SOVEREIGN MAN
Confidential
ALERT
SURVIVE AND THRIVE IN THE AGE OF TURMOIL

Here's an example of a great Plan B (real story)

It won't come as any surprise to hear me say that the financial system is hopelessly unsustainable.

At this point, it's a foregone conclusion that the entire global financial system needs to reset. And this isn't even an outlandish statement anymore.

Veteran central bankers and policymakers are speaking openly about major challenges in the system.

William White, formerly of the Bank of International Settlements (the so called "central bank for central banks"), stated earlier this year that a huge debt collapse is looming.

"The situation is worse than it was in 2007. Our macroeconomic ammunition to fight downturns is essentially all used up."

"It will become obvious in the next recession that many of these debts will never be serviced or repaid, and this will be uncomfortable for a lot of people who think they own assets that are worth something."

Alan Greenspan, former chairman of the Federal Reserve, succinctly said: "We're in trouble."

Mervyn King, former head of the Bank of England, was most forthcoming in his thoughts, stating just a couple of weeks ago that the financial system itself was a serious problem.

He wrote that it was fundamental failures of our modern financial system that caused all the chaos in 2008. Central banks printed far too much money, banks made idiotic loans, and investors everywhere had a huge incentive to ignore the obvious warning signs.

Similarly, it's the financial system that's still causing these problems today.

King said: "Only a fundamental rethink of how we, as a society, organize our system of money and banking will prevent a repetition of the crisis that we experienced in 2008."

That's code for "it's time for a major reset of the financial system."

They're all right; our financial system is in trouble, and it doesn't make any sense.

We award a handful of unelected bureaucrats total control of the money supply. They conjure trillions of dollars out of thin air in their sole discretion and drive interest rates down below zero, all while politicians indebt future generations.

The financial system isn't based on production. It's not based on savings. It's not even based on the will of the people.

It's based on debt, and the economic theories of academics who tell us to spend and borrow our way to prosperity.

We're seeing more and more signs of this system reaching its limitations, however.

The best place to see this is in Europe where they've actually made interest rates even more negative recently.

This has catastrophic consequences.

Ordinarily, when banks want to play it safe, they hold a large portion of their customers' deposits on reserve at the central bank.

But now the European Central Bank is charging penalty interest to banks that maintain conservative reserves.

They're essentially trying to force commercial banks to hold lower reserves and make more loans in the hope of generating economic growth.

This is a major problem. When you penalize banks for being conservative and give them a big incentive to make loans and push money out the door like it's a hot potato, sooner or later they make bad decisions.

Banks notoriously relax their lending standards and get involved in way too many loans that they never should have made.

And they make those loans not with their money—but with their depositors' money. Our money.

We've seen this play out so many times before, most recently in 2008/09. We saw exactly what happens when banks make stupid loans.

They spent years issuing idiotic subprime loans, giving no-money-down teaser interest loans to people with no income, no assets, no job history, no credit...

My favorite example was a gentleman named Johnny Moon who during the US housing bubble was able to obtain $600,000 in taxpayer-guaranteed loans to buy several houses.

This wouldn't be particularly unusual, except for the fact that **Johnny Moon was homeless and had a history of no income, no job, and no assets.**

That, of course, had consequences. And it caused a wave of failures in the banking system.

The same level of crisis can (and likely WILL) happen as a result of negative interest rates.

I raise this concern because I think it's important to discuss what the major risks are— and what they aren't. I'll explain:

I had a call recently with one of our Total Access members. I'll call him Bill.

Bill told me he was getting very nervous and very close to hitting his breaking point. He was ready to take some serious action.

Bill felt like he needed to have a Plan B right away, and the first step he thought of was to buy a passport from St. Kitts or Dominica.

And sure, having a second passport makes a lot of sense.

It means that no matter what happens, you'll always have a safe place where you can travel, live, work, and invest if you ever feel like you need to get out of Dodge.

And even if nothing should happen, a second passport gives you a lot of great options. You can travel to more places, you can do more business, and you can typically pass down the benefits to your children.

Countries like Dominica and St. Kitts offer passports in exchange for investment through what's known as 'economic citizenship'.

After a due diligence process, you receive a passport in exchange for an investment that can easily exceed $250,000.

For some people that's not a lot of money. But for many, it's a significant amount. And that's why I don't think it makes sense for most people.

On the positive side, you can obtain a second passport VERY quickly in St. Kitts and Dominica, usually within a few months.

But these programs are very expensive, especially given that you can obtain citizenship through other means (like naturalization) in many other countries after a few years.

