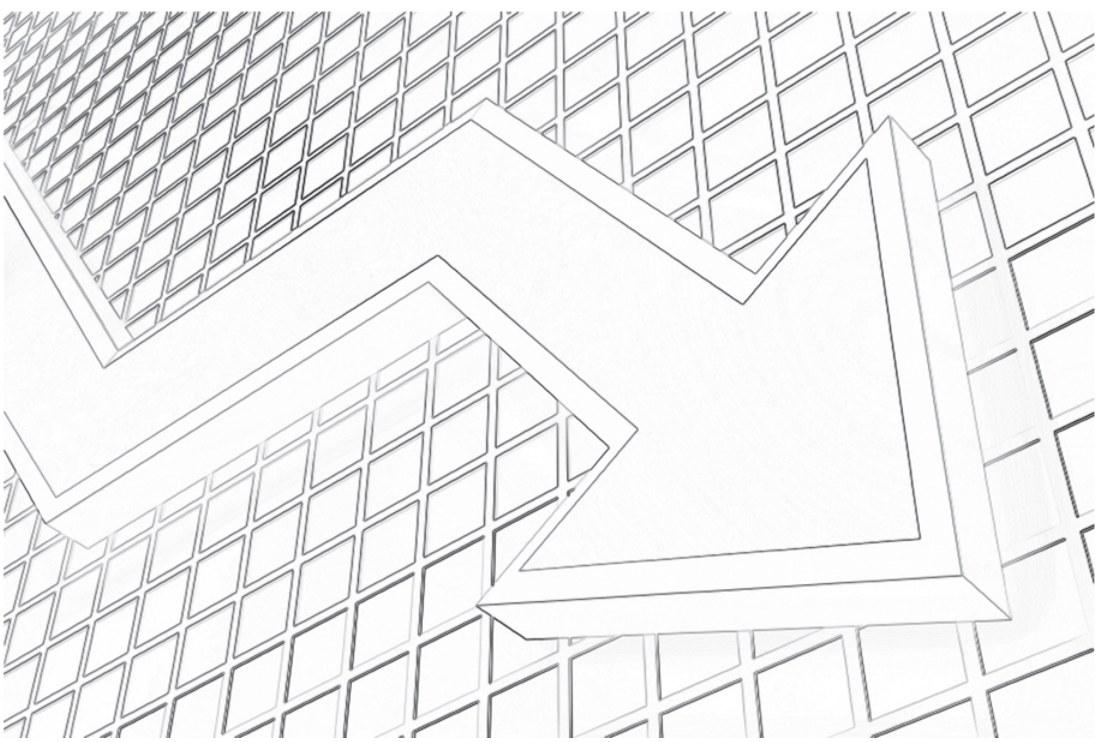
The Great American Apocalypse of 2011-2012

Mike Larson

The Great American Apocalypse of 2011-2012



Published By: Weiss Research
Publication Date: March 2011

Weiss Research
15430 Endeavour Drive, Jupiter, FL 33478
Client Services: 800-291-8545

Our mission is to empower investors and consumers with unbiased information and advice to protect their savings, build their wealth, and prosper in good times or bad.

SMR0270

Table of Contents

The Great American Apocalypse of 2011-2012!

By Mike Larson

- What the "bought and paid for" economic recovery lacks — and the consequences!
- Why crumbling job market, slumping spending spells certain doom for the U.S. economy!
- How you can not only SURVIVE a Great American Apocalypse — but THRIVE as it unfolds!

The dreaded "Double-Dip" recession — the bane of economists, investors, and governments for decades — is here. The evidence is as overwhelming as it is incontrovertible, with weakness in spending, investment, and confidence emerging throughout the United States.

The Federal Reserve is powerless to stop it, what with interest rates already near zero percent.

The Obama administration and Congress are shackled, unable to react with a new round of massive deficit spending because of a bond market rebellion.

The private sector is frozen in place, with businesses hoarding cash and consumers deleveraging in the wake of the wildest borrowing and spending binge in world history.

The inescapable conclusion?

- We're entering a new, brutal bear market phase, one that will send stocks cascading to the March 2009 lows ... and possibly beyond!
- Sectors like real estate, technology, retail, transportation, and finance will get crushed once again!
- Home prices will deflate further ... unemployment will soar ... factories will shut down ... malls will become ghost towns ... and optimism about the future will tank.

