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Financial Crisis Report

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Advancing in a Time of Crisis

Words of Wisdom: ***"Economic history is a never-ending series of episodes based on falsehoods and lies, not truths. It represents the path to big money. The object is to recognize the trend whose premise is false, ride that trend and step off before it is discredited" George Soros***

Inside this issue:

Except for the Great Depression, we are experiencing the most economically unstable period in the history of the modern world. This period will be marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent social disruptions. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the commodity and currency markets. The *Financial Crisis Report* is a free compilation of the opinions of David Miyoshi as well as of those advisors he himself subscribes to (with appropriate credits given) on how to benefit during this time of crisis. The writer receives no compensation of any kind from any advisors whose articles or ideas may appear in this report. The reader is welcomed to check on all sources of information mentioned herein. Because the opinions and observations of this writer and other advisors are provided herein without charge, the reader is asked to make his/her own judgment on the contents.

Fourteen Estate Planning Lessons from "*Game of Thrones*"

There is a saying that "truth is stranger than fiction." But, on occasion I think you can get truth from fiction. The following article is an example of that where some helpful legal lessons in estate planning are taken from the very popular HBO's TV series "*Game of Thrones*".

This article appeared on *Wealth Management.com* and was written by Megan Leonhardt

Game of Thrones not only entertains its devoted fans, it also provides a practical guide to succession planning do's and don'ts. The (spoiler alert) deaths of Ned Stark, Joffrey Baratheon and others provide an interesting peek into the aftermath of sudden death and the benefits of planning for the unexpected. As Jaqen H'ghar tells Arya Stark at the end of Season 2, "Valar Morghulis," or translated, "All men must die."

Here are 14 estate-planning lessons. (Several of these involve major plot points from all five seasons of "Game of Thrones." Proceed at your own risk.)

1. Taking Inventory of Your Clients' Assets Is a Good Place to Start

Helping clients periodically evaluate their assets saves time and frustration down the road. Daenerys Targaryen, the last Targaryen alive, while almost always cash-poor, has collected some very valuable assets over the course of her journey, not the least of which are her dragons (although they may be a decreasing asset class as their liability rises). Yet the conquering princess's wealth is constantly in flux as she continues her domination of the East. U.K.-based Freedom Finance estimated that Daenerys' assets, including her army of former slave soldiers, are worth £227 million ($382 million).

2. DIY Wills Aren't the Answer

There are many lessons people can take from Robert Baratheon (conquerors don't make good kings, alcoholism can kill, etc.), but perhaps the most important: Don't allow clients to attempt to write wills themselves. It's too easy to make a

Fourteen Estate Planning Lessons from “*Game of Thrones*”

big, costly mistake. In Robert’s case, when writing the will, Ned Stark replaces "My son Joffrey" with "my heir" because the king's eldest son is actually a bastard. The will, and Ned Stark’s subsequent actions, tip off a struggle for the throne that costs the lives of thousands.

3. Don’t Stop With a Will

A simple will is probably not sufficient in terms of a complete estate plan. Consider encouraging your clients to develop and fund trusts for children to ensure they’re taken care of in the future—especially if the law of the land is primogeniture. Had Ned Stark done so before he died, his daughters Sansa and Arya would’ve been at least financially secure. Instead, Sansa is left at the mercy of the Lannisters for years and Arya has to travel through the war-ravaged countryside on her own.

4. Assign More Than One Trustee

Since every trust must have at least one trustee, it's a good idea to have clients name successor trustees in their wills, in case the original trustee passes away. Take, for example, the Stark family. Following Ned Stark’s death, his wife Catelyn was in charge of the children, scattered as they were. But her death, along with the heir Robb Stark’s death at the “Red Wedding,” means no one is watching out for the remaining Stark children and their assets.

5. Guardianships

Naming a guardian for children who are minors is essential, but perhaps even more important is notifying the potential guardian and others of your intentions to avoid conflicts in the future. In Season 2, Lady Catelyn Stark asks Brienne of Tarth to secure the safety of her daughters. Unfortunately, she didn’t think to write it down or draft a letter of instruction on how to accomplish the task, so when Brienne and Podrick stumble upon Arya and the Hound in Season 4 (after her mother’s demise), both are wary of Brienne’s promises. In the end, Arya escapes and Brienne is left bruised and frustrated.

