without using the tools I learned from Dan.

We live in a time in history when it’s really hard for small investors to see a real return on their investments after taxes and inflation take a big bite. Dan Amerman has given me the skills to help me come out ahead, and for that I’ll always thank him.

Dan has a gift for understanding the big picture, as well as the number crunching skills of a Wall Street quant. Yet he has dedicated himself to educating regular people about how to get a decent return and preserve their

personal wealth in a tough financial environment. To me that makes him a real hero, a champion of the little guy.”

Eddie T

“It was an absolute pleasure meeting you this past weekend. I want to thank you again for all your time and effort in providing such a wonderful learning experience. Your insights and analysis were well thought out and logically presented. They brought clarity to an economic picture that, for most, has been extremely fuzzy. I left the weekend with a much clearer focus on what tactics need to be employed as we move down this uncertain economic road.”

Bob R

“I enjoyed the workshop and learned a great deal. It was worth attending to come up to date on how your analysis has evolved, to review the core issues that have not changed since 2008, and to incorporate the relevant new issues. The questions and comments of the other participants provided a great deal more than I had expected. The other attendees were well informed and brought another level of analysis as their questions helped us explore the topics presented in the workshop. I left impressed with the sophistication and diverse background of the audience.

Your approach of looking beyond just the basic economic forces by examining the political, social, and demographic dimensions allowed for a more objective and balanced assessment of what significant paradigm shifts we might expect. By avoiding the current dominant debate between inflationists and deflationists, we were able to see that simply subscribing to either of these two sides brings significant risk.

Those unwilling to reconsider the validity and merit of this current debate may find themselves unprepared for the structural changes ahead and therefore ill-equipped to adapt. This brought to mind investment managers who performed well in 2008 only to experience subsequent financial trauma as they found their experience inadequate preparation for the new landscape which requires a much longer historical perspective than most have accumulated in their careers.

Did we all hear the next hot tip? No. But we did hear what the important issues are and how we need to look to different tools to solve the investment problems of tomorrow. Plus, there's an old saying: anything that can be put in a nutshell belongs there. I look forward to following your analysis and wish you, your family, and the rest of the workshop participants the best."

Eric D

"Mr. Amerman's workshop changed my life. He brought my understanding of the global economy's impact on my personal financial life to a new level. Due to his workshop, I have made giant changes in the way I save and the structure of my financial plans for the future. I feel much more secure and look forward to a future of prosperity! I can wholeheartedly endorse the time and money spent attending his workshop - it will be returned to you many times over."

Lee Anne S

*The testimonials were solicited in follow-up e-mails sent after previous workshops. No compensation was offered in exchange. They are each the full testimonial as received, and have not been edited for content. Not all workshop participants provided testimonials. From those who did provide testimonials, the most positive testimonials were those selected for inclusion in this brochure. Because those with particularly positive experiences are the most likely to provide highly positive testimonials, they are not a random sampling, and nor should they be considered as representative of the experiences of all prior workshop participants.*

## About Daniel Amerman

Daniel R. Amerman is a Chartered Financial Analyst, author, and speaker, with BSBA and MBA degrees in Finance, and over 30 years of professional financial



experience. As an investment banking vice president in the 1980s he did groundbreaking work in the security originations and asset/liability management areas, including CMO/REMIC originations as part of portfolio restructurings for financial institutions, as well as the creation of synthetic securities for institutional clients. As an independent quantitative analyst in the 1990s and 2000s, he provided structural, analytical and mathematical verification

services for investment banks, trust departments, rating agencies, tax-exempt issuers and multifamily real estate investors.

Mr. Amerman is the creator of a number of DVDs and books on finance, including two books published by McGraw-Hill (and subsidiary): *Mortgage Securities*, and *Collateralized Mortgage Obligations: Unlock The Secrets Of Mortgage Derivatives*. He has been a speaker and workshop leader for sponsors including The Institute for International Research, New York University, and many banking groups.

In his 1993 *Mortgage Securities* book, Mr. Amerman characterized the then dominant financial planning projection that stocks would reliably average 8-10% total returns over the long term as being “patently absurd” for the reason that this belief was based on a projection of the compounding of high historical dividend levels that no longer existed.