Faced with these dismal, yet undeniable facts, you can either:

1) Stick your head in the sand, plug up your ears, and ignore the writing on the wall. As a result, your wealth will get decimated for the FOURTH time in the past decade.

2) Act with diligence and foresight. You can confront this great american apocalypse head on. You can go on the OFFENSE, turning the next brutal bear market into a wealth-building opportunity every bit as powerful as the bull run of the 1990s.

I'm glad you've chosen option number two!

By reading this report, you're taking your financial future into your own hands.

You're not relying on some Washington politician or Wall Street lackey to bail you out.

And inside these pages, you're going to learn ...

- What the difference is between a sustainable, healthy economic recovery ... and the "bought and paid for" recovery we just experienced ...
- How the international sovereign debt crisis is helping bring about the end of the deficit spending binge that fueled it ...
- Why the crumbling job market, falling consumer and business confidence, and slumping spending spell doom for broad swaths of the stock market ...

Plus ...

- A three-pronged plan to get your CONSERVATIVE money out of harm's way ...
- A primer on two unique investment vehicles that will help you put your AGGRESSIVE funds to work — and turn the Great American

Apocalypse of 2011-2012 into one of the greatest wealth-building opportunities ever ...

- Four investment recommendations that offer some of the biggest potential returns if my recession forecast pans out ...
- Details on how the Great American Apocalypse will play out in the real estate and banking sectors, and what it will mean for the dollar and stocks
- A special bonus list of investments you can research further if you really want to go on the offense!

I'm confident that this information, these tools, and these power-packed strategies will help you not only SURVIVE the Great American Apocalypse of 2011-2012, but THRIVE throughout its duration.

While others are losing their jobs, losing their wealth, and losing their faith in the future of America, you'll be taking proactive steps that will position you to participate in the inevitable recovery — a new dawn that will make our country great once again!

Section 1:

The Difference Between a Healthy Economic Recovery — And One "Bought and Paid for" in Washington!

To understand why I believe the Great American Apocalypse of 2011-2012 is practically unavoidable, you have to go back to the depths of America's Second Great Depression, the one Martin D. Weiss discussed at length in his blockbuster 2009 book, *The Ultimate Depression Survival Guide*.

As Dr. Weiss explained, the modern-day depression was "The inevitable consequence of a great housing bust, a massive mortgage meltdown, and the biggest debt crisis in history" — a crisis that "brought the largest financial failures and the greatest wealth destruction any citizen under 90 has ever experienced."

The collapse culminated in the bankruptcy of Lehman Brothers in the fall of 2008. As Weiss noted, "All over the world, bank lending froze. Borrowing costs went through the roof. Global stock markets collapsed. Corporate bonds tanked. The entire global banking system seemed like it was coming unglued."

As traumatic as that period was, however, it could have marked a climactic, cathartic end to the credit crisis — once and for all. We could have seen the collapse of other financial leeches like AIG. We could have witnessed the final repudiation of the "too big to fail" bailout culture. And we could have experienced a very sharp, very painful — but very SWIFT — collapse in asset prices.

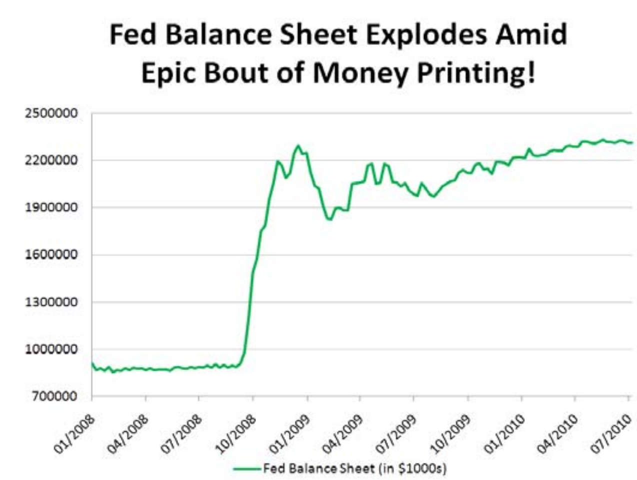
That, in turn, would have allowed the patient and conservative, cash-rich investors who had been waiting on the sidelines to swoop in and scoop up bargains of the century. They would have helped rebuild the capitalist system from the ground up. That would have laid the groundwork for a healthy, sustainable economic recovery, one built on a foundation of solid bedrock rather than quicksand.

