



# 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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## Another Bank Tanks

On March 16, [a group of 11 of America's largest banks "contributed" \\$30 billion of their depositors' money to embattled First Republic Bank](#), which was suffering a bank run after two credit rating agencies cut its rating to junk. It's not clear whether the \$30 billion was a loan, an equity stake, or what. It's also not clear how this did not violate the banks' fiduciary duty to their depositors and shareholders.

I had never heard of First Republic (I don't follow bank stocks), so I looked into it. It's based in [San Fransicko](#), just down the road from the recently collapsed Silicon Valley Bank, and it was known for catering to wealthy clients and businesses on the coasts. San Francisco is probably the epicenter of our cultural and societal collapse, so it makes sense that it would also be the origin of our financial collapse. So this was not a bailout of bank depositors in red Flyover Country, but of the blue 1% elite (who should have known better).

The bank's website [is drenched in virtue signaling](#). The bank's founder and Chairman James Herbert II says, "Doing the right thing and creating shareholder value are one and the same at First Republic." Shareholder value was certainly created (though I'm not sure how), but when Herbert sold \$4.5 million of stock in the bank in January and February, was that "doing the right thing"? [The bank's top executives dumped nearly \\$12 million of](#)

[stock](#) just before the chaos in the banking sector started. Interestingly, “Unlike most publicly traded firms, First Republic is not required to report its executives’ stock sales to SEC regulators. The bank is one of a handful that are exempt due to a quirk linked to the Securities Act of 1933, which exempted some institutions.” The bank just announced that its executives will “do the right thing” by [foregoing bonuses for 2023](#). Wow, how magnanimous of them! Do they not realize that they should be escorted from the building immediately?

The website says that in 2021, the bank dedicated \$4.7 billion in lending and investment capital to support historically underserved communities.” Were they “underserved” because most of the people who lived there had bad credit scores? Between 2011 and 2021, the bank originated \$11 billion in community development loans. I’m guessing these were risky since they probably were not made to profitable businesses that had actual revenue with which to service a loan. Since 2015, the bank originated \$4.6 billion of home loans to support those in “historically underserved communities.” It would be interesting to see the payment history of those loans. I’m sure the combined \$20.3 billion in this paragraph (which is close to the \$30 billion bailout it received) would have come in handy a week ago.

You can tell a lot about a company by looking at its board of directors. [The bank's board members](#) tick all of the boxes: The Fed and U.S. Treasury, the Council on Foreign Relations, Harvard, Yale, Columbia, Stanford, Dartmouth, Wharton, [establishment political kingmakers](#), private equity, accounting firms, consulting firms, public health, nonprofits, community activists, climate tech, the arts (the Lincoln Center for the Performing Arts, MoMA, ballet), Google, Amazon, J.P. Morgan, iShares (Blackrock), Charles Schwab, Disney, Apollo Global Management, J. Paul Getty Trust. [One of them](#) even gave an important speech nominating Donald Trump at the 2016 Republican convention. These people were connected movers and shakers, the elite of the elite.

I thought of this analogy to describe the \$30 billion “contribution” the Too Big to Fail/Jail banks made to First Republic. Imagine that each bank is a ship. The big banks are like cruise ships, full of thousands of people. Smaller ships like First Republic are also afloat nearby. Suddenly, the ships see a tsunami coming their way that has already sunk a couple of ships (Silicon Valley Bank and Signature Bank). The big ships send some of their lifeboats to the ship that's closest to the tsunami (First Republic), thinking that if they can save all of that ship's passengers, then the tsunami might stop before it gets to them. But of course the tsunami is much larger than that with far more power, and now those big ships have 30 fewer lifeboats for their own passengers.

The dispatch of the lifeboats doesn't seem to be working. As I write this on the afternoon of March 23, the stock of First Republic is near its recent low of \$11.85, down from \$147.64 in early February, back when its management was creating all of that shareholder value by showing how virtuous they were. Bank stocks (including regional banks) are hitting new lows and gold (a financial lifeboat) is over \$2,000 per ounce ([I started recommending gold to my readers on 2/19/21](#) when it was \$1,759 per ounce). Now [the CEOs of the big ships/banks are meeting to discuss First Republic's future](#). “All options are on the table,” just like they are when a ship is sinking.

My jaw dropped this week when I read that [U.S. officials are studying how to guarantee all \\$18 trillion of U.S. bank deposits](#). Apparently, a government that [owes \\$31.6 trillion and has unfunded liabilities of about \\$182 trillion](#) thinks that it can put another \$18 trillion on its credit card. [Sure, why not?](#) The naiveté and myopia of these people is breathtaking. They really do think that with their Ivy League education and enough government power, they can discover the philosophers' stone and engineer Heaven on Earth. They can banish risk and loss from markets, pollution from modern civilization, and tears from children. They have completely lost their mind.

In conclusion, as [this graphic of the Great Financial Crisis](#) shows (zoom in), a banking/financial crisis can take a number of months to play out, though I think the next one will happen much faster due to significantly greater debt/leverage, moral hazard, complexity, stock valuations (in the U.S.), social contagion, high frequency trading, speed of capital, mistrust of government and institutions, clueless policymakers, rampant inflation, a currency that is increasingly eschewed around the world (the U.S. dollar), a dysfunctional labor market, an (artificial) energy shortage, a failing supply chain, and war (including trade wars). Just like before a major earthquake, there are warning signs. The collapse of First Republic Bank is just a tremor, a warning sign of something much larger to come. Get prepared now.

## News Items

[The Financial System Is Terminally Broken](#)

[Elder Tyranny](#)

[Get Woke, Go Broke](#)

[SBF Used \\$2.2 Billion of FTX Customer Funds for Personal Use](#): How is it even possible for one person to spend that much money?

[Why Aren't Colleges Showing Us Their Research That Justifies Their Vax Mandates?](#)

[TikTok Has Become a Dangerous Breeding Ground for Mental Disorders](#)

[The Collapse Will Be Live Streamed](#)

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