



## WEATHERING THE INFLATION STORM

**A**nd they all lived happily ever after! Isn't it great to know how the story ends? The only problem is the timing. And isn't that true of everything — stocks, real estate, futures. If you wait long enough, prices will come back. Some of us don't have a lot of this valuable commodity (time) left!

*I believe that this message is important enough to convey that even if parts of it are repeated from previous newsletters or one of our monthly educational meetings. I want you to take this seriously and make changes necessary to cope with the coming events.*

The current administration tells the story of the economy as if we're on the road to recovery and by the end of the year all will be well. By their account, in a short time tax revenue will be up and that revenue can be used to pay down the national debt.

Let's go back in time a few years. The loose lending restrictions have resulted in trillions of dollars of bad loans being made and subsequently securitized then sold to unsuspecting investors around the world. These events have now "forced" the biggest bailout known to mankind! The ripple effect has not left anyone untouched. The stock market sank in a very short time. Commodity prices fell. Housing prices tumbled. Unemployment continues to escalate. GM and Chrysler filed bankruptcy. Would you ever have believed that GM would be dropped from the DOW? We are setting records that are second only to the Great Depression. The Depression taught the banking industry many lessons

about liquidity and guarantees, but many banks continue to fail despite the numerous safeguards. We even had a critical moment when money market funds were in danger as one large fund breached the \$1.00 price level. The government stepped in quickly.

The government's answer is to print money in the trillions of dollars. Even before the bailouts, Alan Greenspan and the Feds were pumping money into the system to avoid the pain of recession. Many view recessions as a necessary part of the business cycle, and they are a healthy part of capitalism (remember this word, as it seems to be disappearing from our vocabulary). The resulting side-effect from the government's plan is the

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national deficit which crossed \$10 trillion last year, has now surpassed \$11 trillion and is on its way to \$16 trillion!

I don't even want to talk about Social Security and Medicare now. We'll save that discussion and our solutions for another newsletter. Yes, there is a solution to the social security dilemma.

The Big Fallacy behind the government's plan: *Giving our population money to spend will stimulate the economy out of its recession.* We have to remember that we cannot just be a nation of consumers. Many say that we have to transition from an economy based on consumption and imports to an economy with a greater balance of business investment and production. But

where is the demand going to come from to fuel U.S. business investment and production? The U.S. consumer with too much debt, a need to save, and much less home equity will not be a source any time soon. The government is now attempting to fill the demand left by consumers, but it can't do that forever. Business can't be the source of its own demand without an ultimate purchaser of its product. Additions to inventory are not long-term sources for demand growth. That leaves U.S. exports as the sole remaining source of demand to fuel the transformation. Where is this going to come from?

Now to a scenario we don't hear of from the media. China has reserves of \$2 trillion and a horde of our bonds approaching \$1 trillion. Japan follows close behind with oil-exporting nations breathing down their necks. Bonds have been appreciating due to the collapse of interest rates. We anticipate that China will sell off a portion of these bonds, which will force us to raise interest rates to attract new money (rising rates will further depress real estate prices). This in turn will have an adverse effect on the stock market, sending it down to new lows. Some predict we could see 3 - 4,000 on the DOW. During this whole scenario, the U.S. dollar will become weaker while inflation surges ahead due to the printing of dollars by our government. China then has the opportunity to "buy" the U.S. with its enormous reserves. If you ever worried about a military takeover, fear no longer as now we can be bought!

Here is the good news! In the long run, a weak dollar makes our goods cheap to the rest of the world and we could become a net exporter and

*continued on back...*

**AMBAR Financial Group is currently holding monthly seminars in our office that will discuss the above investments. These presentations are educational and will give you the knowledge needed in the upcoming months and years. See this newsletter for dates and times. Also, check our website for additional seminars as some have been filled to capacity and we schedule extra meetings as needed.**

## Topic of the Month

# SPEAKER MEETINGS

AUGUST 12

12:00 p.m. Lunch or 7:00 p.m. Dessert

Learn how real estate industry leader, PASSCO, uses a conservative approach to grow their assets even in a down economy. Their strength in property acquisition, property management and key relationship building has proven a winning combination.

