



# 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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## What Is Wealth?

For the last couple of decades, many financial advisors have referred to themselves as "wealth managers." It makes them sound important and successful, like they manage a lot of money, or "wealth." But what is wealth? I think the vast majority of people would define it as having a high net worth, or the ownership of assets (primarily financial) that have a high value. Although that is a key component of wealth, I think we need to take a much broader view of what wealth is.

First, wealth depends on the current circumstances. For example, if you and your family are injured in a car accident, wealth is having a good first aid kit on hand and knowing how to use it. If the supply chain is disrupted, wealth is having a deep larder.

All of your financial "wealth" that's in the financial system (banks, brokerage firms, investment companies, insurance companies, etc.) would be inaccessible and therefore useless if the electric grid went down (due to an electromagnetic pulse from the sun or a nuclear warhead; an act of nature such as [wildlife](#), an ice storm, earthquake/tsunami, hurricane, wildfire, volcanic eruption or meteor strike; a computer virus; a terrorist attack; a disruption of resources or inputs such as coal, water, sunlight, wind, labor or

revenue; or excess demand).

Ditto if [the stock market is closed](#) (at the outbreak of WWI, it was closed for *four months*), the government declares a “bank holiday” and/or does a bank “bail-in” or nationalizes/confiscates accounts. Then there's the possibility of the breakdown of civil society as the result of a pandemic (a real one like Ebola that actually kills a large percentage of the population, instead of a fake one), widespread riots/arson/looting or civil war. Even if financial markets remain open, a crash or economic depression could wipe out the vast majority of your financial wealth. For example, the NASDAQ stock index lost over 78% of its value from its peak in 2000 to the bottom about two and a half years later.

Second, wealth is much more than just financial capital; it also encompasses human capital and social capital. Human capital includes one's education (both formal and informal), knowledge (including self-knowledge), experience and skills. Social capital includes one's family and friends, networks, groups, community and reputation.

So what is wealth? Most importantly, wealth is good health (physical, mental and emotional). You cannot fully enjoy all of your other forms of wealth if you are sick, in pain, disease-ridden, weak, stressed out, lacking energy, immobile, senile, in a nursing home, dying or dead.

Wealth is the ability to breathe clean air.

Wealth is the ability to protect your body from the elements (clothing and shelter), especially when you have no utilities.

Wealth is the ability to get good sleep. (BTW, try taking some melatonin before you go to bed, which is also part of the I-MASK+ prevention protocol for COVID-19.)

Wealth is the ability to have clean water for drinking, cooking, bathing, and laundry.

Wealth is the ability to eat nutritious and delicious food when you're hungry. (Tens of millions of people were deliberately starved to death in the 20<sup>th</sup> Century alone.)

Wealth is the ability to protect yourself, your family and your possessions from people who would harm you. (The vast majority of people around the world cannot do this.)

Wealth is the ability to give and receive love from your family and pets.

Wealth is the ability to enjoy the company of friends.

Wealth is having a deep and extensive network and support system.

Wealth is having trust and a good reputation.

Wealth is peace of mind and contentment.

Wealth is being prepared for just about anything that may happen.

Wealth is the ability to exercise in a way that you enjoy.

Wealth is the ability to learn and stimulate your mind by reading books and articles or watching documentaries.

Wealth is the ability to enjoy and appreciate nature, beauty, music, literature, art, etc.

Wealth is being able to fulfill your life purpose by pursuing your [ikigai](#) every day.

Wealth is the ability to earn a living in a way that is compatible with your interests, priorities and needs.

Wealth is having options. Yes, financial wealth gives you options, but so does health, knowledge and skills, a network, etc.

Wealth is having margin in your life, especially free time—time to think; to spend in [Default Mode Network](#); to savor, appreciate or enjoy something; to be present in the moment; to spend time with a family member or pet; or to stretch, mobilize or nap.

Wealth is liberty—the ability to live your life as you see fit.

Wealth is the ability to be the master of your own destiny.

Wealth is having great memories and no regrets.

Wealth is the ability to live a meaningful and fulfilling life.

Wealth is the ability to make an impact and leave a legacy.

Wealth can also be defined by what it is *not*. Here are some examples of things that are commonly assumed to be wealth but are not:

(Eventually) all fiat currency.

A bank account with Wells Fargo or any other bank that's Too Big To Fail.

A brokerage account with Goldman Sachs, Merrill Lynch or Bernard Madoff Investment Securities.

Stock in Enron, Lehman Brothers, Bear Stearns, Wachovia Bank, Washington Mutual, General Motors, Fannie Mae or Freddie Mac.

Cryptocurrencies.

An IPO, especially a [SPAC](#).

Pot stocks and [unicorns](#).

A collateralized mortgage obligation rated AAA.

A credit default swap backed by AIG.

A futures contract that has been rehypothecated by MF Global.

Sovereign debt (and most municipal debt), especially that issued by Japan, the U.S. and European countries.

The “diversification” provided by a stock index fund.

Social Security, Medicare and benefits from any other government program.

Defined benefit pension plans, fixed annuities, life insurance, long-term care insurance (due to future high inflation).

Health insurance.

Many if not most bachelor's degrees, law degrees and PhDs. Most college-related jobs.

Facebook “friends.”

“Health” derived from prescription drugs.

Knowledge about spectator sports, celebrities, etc.

Knowledge about current events gleaned from the mainstream media, especially TV and local news sources.

## What You Should Be Doing Now

1. Take an inventory of your non-financial wealth. If you are “poor” in any area, get to work on fixing that.

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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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