So in most cases, and for most people, the cost/benefit just doesn't add up with economic citizenship.

I asked Bill: "Are you able to write a check for $250,000 and not wince?"

Bill admitted: "No, that's a lot of money for me."

So I started asking why is there this sense of urgency to get a second passport right NOW.

Bill said: "Well, I want to make sure that if they ever close the borders that I've got a way out."

I had to pause the conversation there and start talking about risk... specifically what the risks are and what they aren't.

I hear this "they're going to close the borders" fear quite a bit. And respectfully, I'd like to submit that this isn't really the biggest risk we face.

If you go back to history and examine some of the most famous examples when governments closed the borders on their citizens, there are always warning signs.

Construction of the Berlin Wall didn't start until 1961; so there was almost two decades of East German rule in Berlin before they even started building the wall.

During that period, you could see the warning signs: brain drain. Capital flight. Authoritarian violence. And of course, the government assuring people that they were NOT going to build a wall.

OK, maybe some day they close the borders in the Land of the Free. But before that happens, there will be a whole lot of other events that unfold first.

There will be massive capital flight. People will be moving their money out of the US financial system in droves. You'll see a huge brain drain of citizens leaving the country.

Maybe there is a possibility for something as drastic as that to happen down the road.

Maybe the economic situation deteriorates to that point. Maybe the social situation deteriorates to that point.

But if it does happen, it certainly won't happen tomorrow.

So yes, closing the borders may be a risk at some point down the road. But there are much greater risks that we face, much sooner, and that are far more likely, today.

A far greater risk that we face right now is the prospect of another financial crisis, one that will likely be far bigger than the one in 2008.

The crisis in 2008 was caused by interest rates that were far too low for far too long, too much debt, and too many bad investments (specifically subprime loans).

Today it's even worse. Interest rates are lower than in 2008 (even negative). Debt is much, much higher.

Back in 2008 they used to pay people to borrow money, issuing loans to home buyers at low teaser rates worth up to 105% of the home's purchase price.

In other words, not only did you not have to put a penny down, but the bank made sure you had some spending money after the deal closed.

Today we're doing the same thing; negative interest rates are basically a way of paying governments to borrow money.

But instead of loaning to subprime home buyers, the financial system is making negative interest rate loans to subprime (bankrupt) governments. There's not much difference.

Oh, and the size of the bubble is much larger.

There were $1.3 trillion in subprime loans at the height of the bubble last time. Today there's more than $7 trillion in negative interest rate bonds in the system.

So we're seeing the exact same thing today as we did in 2008—but even more of it.

	2008 Crisis	2016
Government Debt	$9.6 Trillion	$19+ Trillion
Interest rates	4.66%	0.25%
Fed balance sheet	$850 billion	$4.5 trillion
Financial bubble	No money down	Negative interest
Bubble size	$1.3 Trillion	$7 Trillion

This is the risk to prepare for right now because it has far reaching consequences. Negative interest rates. More civil asset forfeiture. Capital controls.

This is the biggest and most immediate risk we face. I like to say: It's not "what if". It's "what is". And we've discussed before a big picture way of dealing with it:

1. **Own physical gold and silver.**

   Gold has had the best start to the year since 1980 and may be coming out of its temporary retirement.

   Plus, if you're more speculatively minded, the gold/silver ratio is in record territory; at the time of this writing a single ounce of gold will buy 84 ounces of silver.

   That's nearly 70% above the historic average, suggesting that silver may have more long-term upside than gold.

   Between the two, gold represents a greater store of value. But silver potentially has more speculative potential.

2. **Hold money in a safe, stable foreign account.**

   A strong, safe, stable foreign bank may be a much better custodian of your savings than where you are currently banking.

   Banks in major western countries are often highly illiquid and borderline insolvent. We review these numbers frequently and see shockingly low levels of liquidity in the domestic financial systems in the US and Europe.

   Foreign banks often have very strong levels of liquidity, and capital levels that are 10x what we see in bankrupt western jurisdictions.

   If you're still looking to get started on a foreign account, we recently discussed Bank of St. Lucia International Limited (BOSLIL) as a viable option to hold your savings. It may be a good starting point for you.

3. **Own some physical cash.**

   While cash is not a great asset in the event of inflation, it's a fantastic hedge against a serious banking crisis.

   If banks start to default like they did in 2008 (hundreds of banks failed during the global financial crisis), or if capital controls are implemented, physical cash will be in huge demand.

   You'll want to make sure you get your hands on some before the masses start hitting up the ATMs.