Liquidity is an important element in today's portfolio. WINTON managed futures allows monthly liquidity without exposure to the stock market. (Value of investment at time of redemption could be more or less than original purchase amount.) Additionally, Winton has a unique investment strategy and a 9-year track record with no year to year losses. This is your chance to learn how futures contracts work. Past performance is not indicative of future results.

### Speakers:

*Tom Jabnke, Passco*  
*Adam Gallegos, Winton*

SEPTEMBER 8

12:00 p.m. Lunch or 7:00 p.m. Dessert

### The Coming Economic Tidal Wave

The Perfect Storm is about to hit the U.S. Why?

- Coming wave of inflation due to record Government spending
- Race to find alternative energy sources
- Weakening U.S. dollar
- Foreign currency no longer pegging to U.S. dollar

The above factors will result in a new economic world for all of us. You must change all previous thinking about investing and make the necessary adjustments to survive the coming storm. Don't miss this overview on the New Economy.

### Speaker:

*Barry LeMay*  
*Owner, AMBAR Financial Group*

**R.S.V.P. REQUIRED**  
**(888) 721-1031**

## IRA Industry

### A PLEASANT SURPRISE — Community National Bank

Recently our team at AMBAR uncovered a new self-directed custodian based in Seneca, Kansas – Community National Bank. They are a pleasant surprise due to their outstanding professionalism, follow-through and experience level. We deal with a multitude of investor services personnel, and CNB has consistently exceeded our expectations in the few months we've been working with them. Although they are new to us, they are not new to the industry with their 20-plus years of experience. Their account maintenance and transaction fees are less and their service is superior. We invite you to consider switching custodians from either FiServ or Sterling Trust Company to Community National Bank. There are fees associated with switching, so please contact us to review your personal situation.

## Recapping Successful Education Series

**AMBAR specializes in investing in "Real Assets," those assets with tangible value. We have decades of experience with this asset class. AMBAR brought the most current information to its investors by hosting five monthly meetings with 10 different topics in the last year. Here is a summary of the companies and inflation-resistant investments that we discussed:**

REAL ASSET INVESTMENT TYPE	COMPANY
• Large transportation-oriented equipment leasing (oil tankers, railcars, trucks, etc.)	Cypress Equipment
• Opportunistic real estate investments through "Vulture Fund"	Thompson National Properties
• Multi-family REITs funded through loaning to developers in return for option to buy at below-market prices	Behringer Harvard
• Commodities through professionally-managed futures trading	Steben & Company
• Gold & Silver mining stocks	AMBAR, Barry LeMay
• Low-leverage Fortune 1000 commercial buildings (REIT format)	Wells Real Estate
• Unit Investment Trusts, using a quantitative computer analysis to pick the best performing stocks for a 2-year period	First Trust Portfolio
• Participating Note program (Manhattan luxury condos)	Blue Rock Real Estate
• Delaware Statutory Trusts (DSTs)	Thompson National Properties
• Oil & Gas Drilling in Gulf of Mexico	Ridgewood Energy

## Donate To Charity While Reducing Your Taxes

### Congress voted to extend the IRA Charitable Rollover provision through 12/09.

What this means to you: The Charitable Rollover allows taxpayers to make donations directly to charitable organizations from their IRAs without counting them as part of the Adjusted Gross Income (AGI) and, consequently, without paying taxes on them.

Normally any distribution you take from your IRA gets taxed as ordinary income. This provision will be most beneficial to those who do not itemize their deductions. Requirements are:

- You must be aged 70 ½ or older
- The money must be taken from traditional or Roth IRA
- The donation limit is \$100,000
- You must obtain written substantiation from each recipient charity
- The money must go to a public charity

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put people back to work. This is good not only for us but for the whole world. Selling assets to foreigners is to default on our bond obligations — and that would be a disaster for us and the rest of the world.

In conclusion, you cannot close your eyes and hope that everything will get back to normal on its own. The dollar will get weaker. Inflation will dramatically increase and may end in hyperinflation, according to many who have studied situations like ours before. Housing prices may drop further due to rising interest rates and high inventory (maybe as long as two years). You have to make some hard decisions on how to live and invest

in the above scenario.

At AMBAR, we have made a conscious effort to educate our clients on what types of investments should do well through high inflationary times. See above — Recapping Successful Education Series.

If you haven't taken action on positioning your finances to weather the inflation "storm" we encourage you to call us to discuss your particular situation A.S.A.P.

— By Barry LeMay  
Founder and President