6. Beware the Blended Family

The nature of the modern family is changing and advisors will increasingly encounter clients who have blended families, generally featuring multiple spouses/partners and their respective children. Often these disparate groups are linked by only a single person and have little in common with one another. Advisors must account for these differences, both through encouraging communication and in careful planning and drafting of estate planning documents, because when that link is broken, all hell can break loose. "Game of Thrones" features some of the most complexly blended families in fiction, so examples abound. Look at the noble Starks: Ned had five children with his wife Caitlyn and a bastard son from an alleged indiscretion during a military campaign, not to mention a rival’s son he “adopted” to seal a treaty. Is it any surprise that the family scattered to the winds on his death?

Fourteen Estate Planning Lessons from "*Game of Thrones*"

7. Encourage Clients to Talk About the Future

Kids need to know what's in store. Especially since inheritance can be a loaded issue. Tell clients to be as up-front as possible about their intentions, to help alleviate conflicts after they've gone. Ned Stark made sure his children, particularly Jon Snow, knew where they stood while he was alive. In fact, Stark sent Snow to live at the Wall, knowing his son would have a place within the ranks of the Night's Watch.

8. Work With What You've Got

There's no single estate-planning template. Each plan must be customized to the individual client in order to maximize its effectiveness. Attempting to force a client down a predesigned planning path that doesn't fit their individual circumstances may have disastrous results. Take, for example, Lord Tywin Lannister, the Lord of Casterly Rock, who was infamous for refusing to ever acknowledge his son Tyrion as his heir, despite the law saying the Rock should be his. "Neither gods nor men will ever compel me to let you turn Casterly Rock into your whorehouse," Tywin told his son. But Lannister's determination to thwart his son's inheritance not only played into his eventual murder, but utter chaos leading into Season 5.

9. Keep Your Clients' Plans Up to Date

An estate plan isn't something that can be done once and then put in a drawer and forgotten. It has to be constantly updated and re-evaluated because laws, and people, change. Or die. And they die a lot in "Game of Thrones." When (Season 4 spoiler alert) Joffrey dies of poison on his wedding day, his younger brother Tommen is slated to take over as the new king. But what happens if Tommen also dies (as predicted)? Someone should make sure that some King's Landing scribes have been set to work on a solution … just in case.

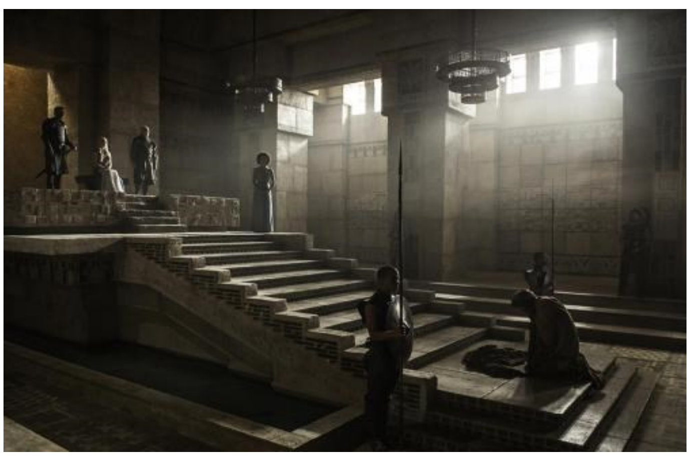
10. Clients' Trust Is Hard to Earn and Easy to Lose

Even the very best advice is worthless if your client refuses to listen. Advisors must work hard to earn their clients' trust, through patience and competence, and be constantly vigilant of how fleeting said faith can be. This struggle is illustrated in the show when Daenerys learns that her closest advisor, Jorah, had previously spied on her. Though no harm ultimately came from his indiscretion, she sent him away nonetheless. He could no longer be trusted.

Fourteen Estate Planning Lessons from "*Game of Thrones*"

11. Listen to the Experts (Even If You're One of Them)

Estate planning can be extremely complicated, and the consequences of botching it can be dire; thus it's important for advisors to know when it's time to contact a specialist. Joffrey and Robert Baratheon, bad kings both, had one thing in common—they refused to listen to the advice of the small council. As Tywin Lannister would say, a wise king listens to his advisors, even when he's old enough to have some wisdom himself.



12. Managing Wealth Can Be More Difficult Than Amassing It

Often clients can become so focused on making money that they ignore certain dangers that can siphon it away even faster than a client can earn it. In the context of estate planning, the risks of loss are greatest in times of transfer, be it wealth transfer, through gifts or bequests, or power transfer, through a succession event. If these scenarios aren't properly planned and executed, a lifetime of work can be undone in an instant. Daenerys is currently learning this lesson as, after finding such success liberating the various cities of Slaver's Bay, she's struggling mightily now that she's attempting to settle in and actually rule the city of Meereen.

