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Hey Buddy! Can you spare me a dime? \$2 Trillion?

On October 4th, Fed Chairman Ben Bernanke addressed The Washington Economic Club on the impact of demographic changes facing the United States.

In general, we already know that our national savings rate is too low. But being content with our current consumption and living standards, society ignores facts until it can no longer do so. The solutions are not attractive. Raise taxes by 30%. Increase the savings rate of everyone by 14%. The implication is a 10% reduction in our country's GDP! The political will to address these issues is virtually non-existent.

The *Wall Street Journal's* editorial page on October 12th had a discussion of the pension and healthcare crises facing state and local governments across the country. The pension crisis is already well-documented (though still mostly ignored), but the full extent of the healthcare crisis is still unknown and perhaps unknowable, as the cost of healthcare that that cities and states are required to provide is a moving target! The authors make estimates that are truly mind-numbing: *\$2 trillion* in unfunded liabilities. This unfunded liability is nearly the size of the Federal Government's annual budget.

Government Accounting Standards Board Rule 45, due to be implemented in the next year, will force governments to estimate these health liabilities. We expect to see to quite a few irate tax payers and panicked politicians in the coming years. We also expect strikes by government workers who, as the article says, were given promises that were unrealistic.

Property tax revolts, like those seen in California in recent years, are also a near certainty. These trends will only accelerate the exodus of both young workers and aging retirees from the high-tax, high-cost-of-living areas to the boomtowns of the South and West, which will further lower the tax base of the areas left behind, creating a rather vicious cycle. It won't be pretty.

Playing catch-up with these unfunded financial obligations will be occurring at the same time that the majority of Baby Boomers move their kids out of the house and begin saving for retirement. They will redirect a significant portion of their consumption dollars to debt reduction and asset accumulation. The next economic slow-down, starting in a few short years, will coincide with the realization that this problem will not go away.

Now is the time to prepare yourself and your family for a different economic future. Additional retirement savings or personal investments will increase your family's financial security and personal peace of mind. Preparing alternate investment strategies is prudent. At Investor Resources, Inc. we are continually addressing this critical issue for our clients.

By using the Free Resources link at www.investorresourcesinc.com, you can easily find Chairman Bernanke's speech and the Wall Street Journal™ editorial.

IMPORTANT NOTE: Clients are reminded to contact Investor Resources, Inc. if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Please, also, advise us if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request or downloading ADV Part II from our web-site.