While this statement was a major disagreement with the mainstream at the time, it became the mainstream professional viewpoint over the following 25 years, for the simple reason that financial mathematics are what they are. Much lower modern dividend yields have necessarily produced materially lower total returns in practice, and there is now widespread professional agreement on this issue.

By the mid 2000s, Mr. Amerman had become an outspoken critic of conventional retirement planning, arguing that the accepted paradigm had multiple deep flaws that could potentially lead to profound long-term underperformance, resulting in millions of retirement investors finding themselves with neither the retirement portfolios nor the retirement lifestyles that the traditional financial education system had led them to believe would almost assuredly be theirs.

This was also well outside the mainstream at the time, but a little more than 10 years later, reviewing “Daniel Amerman’s Six Fatal Financial Planning Flaws” (link below) was part of one of the curriculum options for CPAs earning continuing education credits in most U.S. states in 2017.

<http://danielamerman.com/aFive.htm>

As a mortgage derivatives expert, Mr. Amerman was among the few warning investors in 2007 and 2008 of the specifics of the dangers in the mortgage derivatives markets, and how interlocked derivatives counterparty risks could bring down Wall Street in a flash. However, Mr. Amerman suggested that readers “invest for the bailout and not the crisis”, and discussed in workshops that a derivatives crisis could potentially lead to both a federal government bailout and the Federal Reserve using its powers to create new money as needed to contain the crisis.

What is sometimes forgotten about 2008 is that the financial crisis did not go out of control, but was instead contained via a massive federal government bailout (TARP), and by the Federal Reserve creating extraordinary sums of new money in the first round of quantitative easing.

When it was indeed the containment of crisis that dominated financial markets in the following years rather than crisis itself, Mr. Amerman spent years analyzing the tools of crisis containment, and communicating the investment implications to readers. Some of the key topics were quantitative easing, financial repression, very low and negative real interest rates, the



alignment of investor interests with governmental motivations, bail-ins, the formation of rational bubbles as a result of containment efforts to exit secular stagnation, and how each could impact investment outcomes.

An important part of Mr. Amerman's work has been analysis of how the national debt and the containment of crisis are likely to impact individual Social Security benefits, and how to take these factors into account when making Social Security decisions as well as for general financial planning purposes. A series of analyses which examines these critical decisions from a decidedly non-mainstream perspective is linked below.

<http://danielamerman.com/va/rfe/SocSecPatterns.html>

The combination of a \$20+ trillion national debt, soaring deficits and rapidly increasing Social Security and Medicare expenses means that future cannot work like the past, and the results could be transformative for interest rates, inflation and investments. A series of analyses which examine these topics is linked below.

<http://danielamerman.com/va/macro/RatesSeries.html>

Conventional financial planning is based upon projecting "normal" future investment returns for stocks and bonds - but are we really in "normal" times or have we been so in the last 20 or so years? A series of analyses linked below considers an alternative perspective, which is that we have been in a continuous cycle of crisis and the containment of crisis since the collapse of the tech stock bubble, which has major implications when it comes to investment choices and financial planning.

<http://danielamerman.com/va/ccr/RedBlackSeries.html>

## Workshop and DVD Relationship & Package Discounts

The workshops and the investment strategies DVDs are complementary assets which are also stand-alone.

There is no need to attend a workshop after having reviewed the DVDs. Nor is there any need to purchase or watch the DVDs before attending a workshop. Each is self-contained and delivers full value on their own.

That said, the two work better together than either one does alone.

There is therefore special pricing available when both are purchased together. If the DVDs are purchased at the time of payment for workshop registration, a \$400 discount will be applied to the workshop registration fee. The DVDs and manual will be shipped promptly, and this will allow months or weeks for a detailed review of the strategies, and time to think about questions, before the live discussion of related issues in a classroom atmosphere.

For those who have already purchased the DVDs and who decide they want to follow up with a live two day immersion workshop within the following 12 months - a \$300 discount will be applied to their workshop registration payment. (Special pricing is available who bought the DVDs at the pre-publication discount price, please write Mary for more information.)