Once we got the risks straightened out, I went on to speak with Bill about his particular situation.

He owns a small tax consultancy practice in Arizona, and he mentioned that he was very interested in spending more time in Chile.

He'd been to Chile before and really enjoyed it. But he was primarily concerned about obtaining a passport right away.

But as I explained, it didn't make sense for him to spend $250,000 on economic citizenship, especially when his primary goal was to mitigate a risk that had such a low likelihood.

If you look at the real risk, the most important thing Bill can do is safeguard his capital and get it out of harm's way.

Instead of sinking $250,000 in an economic citizenship program in the Caribbean, he can structure an investment holding company in a jurisdiction like Nevis that offers excellent asset protection, and then park a portion of his funds at a bank like BOSLIL.

Doing this means his funds would be in a highly liquid bank, held in an inexpensive asset protection structure that safeguards his capital from creditors and potential lawsuits.

And through that structure he can protect his savings from capital controls and calamity in the banking system.

Plus, Bill can use that capital to generate additional income by investing his overvalued US dollars in high quality, undervalued assets around the world.

(Tim Staermose, Sovereign Man's Chief Investment Strategist, has been recommending Australian companies trading for less than the amount of cash they have in the bank. And this strategy has generated average returns for subscribers in excess of 52%.)

This strikes me as a MUCH better use of capital than spending $250,000 to buy a passport.

In the meantime, Bill can still work on obtaining second citizenship; I told him he could EASILY obtain residency in Chile, a place he already likes, for a very low cost.

And after just six months on the ground in Chile, Bill will qualify for permanent residency and be on his way to obtaining a passport.

Chile, like most countries, will naturalize foreigners after a certain number of years of residency.

In some places (like Argentina), it only takes 2 years of residency for a foreigner to qualify to apply to become a naturalized citizen. In Chile, Panama, and other places, it's 5 years.

But in the meantime, Bill would have the right to live, work, and invest in a country where he enjoys spending time.

And in doing so, he could continue his consultancy work AND benefit from enormous tax savings.

As single taxpayer, it's possible for Bill to generate over $144,00 in income nearly tax-free when he moves to Chile by combining both the Foreign Earned Income Exclusion and the Foreign Housing Deduction.

His effective US federal taxes would amount to a few hundred dollars a year, an effective tax rate of just 0.4%. It's practically a rounding error.

So the end result for Bill is that he would have legal residency overseas in a place that he really enjoys, where he has the right to live, work, and invest.

He's earning nearly tax-free income in a country where his money goes a very long way in achieving an incredibly high standard of living.

And a few years from now he'll become a naturalized citizen and obtain a fantastic, tier-1 passport.

Most of all, he's saved the $250,000 that he would have spent on an economic citizenship program, and has instead diversified to not only ensure his savings are protected against major risks in the financial system, but also to generate additional income through a safe, winning investment strategy.

Bill's Plan B

PERSONAL INTERNATIONAL DIVERSIFICATION BLUEPRINT

PERSONAL

[x] Residency	Foreign Residency in Chile
[x] Second Passport	Naturalization that leads to citizenship in Chile after 5 years, and a Tier 1 passport
[x] Lifestyle	High quality lifestyle and lower cost of living in Chile
[ ] Digital Privacy and Security	Bill has digital assets, including domains and sensitive files that can be more properly safeguarded
[ ] Insurance	Bill still needs to get high-quality medical and life insurance

FINANCIAL

Risk Management	
[x] Gold	Gold stored in a secure vault in Singapore
[x] Foreign bank account	Savings held in a safe bank in a stable jurisdiction (BOSLIL, St. Lucia)
[x] Physical cash	Stash of physical cash in lower denomination notes in a home safe
[x] Income	Continues to generate income from his existing consultancy business while overseas
[x] Tax mitigation	0.4% effective tax rate through Foreign Earned Income Exclusion and Foreign Housing Deduction
[x] Additional investment income	Earn strong returns investing in companies that are selling for less than cash in the bank

LEGAL

[x] Asset protection	Bank account and investments held in a Nevis corporation to ensure high-quality, inexpensive protection from potential creditors and confiscation
[ ] Estate planning	Bill still needs to structure the estate planning part of his Plan B

Remember, it's not just doom and gloom out there. There are in fact a lot of opportunities out there.

And by focusing on the most credible risks, it's possible to inexpensively build a robust Plan B that leads to more freedom, more protection, and more prosperity.

This is what we want for every single one of our members. And we're committed to making sure you have the right intelligence to build your own Plan B.

In freedom,

Simon Black