

DOMINION STRATEGIES

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My husband is retired, age 67, and I am 65. His pension gives us \$1,200 a month. Social Security adds \$300 more. We have about \$35,000 in the bank. What is our best strategy for retirement income?

You are doing much better than most retired Americans. Very few people ever reach retirement with savings. But don't assume that the "good times" will last until you die.

The size of the national debt just about guarantees that it cannot be paid off. Therefore, we should expect a default. The question is: Which kind? Outright declaration of bankruptcy? Mass inflation? Mass inflation with price controls? The politicians do not admit yet that these unpopular choices are what they face, but these are the choices. The net new productivity of the economy is no longer sufficient even to balance the budget, let alone pay off the debt. If our \$3 trillion economy grows a full 5% this year—and no economist I know predicts this high a rate of growth—we will see about \$150 billion of new wealth created. But the deficit is well over \$200 billion. So if the government confiscated 100% of all new wealth, we would still be \$70 billion in the hole.

The biggest debt that the U.S. government has is Social Security and Federal pensions (Civil Service). The government will send out the checks, but it is doubtful that it will be able to continue to do it without inflating the currency. That means everyone on fixed incomes will be hurt. Prices will rise, but their income will not—or at least not so fast as prices. Therefore, you need to get access to a stream of income which is able to rise with prices. At your age, there is ~~only one safe way: go back to work. Retirement is too risky.~~

Let's consider the capital value of your labor efforts. Assume that you can earn \$5 an hour, and your husband can earn \$15. That's \$20 an hour, gross. Deduct travel, taxes, and so forth, and maybe you two can pull in a net of \$15 per hour, eight hours a day, five days a week, 50 weeks a year. That's \$30,000 a year.

To earn \$30,000 a year after taxes from investments, if you could earn 10% on your money, you would have to have \$350,000 invested. If the two of you can work for a decade longer, you will pull in an additional \$300,000. Are you financially secure enough to throw away \$300,000?

Then there is the question of your savings program. What if you take every cent of this new income after tithing and invest it? Live off your pension while you can, and start "salting away" your earnings. A decade from now, assuming a reasonable rate of return on your investments, you might have \$400,000 in capital (after discounting for inflation, we hope). Then you can retire with greater security, if you really need to. (Two of my four grandparents were still working full time at age 60, and a third was working part time.)

So in answer to your question, "What is the best strategy for retirement income?" my answer is **clear: don't retire.**

I am 35 years old. I have three children, ages 12 to five. I want them to get college educations, but I know it will cost a bundle. What is my best strategy to get the needed money?

Work three jobs.

On the assumption that you can't do this, you will have to figure out the expected costs. The 12-year-old will be ready for college in five or six years. That means that if you send him to a state school, and he lives at home, you should be ready to spend at least \$5,000 a year, unless you live in a state like Texas, where college tuition (because of oil revenues) is virtually free of charge—unless oil revenues collapse. If you send him to an Ivy League school, be prepared to spend—you won't believe this—\$20,000 the first year, with \$1,000 increases each year thereafter, minimum. After taxes. (A year at Princeton costs about about \$16,400 today—mom, board, books, and tuition.) **Boola boola** costs piles of **moola**.

For the cheapest possible approach, I recommend the following: a junior college, 16 units a semester, plus summer school twice. That should get him through the first two years in one academic year. He then enters a 4-year college as a junior. If his grades are above a B average overall, and a B+ or better in his proposed major—and if you pay the freight, they had better be—then he is in a position to request scholarship aid.

There are over 3,000 colleges in the United States, most of them small, obscure, struggling, and not very good. Nevertheless, unless he attends one of the 100 or so **prestige schools**, ~~future employers really don't care~~ one "wavy" or **another**. The college degree is simply a cheap screening device for businessmen. It tells them that the kid survived four years of drudgery and can probably take orders and meet deadlines. It does not really matter where the screening took place.

The small private schools are highly competitive. **They** need warm bodies. Thus, a bright student—or even a merely competent student—is a good prospect for **financial aid**. He will get in. He may even get aid.

If you cannot afford much money, send him locally and have him live at home. He will not like it, but that's the way things are in the cold, cruel world. The fact is, dollar for dollar, you are better off financing his Christian day school education than college.

Another approach: boot him out at age 18. Then he can apply to many schools as a legally independent adult with zero assets. You cannot contribute anything to his income, and you must drop him as a dependent on your IRS forms. But you can still legally give him money (not tax-deductible). For purposes of college applications, he is an independent adult, and therefore more likely to receive financial aid.

If you want him to make money in life, forget about **col-**

lege unless he is really gifted. Send him to computer repair school. Then he will always eat.

My wife and I have been married five years. We want to buy a house. I have read that debt is not scriptural, but I know of no way to buy a home without debt. Should we continue to rent?

