



# 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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## Human and Social Capital

After reading the last issue, a client asked, "How do you become more resilient by investing in human and social capital and localizing your life?" Charles Hugh Smith writes about this in [his book](#), but I'll expand on it in this issue.

Human capital is an investment in yourself (or in the lives of others, such as your family). In the event of an extended crisis or hard times, your circumstances would become much more primitive and you and your family would need to know how to do a whole range of things (that you currently don't do and probably have never done before) in order to simply survive. For example, if you're currently an anesthesiologist, you could suddenly find yourself out of a job due to a lack of electricity, medical supplies, transportation, funding, medical staff, etc. Instead, you may find that your new job includes providing potable water, food, security, heat, sanitation and first aid.

In a crisis, you will probably need other people to survive (such as a survival group), because you won't be able to do everything on your own. Just the new and necessary task of providing security alone would be time-consuming, dangerous and exhausting. The immediate survivors of a crisis would soon start to organize into ad hoc survival groups to

increase their odds of survival. But not everyone will be equal or welcome. Would other people want you to join their group because you have some knowledge and skills that you could bring to the table? Or would survival groups shun you because you would just be another mouth to feed?

Who would be more attractive to a group, a confident, optimistic, physically fit outdoorsman who knows a lot about survival, fire and water, security and leadership, or an out-of-shape financial analyst with a Harvard MBA who only knows about the banking industry? An older woman who knows a lot about first aid, cooking in Old School ways, and sewing and repairing clothes, or a social media “influencer” who makes cosplay videos watched by tens of thousands of followers? Do you see how the knowledge and skills that are currently valued by society could suddenly and radically change?

Even if there's never another crisis, though, an investment in yourself is the best and [last safe investment](#) because it will increase your earning power. You can never lose it in a stock market crash, recession/depression, via taxation/inflation/confiscation, theft, etc.

Here are some ways that you could increase your human capital:

- formal education at a university (many offer free [online courses](#)), community college (you could audit a course), technical school or online school
- online learning such as [The Great Courses](#), TED talks, YouTube videos, [Khan Academy](#) and [dozens more](#)
- Read nonfiction books. You can buy lots of used books in Very Good condition for less than \$10 (I find the best prices on [BookFinder](#) or [ThriftBooks](#)), which will provide one of the highest return on investment available. Start with [this book](#), which I'm reading now. Accumulate a library. If/when the grid goes down, there will be no ebooks or public libraries, and the only available recorded information will be what's in your (or possibly your neighbors') library. Make sure it has a Survival section that includes survival skills, farming, first aid, security, maintenance, and [Foxfire](#)-type books.
- Attend conferences, conventions, retreats, seminars, lectures, guest speakers, lunch & learns, etc.
- Obtain specialized training such as firearms and security, first aid, and survival from a qualified local instructor. Make sure your spouse and teenage kids receive it as well.
- Go through your county's [Community Emergency Response Team](#) course. It provides some great training in a number of different areas, and it's free.
- Engage smart people in deep, stimulating conversations. Start or join a [mastermind group](#).

Social capital is the relationships you have with other people, which includes:

- How long you've known each other. This carries substantial weight, but people can change over time, and you never really fully know someone. Adversity reveals character, or the lack thereof.
- The frequency, quality and depth of your communication and interaction. Talking to someone on the phone every day or having lunch with them every week is very different from occasionally receiving a “like” on Facebook from someone you haven't spoken with in years.
- How much you like each other. Does someone do something that annoys you? This may well become magnified during a long-term crisis.
- How much you trust and respect each other. There are not very many people that you can really count on, especially when the chips are down. During a crisis, you will probably have to trust other people with the life of you and your family. Will they keep their promises even during an extremely difficult situation? Will they stay awake during their turn at watch during the night? Will they not take your share of the food even when they're extremely hungry?
- The debt of gratitude or accumulated obligation that you feel towards each other. Psychological experiments show that humans expect others to reciprocate kindly behavior, and will punish them when they don't, even if it costs the original benefactor. You may know someone who would drop everything they were doing and help you if you urgently needed it. You want people like that in your survival group.

Currently, the social capital of most people is shallow and dispersed (thanks to technology and cheap oil). People confuse having 500+ “Friends” on Facebook or Connections on LinkedIn with having social capital. The former is a poor digital facsimile of the latter. These virtual connections provide a false reassurance to our prehistoric brain that we are still part of a tribe that cares about our wellbeing, even as the convenience of using the technology takes us deeper down a hole of loneliness, alienation and depression.