### Workshop Differences

1. The workshop is a premium experience relative to the DVDs. It is an in-person presentation in a classroom atmosphere, with the ability to ask frequent questions and participate in discussions. Many people find this the best way to learn important new information.
2. The two day workshop is far broader in terms of content covered than the five hours of the DVDs. It includes a wide ranging look at many aspects of the economy and financial markets, and how these impact the strategies

and the investment categories of the Red/Black matrix, as well as the more general implications and considerations.

3. The specifics of each two day workshop change with market and other developments, and if there is major relevant development the week of the workshop - it will be in the weekend presentation.

4. After registration, each participant is asked what their greatest interests are, and to provide several questions they would like to see addressed. So long as the questions are a fit with the overall workshop and are likely to be of interest to the other participants, they can usually be woven into the presentation. Naturally, the earlier the registration relative to the workshop date, the greater the ability to build the specific interests and questions into the slides and presentation organization. (All questions need to be general in nature, and cannot include the specifics of your personal financial situation.)

5. While exploration of the Red/Black matrix is common to both the DVDs and the workshops, the approach is quite different. The live presentation is discussion based with a great deal of participant input, which allows for particularly close focus on the assets, scenarios, strategies and questions that are of the greatest interest to the group. The exploration will also be guided by the specifics of what is happening with the economy and financial markets at the time of the presentation, and will reflect the rest of the workshop presentation.

## Pricing, Discounts & Payment Information

<b>Workshop Price:</b>	\$1,495
Early Registration Discount (Payment by October 12th)	(\$150)
Workshop Price Net Of Discount	\$1,345
2nd Person Discount	Save 50%

**Discounts when related DVDs are purchased:** Save \$400  
Or \$300

Save \$400 on workshop registration when the "Investment Strategies For Crisis & The Containment Of Crisis" DVD Set is purchased at the same time. Anyone who separately purchased those DVDs has 12 months after delivery to receive a \$300 discount on their registration.

**Other DVD Pricing For Workshop Participants:** Save 30%

Save 30% off the price of the DVDs of your choice with your workshop registration.

**Tax Deductibility:** A good question to discuss with your tax advisor

For questions, to select your choice of DVDs for discounted purchase, to receive your discount for a prior DVD purchase, or for information on paying by check, please write to:  
[mary@danielamerman.com](mailto:mary@danielamerman.com)

**Space Is Limited, Sign-Up Now:**

<http://www.danielamerman.com/workshop/payment.htm>

## Meeting Schedule & Hotel Information

### Chicago Marriott Naperville

1801 North Naper Boulevard, Naperville, Illinois 60563

+1-630-505-4900

<http://www.marriott.com/hotels/travel/chimn-chicago-marriott-naperville/>

Saturday & Sunday, October 27 & 28, 2018

Saturday check-in will start at 8:15 am, with the workshop presentation beginning at 8:30 am, and lasting until 5:00 pm. There is an hour break for lunch each day, and short morning and afternoon breaks as well.

The Sunday session will begin at 8:30 am, and last until 4:00 pm.

The Marriott has set aside a limited number of guest rooms under the name "Amerman Financial", with those rooms being held until October 12, 2018. Our group rate is \$124 per night for Friday and Saturday. Just call the front desk if you would like make your reservations using this option. (The Marriott paperwork is still in process as of mid-July, but the special room rates should be in place in the next week or so.)

## Disclaimer

*Please note that the seminar / workshop will be of a strictly educational nature, rather than the rendering of professional advice. The future is uncertain, and there are no guarantees or promises of success or particular outcomes. As with any financial decisions, there is a risk that things will not work out as planned, and with hindsight, another decision would have been better.*

*The workshop will not include specific investment, legal or any other form of professional advice. If specific advice is needed, it should be sought from an appropriate professional. Any liability, responsibility or warranty for the specific results of the application of the general educational principles contained in the workshop and the written materials, either directly or indirectly, are expressly disclaimed by the workshop leader.*