13. Identify All Potential Beneficiaries and Heirs

In many jurisdictions, disinheriting a spouse or child may be accomplished only through inclusion of specific language in the will (and even in those that are more lenient, doing so is still good practice to secure against contests). Though this requirement has fairly obvious ramifications in the case of purposely excluding a known heir, it can also have outsized impact when unexpected heirs arise. A well-laid plan could be completely scuttled by the revelation of an additional child who wasn't disclosed to the drafting attorney and, as such, wasn't considered as part of the planning. In the world of Westeros, it seems as though everyone in power has at least one secret bastard, the revelation of whose parenthood could submarine any number of schemes and machinations with predictably bloody (this is "Game of Thrones" after all) results.

14. Keep Things Flexible

The only certainty in life (other than death) is change, and estate planners need to equip their clients with the tools to deal with change when it inevitably occurs. Though it's tempting to try and include language addressing every possible eventuality, this impulse is both impossible to accomplish (you'll always miss something) and actively destructive, because the more hard-line rules are baked into an estate plan, the less flexible it becomes. For documents meant, in many cases, to reach far into the future, inflexibility is a fatal flaw. The best plans manage to walk the difficult tightrope of covering as many bases as possible while somehow not becoming prescriptive. The characters in "Game of Thrones" have plans for seemingly every eventuality. Yet none are prepared for the impending threat represented by the White Walkers, which dwarfs their petty succession squabbles. It would have been ridiculous for them to anticipate the possibility of a frozen zombie invasion, but their plans will have to survive one nonetheless.

Well, I hope you have enjoyed this article. Perhaps it has given you some things to think about in planning your own estate.

D. Miyoshi

How the Internet of Everything Will Turn Some High-Fliers on Wall Street Upside-Down

Recently, the Federal Communications Commission voted to move to what is called "Net Neutrality," which treats the Internet like a utility and therefore makes it subject to government regulation.

There is plenty of debate about whether this move equalizes Internet access or discourages providers like **Verizon (VZ)**, **AT&T (T)** and **Comcast (CMCSA)** from building more-powerful networks.

But as James DiGeorgia has reported, there is one thing none of us can deny and that is that something called the **Internet of Everything (IoE)** will change the world we live in.

That's because everything from cars, appliances, televisions and thermostats will soon be connected to the Internet.

And this universal connectivity creates tremendous conveniences for the consumer … and potentially unlimited efficiencies for businesses.

What is not discussed — beyond the fear of robots replacing human labor and the possible horizon of human obsolescence — is how the Internet of Everything will fundamentally change the world's economy.

While this revolution will bring about tremendous opportunities, there are also several sectors that will be rendered obsolete.

**The Internet of Everything
Is Popping Up Everywhere …**

To understand that, let's begin with self-driving cars.

Right now, high-flying companies like **Google (GOOG)**, **Amazon (AMZN)**, BMW, Mercedes-Benz, **GM (GM)**, **Ford (F)** and many others are testing driverless automated vehicles.

Breakthrough technology companies like **Mobileye N.V. (MBLY)** are actually manufacturing the hardware and delivering the incredibly elaborate software that allows computers to see.

This unique technology is being pursued by several companies around the world — that until recently was only the stuff of science fiction.

This technology is already being employed by Volvo, Cadillac, Mercedes and Subaru. It features "**Crash Avoidance Systems**" that can effectively prevent crashes.

The concept is simple — a computer can interpret danger much faster and react much quicker than any human driver.

The not-for-profit Insurance Institute for Highway Safety is now testing this Crash Avoidance technology.

But as amazing as this new technology is to us today, in 10 to 15 years it will likely become the automotive standard.

I expect we'll see tens of millions of self-driving cars navigating to perfection on America's roads, highways and bridges.

The "driverless" aspect is only one feature under development.

Not only will tomorrow's cars be able to see, but they will also have the capability to think.

Imagine having a car that can analyze the weather, speed, location and surrounding traffic!

That's right, you'll be able to tell your car verbally where you want to go — and rely on the car to take you there safely and quickly.

Meanwhile, you will be able to converse with fellow passengers, read, listen to music or even watch TV till you arrive at your destination.

You've already seen self-parking cars that need little direction from the driver.

How the Internet of Everything Will Turn High Flyers Upside Down

That's only the tip of this technology iceberg.

A completely automated car would drop passengers off at the door of their chosen destination.

The empty car would go on to self-park or even circle a destination in the absence of a parking spot.