Additionally, in a world where everything is political and many people are easily offended or “triggered” if they hear words that aren't in the Newspeak lexicon, and most people are cowed by the fear of being labeled a racist or a fascist, conversation has become extremely narrow and shallow, limited to subjects like the weather (but now even that is political because of Climate Change). Generally, people don't discuss or debate things anymore, so they never get a chance to listen to the genuine concerns of other people and understand their point of view. Many people just want you to shut up because the words you say or write causes them cognitive dissonance, and they don't know how to deal with that. Many people have lost longtime friends because of this.

Here are some ways that you can build social capital in the [Bowling Alone](#) Era:

- Read books such as [Love Is the Killer App: How to Win Business and Influence Friends](#) to educate yourself about social capital. Give before you ask; contribute before you take.
- Think about social capital strategically and schedule time in your weekly calendar to spend time on it. Use social CRM software or an app such as [UpHabit](#) to help you manage your network. Tend to your network just as you would tend to the stocks in your investment portfolio. They are equally important assets, and would become far more valuable during a crisis.
- Get to know your neighbors, and do thoughtful things for them. Bring them food when they're sick. Offer to water their plants or look after their pets when they're away. On our street, we often have a driveway party on a Friday afternoon where neighbors can get together and just talk, which is surprisingly soul-filling in an era of lockdowns, isolation and fear. One of our neighbors recently brought us some Christmas sweets and a handwritten card. We checked in on another neighbor's dogs a few months ago, and later we asked them to saw up a large tree that had fallen across our path. Tip: If you get a dog, avoid getting a large, mean dog that barks loudly and continuously at everyone; that's a great way to prevent your neighbors from getting to know you—duh! Your neighbors will become incredibly important during a crisis. They could either become part of your survival group and someone you have to trust with your life, or they could kill you and take your food and supplies. At a minimum, know who they are, and what their capabilities and attitudes are.
- Volunteer with a local group whose mission resonates with you, or that you could really help because of your knowledge, skills or experience. Helping your local community and being a part of something larger than yourself will give you a sense of purpose, make your life more meaningful, and allow you to develop deep and lasting connections. I coached my son's soccer team for seven seasons and had a blast with the kids, who energized me.
- Look for deserving kids in your community who could use your help. Take them under your wing and mentor them. I often hear terrible stories about neglect, extreme poverty, etc. I once knew a couple who had fostered dozens of kids, usually babies who they would get from the state with nothing but a dirty diaper and a head full of lice.
- Join a group that does something that interests you, and that meets in meatspace at least monthly.
- Start playing a sport that requires other people. I held leadership positions for years in both pickleball and adult soccer, which allowed me to develop my leadership and management skills and deepened my understanding of psychology. I also have tremendous fun with my current pickleball group.
- Take a friend out for lunch or dinner and pay for their meal.

- Smile when you see someone, take the time to find out how they're doing, and make them feel like you're happy to see them and they're the only person in the room (or on Earth!).
- Be thoughtful, gracious and classy. Thank them for things they do for you. Write people handwritten notes or send them small, unexpected gifts such as a book you know they'd love.
- Be an energy ambassador instead of an energy vampire. Energy, emotions and attitudes (either positive or negative) are contagious, and few people like to be around Debbie Downers. Try to surround yourself with positive, friendly, successful people.
- Remember people on their birthday and anniversary.
- Give people the benefit of the doubt. Everyone is fighting a secret battle that you know nothing about.
- Avoid gossip and talking about people behind their back, unless it's positive.
- Try to perform a random act of kindness every day. Do something that's thoughtful and unexpected. Maybe schedule a time on your alert app (I use Alarmed) to remind you to do this.
- Walk a friendly, handsome dog in a public area. You will meet people because such dogs are social lubricants.

Finally, why should you try to make your life more local? There's at least two reasons. First, virtually all of the things that made civilization, modernity and prosperity possible (cheap energy [and thus long supply chains], private property rights, free trade, sound money, the rule of law, tolerable taxes and regulations, hard work, entrepreneurs and small businesses, an educated and responsible population) are in decline.

Second, as time passes, our system becomes exponentially more complex, which creates fragility and results in a sudden and unexpected collapse. In such a world, your life would instantly become very local, as communication and transportation would become very limited or nonexistent, expensive, time-consuming and dangerous.

