



# 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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## The Shoplifting Crisis

In March 2021, I read an article called "[Rampant Shoplifting Forces Ten Bay Area \[San Francisco\] Walgreens to Close](#)," which quoted one customer: "I feel sorry for the clerks, they are regularly verbally assaulted. The clerks say there is nothing they can do. They say Walgreens' policy is to not get involved. They don't want anyone getting injured or getting sued, so the guys just keep coming in and taking whatever they want." The article notes that "Theft of less than \$950 in goods is treated as a nonviolent misdemeanor under California law. But in most cases, for shoplifting, the criminal is released."

I was alarmed by California's green light to professional shoplifters and Walgreens' impotent response. At the time, a few of my clients still owned Walgreens stock, so I sold it immediately, at prices ranging from \$54.49 to \$54.75. Today the price of WBA is \$31.56, down 42.4%, which is pretty amazing for a Dividend Aristocrat that has increased its dividend for 47 consecutive years, especially when we're at the tail end of the Mother of All Stock Market Bubbles.

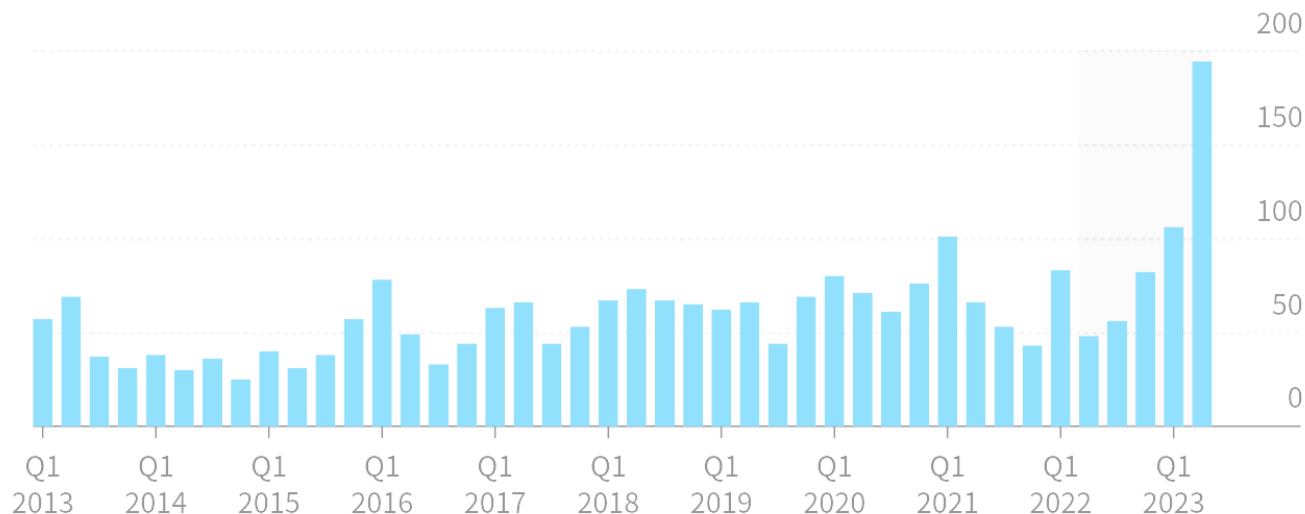
So in recent years, California has developed a serious and growing problem with shoplifting, so much so that [major retailers have fled cities like San Francisco, turning it into a ghost town](#) that is [covered in urine, needles and feces](#). What to do, what to do? How about passing a law that makes it even easier for shoplifters to steal? On May 31, the

California Senate passed (by 29 to 8!) a bill that [would make it illegal for store employees to confront thieves](#).

I've long said that California is about a decade ahead of the U.S. in terms of what's coming (and I now realize that cities like San Francisco are about two years ahead of California). So is it any surprise that the U.S. [is now experiencing a shoplifting crisis](#)? According to the article, "Some of the nation's largest retailers, like Walmart, Target, Kohl's, and Foot Locker, are being battered by a shoplifting tsunami across major metro areas. The worst theft occurs at stores in crime-ridden Democrat cities as progressive leaders fail to enforce law and order. This has led to the most massive surge ever in the number of times company executives mentioned 'shrink' on earnings calls." Retailers are expected to lose \$100 billion this year to shoplifting, and next year is expected to be even worse.

## Talk of Shrink Grows as Theft Worries Executives

Mentions of retail shrink on earnings call transcripts



Source: Bloomberg

Analysis done on companies in Russell 3000 consumer discretionary and consumer staple sub-indexes

Bloomberg

[REI plans to close its Portland store](#) (which is like the Catholic Church closing its Vatican location) after spending \$800,000 on additional security for that store alone, because it "had its highest number of break-ins and thefts in two decades, despite actions to provide extra security." Target (which [has asked its customers to leave their guns at home](#)) expects to lose \$1.3 billion from theft this year.

Apparently a number of the shoplifters are aggressive, violent or dangerous (e.g., stoned or mentally ill). [Two Home Depot employees were recently killed trying to stop thieves](#). Corporations are concerned about the safety of their employees and customers.

In this age of extreme political correctness, corporations don't want to admit that people are actually stealing from them, so they came up with a euphemism and catchall term

called “shrink” for when inventory, register tills or bookkeeping accounts come up short. “Shrink” makes it sound like an unexplained phenomenon: inventory just disappears. Liberal media websites—which would rather not admit that thousands of thieves are brazenly walking into stores, loading up large bags full of expensive merchandise, and walking out—claim that corporations are using the term to hide their own mismanagement.