Then, it would return to the drop-off location, to collect you and your fellow travelers when it is time to go home.

This technology isn't part of some far-off tomorrow.

Mercedes-Benz has already introduced a self-driving concept car — the *F015.* It clearly represents the kind of technology format that will be used by every car maker in the world — and become an everyday reality in the next decade for commuters.

Imagine being able to request your car anytime or anywhere via a few words of command to your wristwatch…

Much in the way the Lone Ranger would whistle for Silver, his horse, to come for him is the same way you could have your vehicle come to you.

So how does a technology threaten to turn so many of Wall Street's businesses upside-down?

A World Without Fender-Benders …
Good for Us, Bad for Insurers!

Let's start with the automotive insurers. This industry has steadily attracted investors throughout the last century-plus.

The latest numbers available (from 2013) show the auto-insurance industry collected at least **$180 billion in total premiums.**

Source: SNL Financial

Market share for top US personal auto insurers as of Dec. 31, 2013
Based on 2013 direct premiums written

Rank 2013	Rank 2012	Insurer	Direct business: Premiums written ($B)	Direct business: Market share (%)	Direct business: Year-over-year premium change (%)	Direct business: Incurred loss ratio (%)	Net business: Premiums written ($B)	Net business: Loss ratio (%)	Net business: LAE ratio (%)	Net business: Expense ratio (%)	Net business: Combined ratio (%)
1	1	State Farm Mutual Automobile Insurance Co.	33.61	18.49	4.70	67.38	33.39	64.13	16.77	26.04	106.94
2	3	GEICO Corp.	18.56	10.21	11.30	68.72	18.59	67.78	10.63	15.33	93.74
3	2	Allstate Corp.	18.07	9.94	3.37	64.63	17.89	57.54	13.25	27.65	98.45
4	4	Progressive Corp.	15.37	8.46	6.48	63.81	15.20	62.94	10.61	21.03	94.58
5	5	Farmers Insurance Group of Cos.	9.88	5.44	-3.87	58.89	7.00	58.65	11.62	31.63	101.91
6	6	USAA Insurance Group	9.17	5.04	8.51	72.97	9.14	72.76	10.34	10.62	93.72
7	7	Liberty Mutual Holding Co. Inc.	9.04	4.97	9.35	63.07	8.22	63.96	15.53	28.07	107.55
8	8	Nationwide Mutual Group	7.28	4.00	2.01	65.47	7.25	53.75	9.65	33.55	96.95
9	10	American Family Mutual	3.44	1.89	4.28	65.52	3.43	65.64	11.37	29.06	106.07
10	9	Travelers Cos. Inc.	3.18	1.75	-6.32	59.93	3.37	60.37	12.72	28.96	102.05
11	11	Hartford Financial Services Group Inc.	2.35	1.29	1.99	64.32	2.53	65.06	8.51	25.25	98.82
12	12	Auto Club Exchange Group	2.33	1.28	4.09	60.21	2.36	60.29	10.55	23.72	94.55
13	15	Erie Insurance Group	2.22	1.22	6.36	65.32	2.21	64.78	11.41	25.75	101.93
14	14	MetLife Inc.	2.21	1.21	5.14	60.38	2.18	60.43	12.00	26.04	98.47
15	13	Mercury General Corp.	2.13	1.17	1.28	62.28	2.13	62.19	13.53	26.91	102.63
16	16	CSAA Insurance Exchange	2.01	1.10	2.24	66.50	1.99	66.54	12.31	32.48	111.34
17	17	Auto-Owners Insurance Co.	1.78	0.98	4.36	75.19	1.65	65.38	8.28	26.46	100.12
18	18	Auto Club Insurance Association Group	1.62	0.89	3.57	78.07	1.39	67.39	9.76	30.78	107.92
19	19	MAPFRE	1.52	0.83	3.37	64.89	1.52	65.00	10.63	27.47	103.10
20	21	Infinity P&C Corp.	1.25	0.69	6.52	65.00	1.25	65.16	13.05	24.90	103.11
		Total	**147.02**	**80.88**	**4.84**	**65.82**	**142.70**	**63.30**	**12.76**	**24.34**	**100.40**
		Industry total	**181.78**	**100.00**	**3.95**	**65.42**	**174.55**	**63.39**	**12.60**	**24.98**	**100.97**

