



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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FOMO

For over a decade now, you've been hearing about this ski resort where the skiing is awesome. That's because it has a technology called a snow press that allows it to produce as much artificial snow as it wishes at no cost. Since 2008, they've been spraying massive amounts of it on the slopes, not just when the real snow has been light, but all the time. This allows all skiers to avoid not just rocks and bumps, but trees as well (which are completely covered). Skiing is so easy now that anyone can do it, so a lot of skiers no longer take lessons from a ski coach, they just hit the slopes and go.

A lot of skiers like to go downhill at a very fast rate, and they discuss their moves, techniques and exploits in groups on Reddit. For some, even the black diamond trails have become a little pedestrian and boring. Fortunately, the market has recently stepped in to meet that demand by created new trails such as the Ultra Black Diamond Leveraged 3X Bull Trail, where everything is magnified by three times.

What's that? What about all of those huge snowbanks hanging off cliffs near the top of the mountains? Oh, the central planners who run the ski resort say those are isolated incidents, and are contained by the little snow fences they've installed beneath them.

Besides, even if some big snowballs rolled down the mountain and injured some skiers, the resort could just spray some more artificial snow, and people would be back to skiing in no time. The resort guarantees there won't be an avalanche; there hasn't been once since 2008, so obviously they've been doing a great job and you can trust them. Instead of worrying about an avalanche, you should become a "ski resort watcher" and spend your time like the media does, trying to guess where the resort will spray more snow, and how much. Or better yet, spend your time parsing the words and subtle diction changes the resort makes in its press releases about what it plans to do in the distant future.

You see, there's a new paradigm; it's different this time. Yes, [some people died in skiing accidents](#) in the past, but thanks to the resort's new technology, skiing is now risk-free, because no matter what happens, the resort can always spray more snow. And yes, between 1913 and 2008, there were some huge avalanches at that same resort. But it was because the right people weren't in charge, and during the Great Avalanches of the 1930s, they should have sprayed far more snow. The people who run the resort today really know what they're doing because they have degrees from Ivy League schools and meet at Jackson Hole to study the slopes there.



Lately you've been hearing a lot about how much fun people have been having there. Your annoying sister brags about it at family gatherings, and your parents talk about how she's making "six figures" just by endorsing ski products. *Time* magazine puts the managers of the ski resort on the cover with the headline "The Committee to Save the Ski World." You hear your local tennis pro talk about skiing even though he knows nothing about it. One day a neighbor comes running out of his house as he sees you walk by, excitedly yelling, "I think the snow at this resort is going to reach 100 feet deep!"

All of this publicity draws more visitors to the resort every year—mostly people who have never skied before--and it becomes a "crowded trade." The price of nearly everything at the ski resort (except ski instructor fees) hits a record high, but not only do people not care, it makes

them even more enthusiastic to hit the slopes. They even borrow money (called margin loans) so they can spend more time skiing. The ski resort sprays massive, unprecedented amounts of artificial snow on the slopes to "accommodate" the throngs of new skiers. Plans are made to build the largest ski resort in the world, with enough lodging for twice the number of skiers in the world.

Every month, the ski resort sends skiers a personalized photo album of their recent adventures that reminds them of how much fun they had that month. It reinforces the

story in the skiers' mind that they are clever and made a good decision by skiing that month. These photos get shared on social media, as part of the curated image of themselves that people project. Sitting at your PC in your humble abode, you quietly scroll through these photos. They're breathtaking. The scenes are gorgeous. The skies are blue and the powder is fresh, clean and white. Everyone is young, attractive and smiling. They look like they're having a blast. You want in. You do a Google search for [margin loans](#), [SPACs](#) (special purpose alpine chute), and [IPOs](#) (incline powder off-piste).



Americans love to get rich quick, to get something for little or no effort. That's why they love pills, because they can just swallow one instead of having to exert some effort and change their lifestyle. I recently saw a billboard promoting surgery for weight loss. Really?

The fear of not being included in a great event or result that everyone else seems to be experiencing is called Fear Of Missing Out, or FOMO. It is rooted in herd instinct (the idea that doing what everyone else is doing is the most prudent course of action and carries the least risk), the deep human need to belong, and envy (which served our DNA well when resources were very scarce). It is one of the greatest dangers you face as an investor, because it compels you to willingly part with your scarce capital at the precise moment that valuations and sentiment are very high, usually leading to permanent impairment of capital.

As an investor, with about 100 known cognitive biases in your brain, you are your own worst enemy. You need to be aware of these biases and conscious of the emotions you feel. Here's a good rule of thumb: If you're ever tempted to invest in something, ask yourself, "Does the thought of investing in this make me sick to my stomach?" If the answer is no, be wary.

Avalanches occur suddenly and often without warning, when a hidden arm of instability gives way (due to say one snowflake falling in just the right spot), causing the snow on the slope to undergo a *phase transition*. Financial markets have these same physics. If you are on the slope at the time, there is nowhere to hide and not enough time to escape.

Beware the lure of easy money in artificial conditions, because it can get you killed, even if the people running the snow blower have a PhD in Snow Science. Once you get crushed and buried, blowing more snow is not going to save you.



What You Should Be Doing Now

I plan to cover the why and how of these in future issues (if I haven't already), but here are some actions I recommend you take (or at least start thinking about) now:

1. Continue to accumulate food and supplies that have a long shelf life: honey, pink Himalayan salt, toilet paper, vitamins and supplements, dog food, tools and weapons, water purification, etc.
2. Continue to improve your health, fitness, resilience, knowledge, library and skills.
3. A few of the books I'm reading now: Boombustology, Gold and Liberty, Liberal Fascism.

I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will provide an answer in a future issue.

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