The Bible is not a perfectionist document. It offers "a way to escape" for every problem. The way of escape in your case is to admit that you are living in a crisis era. Inflation looms ahead; price controls and rent controls may follow. You may be evicted from your rental. Or the law may forbid this, but **you** will not find a larger place to rent when the time comes. A home owned by you will help reduce uncertainty.

There was voluntary slavery allowed in the Old Testament. You could become a bondservant for **up to seven years. After that, the sabbatical year released you from further service (Deut. 15)**. The Bible says that the borrower is servant to the lender (Prov. 22:7). So when you take a debt, you become an indentured servant. It is not the best position to be in, but it is biblically valid for special circumstances. Owning a home today is a special circumstance.

Structure your payments, or your savings, to be able to pay off the debt in seven years. That seems hard to do, but it's possible. As your income increases, just keep paying more and more each month to reduce principal obligations. This rapidly speeds up the repayment period. In fact, 15-year mortgages are coming back. Warning: never take a mortgage that isn't fixed-rate. The risk is too high with floating-rate mortgages.

Then there is the question of how and where to buy. Read some books on "creative" real estate. Albert Lowry, A. D. Kessler, and Robert Allen have written good books on the topic. If necessary, **after** you read the books, take a motivational real estate course. It may cost \$400, but the motivation is worth it. Lowry and Allen give them. I especially like John Schaub's "Making It Big on Little Deals" course. For information, write: 1938 Ringling Blvd. Sarasota, FL 33577. These courses tour the country regularly.

The trick is to buy a property whose owner has a problem. You don't need the best house in the world; you need the best deal. Solve the seller's problem, and you move in cheap. If the problem is the house, use "sweat equity," repair it, and if **you choose, sell the house and repurchase. The goal is to be out of debt** in seven years, even if you don't own as nice a home as you could if you took longer to pay it off. You achieve your goal, which is a secure place to live in a time of crisis.

If you simply can't afford to do this in your region of the country, then move. Go to a smaller town, work for less money, get an extra job, hustle, and get the house you need.

There is another possibility: continue to rent. This is what most people have done throughout history. It isn't the end of the world. Stay flexible. When you can afford to buy (at age 45 or 50), then buy when you can afford **to. Cash. But if** home ownership really means a lot to you, consider yourself

a slave, and buy on credit. But make sure that the contract specifies that the house is the sole collateral **for the loan**. Never buy if the lender can come back at you personally if you are forced to sell at a loss (or less than the debt).

What does the Bible teach about inflation? I have heard that moderate inflation stimulates production. Rising prices encourage manufacturers to produce more, since they can get their profits because buyers have enough extra money to buy consumer goods. What is wrong with this argument?

What is wrong with it is that it violates the biblical injunction against false weights and measures. "Diverse weights are an abomination unto the Lord; and a false balance is not good" (Prov. 20:23). The injunction against false weights appears twice in this chapter (see also: 20:10).

Money in the Bible was a specific weight of metal: shekel, talent, etc. It could be gold, silver, or brass, but the "buyer of money" (seller of goods and services) **knew that so** long as God's law was being enforced, he would receive the promised quantity and fineness of metal. He could therefore calculate costs and revenues accurately.

This law was not always honored by metalworkers and the civil magistrate. This is why in Isaiah's day, the prophet spoke out against mixing dross with silver, and wine with water (Isa. 1:22). This **debasement** process was symbolic of the moral debasement of Israel. It also pointed to a coming fiery judgment, in which God promised to purge out this moral dross (Isa. 1:25). The restoration of Israel morally was compared by Isaiah to melting away base metals in a compound of precious metals and base.

What about the logic of inflation? Do rising prices stimulate business? Not when businessmen forecast **the** rising prices. They face rising costs, so they hike the price of their goods. But higher prices mean fewer sales. Only if the rise in prices was not forecast by businessmen will **some** of them make profits—until they all catch on to what the money managers are doing. Then the price spiral upward begins. It will not end until government stops creating fiat money.

It is interesting that between 1870 and 1900, prices in the United States fell by about 60%, but productivity per capita more than doubled. That meant that the standard of living doubled. We see the same thing with the price of pocket electronic calculators. Companies can still produce a profit by manufacturing them, and the consumers are far better off.

Metallic money acts as a restraint on the civil **government**. It is more expensive to mine gold than to print up paper money or to create credit out of thin air. Thus, a fully redeemable gold coin monetary standard is an application of the biblical law against false weights and measures.

Of course, modern economists do not take this biblical law seriously. They also do not take **any** biblical laws seriously, unless "reason" validates these laws. The result of the economists' skepticism concerning the law against false weights has been the twentieth century's age **of** inflation. Proclaiming themselves wise, they became fools—paid apologists for moral, political, **and economic** evil.