As of April 29, 2014.
Based on NAIC statutory P&C statement filings. U.S. filers only. May include business written outside of the U.S. if reported in NAIC statements.
Direct data is derived from the Exhibit of Premiums and Losses. Net data is derived from the Insurance Expense Exhibit.
Rank based on direct premiums written for private auto defined as NAIC as-reported lines of business private passenger auto physical damage, private passenger no-fault, and other private passenger auto liability.
Data shown is a consolidation of data of the statutory filers within the SNL-defined group structures.
Generally based on a top-tier analysis, which includes SNL groups and unaffiliated single companies. However, GEICO Corp. is used in place of the entire Berkshire Hathaway group because it writes the vast majority of the group's private auto premium.
Combined ratios displayed are before policyholder dividends.
LAE = loss adjustment expenses
Source: SNL Financial

SNL

Meanwhile, the Coalition Against Insurance Fraud puts the cost of fraudulent claims at about **$80 billion annually.**

Self-driving, Internet-connected cars would likely suffer significantly fewer collisions/car accidents every year — eventually making fender-benders a thing of the past.

Dramatically lower auto accidents means fewer insurance claims. For auto insurance companies, those $80 billion in claims could possibly drop by 90% even 95%.

A plummet in accident and injury claims would turn the economics of the auto insurance industry upside-down.

That's because it would slash the rates car insurance companies will be able to charge.

In 20 years, as self-driving cars become perfected, the number of auto accidents could drop to as little as 1% to 3% of the number that took place in 2014.

For investors, a longer-term bet on the auto insurance sector may not be a good one.

Here's another way that insurers will lose out …

Even before self-driving cars become widely available, the Internet of Everything will help reduce successful car thefts.

Cars are now being tagged with what may eventually become hundreds of microchips that identify the car and are just as traceable as a digital phone.

That's right. Even if a car gets chopped up, its parts will still be able to throw off a signal to let you know where they are.

More Companies That Will Crumble
in the Self-Driving Car Revolution

The effect of self-driving, Internet-linked cars goes beyond the auto insurance industry.

Consider dealerships, car-parts manufacturers and auto-repair firms both public and private.

If they're not banged-up and mechanically abused by human drivers, cars would last a great deal longer.

So, it is natural to expect that **cars that are capable of seeing and responding to road dangers and hazards <u>will last longer</u>**.

Think about it. Self-driving cars will operate with virtually flawless safety records. In turn, this will mean a dramatically smaller auto collision industry. Consolidation of public players in the current supply and service chain is very likely.

And when your automated car does need service, it will tell you!

In fact, you should expect new cars to come with a text, e-mail and phone call notification when service is needed or repairs made. We could see this technology arrive within the next four years.

Better service, virtually no collisions, and longer life cycles means **larger inventories of well-cared-for automated cars**.

Economics are at work when a breakthrough technology creates dramatically improved efficiencies. These lengthened product cycles should result in tighter margins, few profits and industry-specific consolidation.

How to Make Tough Decisions Easy

Mom-and-pop auto repair businesses throughout the United States are headed toward the same fate Main Street suffered when malls became a craze in the 1970s through the '90s.

In similar fashion, consider how many publicly traded companies in this business are heavily weighted and dependent on earnings from car repairs, body work and used car sales.

They are going to suffer harshly from the maturation of the Internet of Everything and self-driving cars.

Consider how Uber is fast-becoming a taxicab-killer … driverless cars could cause that entire industry to roll over!

If you're a taxi driver, you had better start looking for a new profession.

Within 10 years, "on call" taxicabs and private delivery services will blossom … no humans needed!

Trust me — anyone who has had their ear bent off by a nosy cab driver will understand why driverless cars are going to be very appealing.

Self-driving autos may be the future of Uber. You already don't have to hand the driver any money — soon, you won't need a driver at all!

The Internet of Everything will also drive similarly dramatic changes in the economics and daily efficiencies in dozens of other industries.

Communications, farming, manufacturing, entertainment and medicine are just some of the many industries the IoE is starting to transform. And they won't be the last!

If you're above age 50, chances are you're following the innovations in medicine like a hawk. If not, you should be staying up-to-date on the breakthroughs that can extend your life. The Internet of Everything will be a big factor in your medical care.

It's why I always laugh when I hear analysts and reporters doing stories on the new Apple Watches and whether they will catch on.

There have been an abundance of predictions that **Apple (AAPL)** and its Watch will fail.

But let's not be so sure.

Within a few years, these high-tech Apple timepieces will not only monitor your health 24/7. They will also become virtual computer assistants that steer your eating, exercise and sleep for optimal health.

These watches will report anything of concern directly to your physician(s) … and, if needed, they could summon an ambulance and notify family and friends of your emergency.