I've said before that it would be like being transported back to the 18<sup>th</sup> or 19<sup>th</sup> Century in a time machine, but in some ways, it would actually be worse than that. See, back then, people not only had a lot of draft animals (horses, mules, donkeys) that they could use to pull wagons, stagecoaches, plows, etc., they also had the infrastructure for that (barns, fenced pastures, feed stores, water troughs, tack [including stirrups—one of the most important inventions ever], horseshoes, etc.) as well as the know-how (How do you take care of a horse? Train him? Care for him when he's sick or injured?).



These days you hear a lot about autonomous trucks such as [Tesla's](#). Is this how we'll transport cargo in the future?



Maybe for a few years. But eventually, I think it will look more like this:



Or this:



Buggy whips are a famous example of an industry that became obsolete due to technological change, but maybe a decade from now, the hot new IPOs will be buggy whip makers.

Here are some ways that you can localize your life:

- Reduce the length of your supply chains. Go to a local farmers' market, develop relationships with the vendors, and buy from them. Learn where their farms are so you can go there directly if necessary. Patronize your local businesses and get to know the owners and employees.
- Become more self-sufficient. Figure out how you could provide (or acquire) your own water, food, energy, security, heat, transportation, communication, sanitation, first aid, maintenance and repairs, clothing, education, etc. Think about how dependent you've become on the electrical grid, credit cards and electronic banking, grocery stores and gas stations. Without these, you and your family would probably die.
- Start acquiring Old School (start with the Firefox books) and survival skills ([Creek Stewart](#) is my go-to guy for that). You can't learn everything, but you can start building a survival reference library so that you can "Google" answers to questions you have after the SHTF. I plan to devote a future issue to survival libraries.
- Every Spring and Summer, plant a garden and learn how to grow your own food (there's a learning curve, which you want to have already gone through before the Starving Time arrives). Get some heirloom (non-GMO) seeds, gardening tools, and critter-proof (including deer and humans) fencing. Learn what challenges you'll face, such as animals, insects, disease and weather. Live in the city? Grow some plants in pots on your deck or balcony.
- Develop a network of people you know and trust, who may have some resources, skills or knowledge that you could trade for (They will probably accept one ounce silver coins. Federal Reserve Notes? Not so much.). Get to know the doctor down the street, the farmer down the road, the gunsmith in your town. Start thinking about relationships strategically, outside the box, long term, not just in terms of who can meet your immediate needs in the current circumstances.
- Look for ways that you could invest your money locally, such as renting out a house or partnering with a local business. I may write about this in a future issue.
- Think about places around you where you might be able to obtain some of the resources you need, such as water, firewood, edible and medicinal plants, fish and game. I know of several locations of ruins in the woods and streams around me where good old boys supported themselves a century ago with illegal moonshine stills.

## What You Should Be Doing Now

1. Silver is very close to its lowest price since July 2020. If you don't have any one ounce coins, now may be a good time to get some. Check out [APMEX](#).
2. Books to read:

Beyond Democracy: Why Democracy Does Not Lead to Solidarity, Prosperity and Liberty But to Social Conflict, Runaway Spending and a Tyrannical Government by Frank Karsten and Karel Beckman. This short (101 pages) book is brilliant and indisputable, and explains a lot about our current political situation. Sample quote: "Democracy is by definition a *collectivist* idea, namely that we have to decide everything together and all must then abide by those decisions. This means that in a democracy pretty much everything is a public matter. *There are no fundamental limits to this collectivization.* If the majority (or rather, the government) want it, they can decide that we all have to wear a harness when walking the streets because it is safer. Or dress up like clowns because it would make people laugh. No individual liberty is sacred. This leaves the door open to ever increasing government interference. And ever increasing meddling is exactly what happens in democratic societies."

The Self-Driven Child: The Science and Sense of Giving Your Kids More Control Over Their Lives by William Stixrud and Ned Johnson. Also brilliant and a Must Read if you're a parent.

## Preparedness News

[Plot of Digital Land Sells for \\$2.43 Million](#) Sign of a top?

## Income Tax Tip for Georgia Taxpayers

A decade ago, I told my clients about the [Georgia GOAL Scholarship Program](#), which allows Georgia taxpayers to receive a dollar-for-dollar state income tax *credit* (not a deduction) for donations they make to a participating private school of their choice. Now the IRS has sweetened the deal for pass-through business entities. Such a donation "...that bears a direct relationship to the taxpayer's...business and that is made with a reasonable expectation of financial return commensurate with the amount of the payment...may constitute an allowable deduction as a trade or business expense," which would reduce the business' federal taxable income. See [here](#) for more details.

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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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