Apparently a major source of shrink is employee theft, which includes cashiers giving unauthorized discounts to family and friends. Look at it from the point of view of an employee: Let's say you're making \$10 an hour, and you often see people walk in, brazenly load up a bag with valuable inventory, and walk out without paying for it. Nobody does anything about it, or cares that it's happening. You'd feel like a chump. Heck, in California, even if you were arrested and prosecuted (extremely unlikely thanks to Soros-backed district attorneys), you could steal up to \$950 and it would only be a misdemeanor. We now live in a country where anything goes, so why not partake? Just plunder like a Viking would. To paraphrase Hillary Clinton, it takes a pillage.

Not all retailers are standing passively by while their stores get looted, however. For example, Lululemon, which once [promoted an event by one of its ambassadors to “resist capitalism,”](#) [fired two of its employees for yelling at shoplifters to get out.](#) That'll teach 'em not to steal from a Lululemon store again! As CEO Calvin McDonald, who owns only 0.1% of the company's stock said, “It's only merchandise.” Yes, it's only the stupid shareholder's property. Take it!

Walgreens (which was a signatory to the 2019 Business Roundtable white paper that sought to redefine the purpose of a corporation away from maximizing shareholder value) is another company that isn't worried about theft. CFO James Kehoe, who owns only 0.165% of the company, said in a recent earnings call, “We’re quite happy with where we are,” on its shrink rate, which is about 2.6% of sales. Walgreens' most recent annual net margin was 3.25%. Its stock has been tanking because investors have figured out that when your profit margin is only 3.25% and 2.6% of your inventory disappears every year, you can't keep paying and increasing dividends, no matter how many consecutive years you've done so in the past.

Apparently, the new purpose of a corporation is to keep the shelves stocked with merchandise so thieves can take it. If you're an investor, just keep buying the dip! (BTW, if you want to understand just how bat sh\*t crazy and evil California's government has become, read [this article](#) about California and Walgreens.)

Grocery stores such as Kroger, which have even thinner profit margins, have also been hit by the shoplifting epidemic. The CEO of one 160-store chain says that [retail theft has increased “tenfold in the last five years, while violence has increased exponentially.”](#) He says “the nature of shoplifting has changed such that more and more retailers are simply allowing it.”

Inner cities have suffered for many years from “food deserts” (i.e., a lack of grocery stores) as a result of shoplifting, violence and other crime. If large grocery chains become

unprofitable (which wouldn't take much given their razor-thin profit margins), the food desert would spread to the suburbs. You think food is expensive now? You think people are crazy and desperate now? Just wait until most of the population doesn't have easy access to a grocery store. Just like Bill Gates and [the World Economic Forum have been pushing for, you'll be eating bugs](#) in no time. Maybe this shoplifting spree (and its lack of prosecution) has just been part of [the plan](#) all along?

It's not just shoplifting. Nobody cares about credit card fraud either, including law enforcement and the credit card companies themselves, which just write it off as a cost of doing business. Every 12 to 18 months, one of my credit cards gets compromised. The last two times it happened, we were able to learn the name, address, age, etc. of the thief with a little online sleuthing. Thief #1 was a young man who apparently lived with his parents just down the road from a state prison (so not the high rent district) and ran an online business selling electronics (he had tried to buy a computer with my credit card). I'm sure his cost of goods sold was \$0.

Thief #2 was a middle-aged woman who was living in an apartment complex that was designed for people who were recently incarcerated. She had a part-time job at McDonald's, apparently a convicted felon son living with her, and an online business selling beauty products. She tried to make about ten online purchases for several hundred dollars each. All of the items she ordered were either beauty products or gun optics. When the gun store called me to verify the purchase, the employee told me that they get a lot of fraudulent credit card orders, because gun optics are easy to sell on the street. I'm guessing her son would have done that. After checking out the website of the town's police department, I decided that they would not be up to the task of apprehending this criminal, even if I handed her to them on a silver platter.

Recently I advised you [Don't Be Left Holding the Bag](#). Ultimately, who pays for all of this theft from corporations? The shareholders do, because they get only whatever is left over after landlords, vendors, employees, bondholders, the Tax Man, etc. have been paid. This is yet another reason why *the wealth of shareholders has never been more at risk*.

In closing, I want to bring this down to a human and moral level. Walmart is closing four stores in Chicago after investing hundreds of millions of dollars there. [This heartbreaking video](#) (a MUST SEE) was recorded by a poor woman who just realized that she will no longer have access to these life-saving stores, thanks to the looters in her community. As I've written before, [civilization \(which includes markets\) is a fragile miracle](#) that requires people to refrain from force and fraud. In the same vein, John Adams wrote, "Our Constitution was made only for a moral and religious people. It is wholly inadequate to the government of any other." And Benjamin Franklin wrote, "Only a virtuous people are capable of freedom. As nations become corrupt and vicious, they have more need of masters." Is it any wonder that, increasingly, we find ourselves under the yoke of tyrants?

## News Items

[U.S. Stock Ownership Rebounds to Highest Level Since 2008](#): What does this tell you from a contrarian perspective?

[Tucker #3](#) Unleashed, he's about five times more powerful than he was at Fox. This is some potent stuff. No wonder they wanted him gone.

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### [Recommended Books](#)

*(I receive a commission if you buy a book via this link.)*

I would love to hear from you! If you have any comments, suggestions, insight/wisdom, or you'd like to share a great article, please leave a comment.

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