In short, Apple's technology will replace the wireless "non-thinking" alarm necklaces that older people have been buying like hotcakes the last few years from late-night infomercials.

As the current batch of health-monitoring tools become obsolete, Apple and its competitors are creating a highly advanced multibillion-dollar monitoring and personal-assistant business.

I've only scratched the surface of the changes the Internet of Everything will bring to your life and to Wall Street.

We're about to see the kind of efficiencies in our everyday lives dramatically improved in the very same way we saw computer efficiencies drive economic growth in our country during the 1990s.

As an investor, I recommend you don't bet against the acceleration of changes about to take place.

Instead, bet on publicly listed companies that stand to profit from the Internet of Everything and bet against those that will see their businesses go the way of the buggy whip!

D. Miyoshi

How to Make Tough Decisions Easy

About 20 years ago, a professor of philosophy introduced Mark Ford, founder of the *Palm Beach Research Group* to an idea that he has used to clarify his thinking, cut through confusion, and make business decisions time and again. Here is Mr. Ford's report on that very helpful idea.

We were having lunch, and the conversation turned to Nietzsche, the German philosopher and poet. I knew a little bit about Nietzsche. I knew he was anti-religion (as we say today) and believed man could perfect himself by self-assertion – an idea that made its way into the rhetoric of the Third Reich.

The professor told me that Nietzsche had many other interests, including classical philology, art, antiquity, and music. But it was what Nietzsche had said about information and knowledge that most intrigued me.

How to Make Tough Decisions Easy

According to the professor, Nietzsche pointed out that there are fundamentally two kinds of knowledge: "erfahrung," which he defined as knowledge based on experience, and "wissen," i.e., knowledge based on consuming (reading or hearing or watching) secondary information like books and speeches and television.

We know not to touch a stove from experience. We know that Earth revolves around the sun from information we have consumed.

Nietzsche was obviously aware that the human mind is efficient at processing both kinds of information (let's call them primary and secondary), and he surely knew that our progress as a species is a result of our ability to do both.

But he foresaw a shift in the value we placed on *wissen* versus *erfahrung.* He saw that access to secondary information was increasing, and predicted that increase would only accelerate with time. And he worried that the essential value of experience-based knowledge would gradually be downrated, so to speak. And that information-based knowledge would dominate.

I had never given much thought to this distinction between primary and secondary knowledge. My belief that touching a hot stove was bad and my belief that Earth revolved around the sun seemed equally valid to me.

But ever since that conversation, I've often asked myself, "How do you know this is true? From personal experience or from secondary information?"

That has helped me become a better thinker in some ways, and as a consequence, a better arbiter of options and maker of decisions.

It's also helped me understand how it is that so much of what we took as indisputable truth 10 or 20 years ago, we see as amazingly dimwitted today. (The idea, for example, that eating cholesterol raises one's blood cholesterol levels.)

Nietzsche was worried that the growing availability of secondary information would produce more "truths" based on secondary information and that eventually, educated people would begin to treat secondary information as equal, or even superior to, experience-based knowledge.

I think he was right.

<u>What's Wrong With the Way People Think Today</u>

These days, most people – and especially "educated" people – are more confident of wissen-based knowledge than erfahrung-based knowledge.

We might be modestly amused by an entrepreneur's explanation of how he started a multimillion-dollar carpet cleaning business. But we put more faith in a fact-filled book about entrepreneurship written by an author who never even sold iced tea as a kid.

I'm no exception. I know from experience that when I invest in a business about which I know little or nothing, I lose all or most of my money.

Yet, I can still be tempted to invest in such a business if the business plan has amazingly good numbers, superb credentials, and solid testimonials.

I am tempted to put aside the knowledge that is in my bones in favor of the facts and figures in my head.

Another example…

We know from experience that we can't trust politicians – whatever party they belong to – to do what they say they will. Yet every election year, we find ourselves hopeful that one of them will be different. We ignore our experience and vote for the candidate whose speeches and campaign propaganda make the most "sense" to us.

Since the beginning of the 21st century, the amount of information instantly available to us has increased a thousand-fold. Looking for answers today has become a challenge not of finding, but of sifting through.

And it's not just information, per se. It is the rhetoric of the global Internet-connected chat room where smart people with opinions assemble data, then analyze and interpret them for us.

And here's another thing: Much of this secondary

How to Profit From our Emotions

information is so well – and persuasively – presented that it *feels* like experience.

When secondary information feels like experience, we often accept it as truth… truth that is equal to the truth we know from experience.

Instead of using our experience to judge the validity of facts and figures (which, let's be honest, can be rigged to "say" pretty much anything), we judge the validity of our own experience by them.

It's really remarkable. We know how easy it is to manufacture information. And we also know that some people will do almost anything to have their way. Yet, many of us never make the connection between the corruptibility of man and the corruptibility of facts.

Blunders of the Past Can Save You Money in the Future

When I think about bad decisions I've made in business, it is most often a case of my having favored information over experience.

Case in point: A former business partner and I spent a year attempting to succeed with a publication aimed at new mothers. We were convinced – by the numbers we had come up with – that it was going to be a huge winner for us. The fact that neither of us had any experience in the industry didn't faze us.

The result: We were a quarter of a million in the red before we gave up.

Another example: All the direct-mail publishers I know have given advertisers free access to their lists in exchange for a split of the advertisers' net profits. The publishers waive their advertising fees when they see the amazing numbers "other publishers" have experienced "using this very same ad."

The result: a much smaller response than predicted by the numbers. (The publishers get little or nothing. But the advertisers have some new leads they didn't have to pay for.)

What You Can Do to Make Smart Decisions Most of the Time

I'm not saying you should ignore secondary knowledge. On the contrary, it is the primary way we explore the unknown, and it is also an invaluable supplement to experience-based knowledge.

But when it comes to making important personal or financial decisions – the kind that can cost you plenty if you're wrong – trust your bones.

Here's something you can do the next time you are overwhelmed by the thought of making an important decision.

Take a piece of paper and fold it in half vertically. On one side, put down everything you know from experience. On the other side, put down the facts and figures you've been told.

Then do this: Tear the page in half (vertically) and toss all those facts and figures in the garbage. You'll then have everything you need to know to make the right decision.

Will you ever miss out on a great opportunity? Possibly. But Ford's experience tells him you'll go broke a hundred times before you succeed at something you have no experience in.

D. Miyoshi

How to Profit From our Emotions

I love walking my two dogs Champion and Cody. And how they walk keeps reminding me of why we are able to profit in the stock market.

You dog walkers all know about the zigzag path that dogs take down a sidewalk. After all, there are great odors to sniff on both sides of the sidewalk so your dog will veer far to the left, take a few deep sniffs before veering off to the right to see what olfactory surprises the other side holds.

How to Profit From our Emotions

About the only thing that's certain is that once your dog reaches the far end of his leash, it will swing back to the middle of the sidewalk before taking off for another trip to the extreme ends of the leash.

Human psychology, when it comes to investing, isn't so different. Investor sentiment swings from extreme readings of euphoria and anxiety and extremes of fear and greed.

Like our friendly dogs on a walk, we investors swing from the far left to the far right of the Wall Street sidewalk.

And there is a way to profit from these human emotions: the VIX, or CBOE Volatility Index.

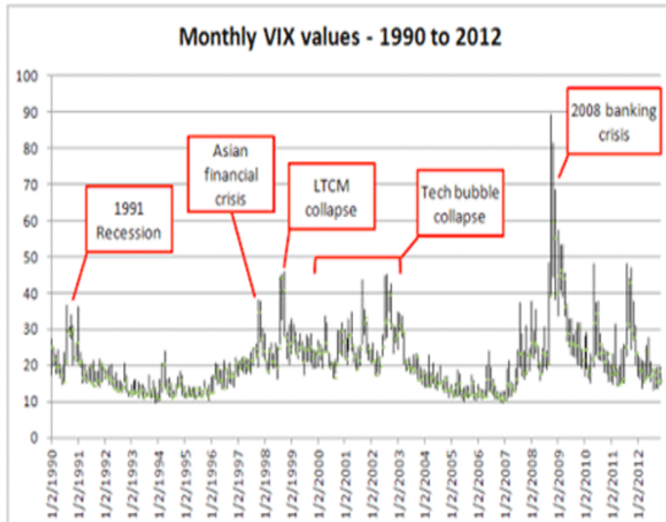
Probably some of you already know more than me about the VIX, but for those that don't, here is a quickie tutorial.

The VIX, often referred to as the "fear index," is calculated by the Chicago Board Options Exchange (CBOE) and measures market expectations of short-term volatility.

The VIX is derived from prices investors are paying for options on the S&P 500 Index and measures the market's expectation for stock market volatility over the next 30-day period.

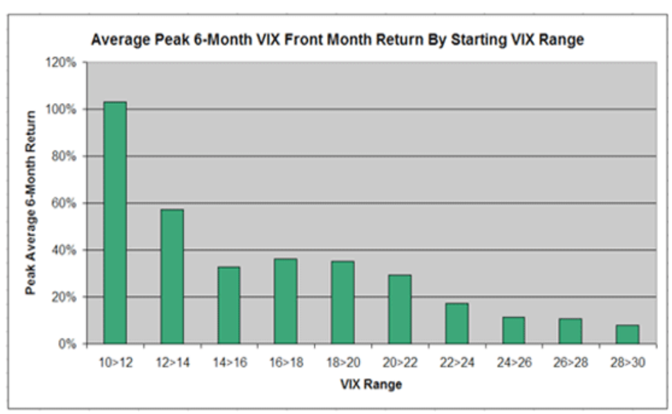
NOTE: There are three volatility indices: the VIX, which tracks the S&P 500; the VXN, which tracks the Nasdaq 100; and the VXD, which tracks the Dow Jones Industrial Average.

The VIX was created in 1993 and investors have been using it to hedge against severe market movements ever since; it's one of the most closely watched indicators in the market.



The VIX has been very useful in helping spot major stock market turning points. As the above chart shows, the VIX has historically spiked after major investment calamities, such as the 2008 financial crisis and the dot-com bubble.

Conversely, the VIX has plunged to extreme low readings (in the "teens" as measured by the VIX) at stock market tops. When the stock market is rocking and rolling, investors lose all their fear and dogpile into the stock market.



How to Profit From our Emotions

As the above chart shows, whenever the VIX falls into the teens, it's one of the most dangerous times to be in the market and one of the most rewarding to invest in the VIX.

Where is the VIX today? As of the writing of this newsletter, the VIX is well below the levels seen at the time of the 2008 crash, when the index jumped as high as 80.

How can you invest in the VIX? There are three ways: futures, options, and specialty ETFs.

Symbol	Name
VXX	iPath S&P 500 VIX Short Term Futures ETN
VIXY	ProShares VIX Short-Term Futures ETF
VXZ	iPath S&P 500 VIX Mid-Term Futures ETN
VIXM	ProShares VIX Mid-Term Futures ETF
XVIX	UBS E-TRACS Daily Long-Short VIX ETN
VIIX	VelocityShares VIX Short Term ETN
CVOL	C-Tracks ETN Citi Volatility Index Total Return
VIIZ	VelocityShares VIX Medium Term ETN

There are eight different ETFs that track the VIX, but the most liquid is iPath S&P 500 VIX Short-Term Futures ETN (VXX).

In his short-only service *Rational Bear* Tony Sagami recommended VXX on five different occasions. And it has been a profitable recommendation 100% of the time.

Date Open	Symbol	Date Closed	Open Price	Close Price	Gain/ (Loss) %	Dividend Paid	Total Return
12/4/14	VXX	12/9/2014	$26.10	$27.42	5.06%	$0.00	5.06%
12/29/14	VXX	1/2/2015	$28.51	$30.99	8.70%	$0.00	8.70%
1/13/14	VXX	1/14/2015	$34.39	$35.12	2.12%	$0.00	2.12%
1/22/14	VXX	1/29/2015	$31.30	$33.50	7.03%	$0.00	7.03%
3/2/15	VXX	3/11/2015	$27.00	$29.23	8.26%	$0.00	8.26%

Above are the trade-by-trade results of Sagami's VXX recommendations. If you had invested $100,000 into these, all of his VXX trades, you would now be sitting on almost $135,000.

Yes, that would be a 35% gain in three months!

However, with the VIX index now in the teens, it's in the sweet spot of producing the biggest rewards and it's a great way to protect your portfolio from the next bear market.

Here is to your successful investing.

D. Miyoshi

Advancing in a Time of Crisis

Financial Crisis Report

David M. Miyoshi is a California attorney with a Martindale-Hubbell AV Preeminent Rating for Attorneys. He earned his Bachelor of Science degree from the University of Southern California, a Juris Doctor degree from the University of California, an MBA degree from Harvard University and an International Graduate degree from Waseda University in Tokyo.

He is Managing Attorney of Miyoshi Law, an International Law Firm where he approaches legal issues through a commercial lens and is a trusted legal and business advisor to his corporate and estate clients. In military service in Vietnam, he led a Combined Action Platoon as an officer in the U.S. Marine Corps and received the Naval Commendation Medal with "Combat V".

He appears in 14 Who's Who publications throughout the world and is listed as a specialist in international business, real estate and estate planning.

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