But Washington policymakers and politicians blinked! Officials at the Federal Reserve and Treasury panicked. They took the wrong lesson from the Lehman Brothers collapse — namely that anything and everything had to be done to prevent large financial implosions and cleansing recessions.

So they went to work with our money. They ultimately loaned, invested, spent, or committed a stunning $8 TRILLION-PLUS to ...

- Bail out Bear Stearns, Fannie Mae, Freddie Mac, AIG, and General Motors ...
- Shore up banks around the country via the $700 billion Troubled Asset Relief Program (TARP) program ...
- Expand FDIC coverage to even wealthier individuals by raising the deposit insurance cap to $250,000 from $100,000 ...
- And rescue foreign investors and banks by swapping hundreds of billions of dollars with central banks in Canada, the U.K., Japan, Australia, and continental Europe.

That wasn't all, either! The Federal Reserve embarked on an epic run of money printing, literally creating money out of thin air to buy assets and pump up the banking sector. Ben Bernanke and his merry band of money-printers bought $300 billion in



longer-term Treasuries ... $175 billion in Fannie Mae and Freddie Mac corporate debt ... and $1.25 trillion in mortgage backed securities those agencies guarantee. The Fed's overall balance sheet ballooned from around $900 billion in mid-2008 to a whopping $2.3 trillion two years later!

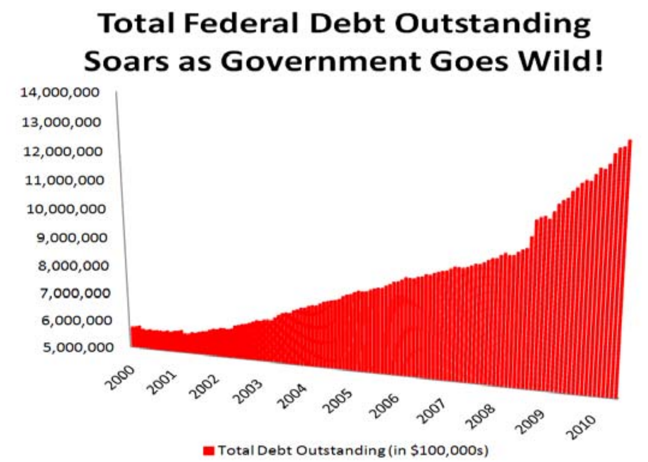
What about Congress? The Obama administration? More of the same! They showered the economy with money as part of the $787 billion economic stimulus package in early 2009. They helped concoct the bogus "stress test" exercise for the banking sector, which made it easy for banks to raise $75 billion in capital to shore up their balance sheets. And they passed targeted bailout packages for certain industries, such as the $8,000 home buyer tax credit.

The government takeover of the credit providing and pricing system has gotten so extensive, in fact, that Uncle Sam is now standing behind just about every mortgage issued in this country. Fannie Mae, Freddie Mac, the FHA, and the VA backed a stunning 96.5 percent of the home loans originated in the first quarter of this year. That, in turn effectively brings trillions of dollars worth of additional, contingent liabilities onto Uncle Sam's balance sheet.

All told, federal government debt outstanding exploded by 24.2 percent in 2008 and another 22.7 percent in 2009, the biggest annual increases since 1975, according to the Fed. Total public debt outstanding is now running at $13.2 trillion, per the Bureau of the Public Debt. That's a whopping 132 percent rise in the past decade! The budget deficit is now running at close to 11 percent of GDP, a level we haven't seen since the 1940s when we were waging World War II.

The result of all this money being thrown out of Washington helicopters? ***A "Bought and Paid For" economic recovery.***

Private companies didn't all of a sudden decide to start building scores of new factories or hiring millions of new workers. They were still swimming in excess production capacity and labor from the bubble days.



Consumers didn't all of a sudden decide to go on a renewed debt binge. They were still reeling from the housing market implosion and looking to repair their balance sheets by paying down their loans — or walking away from them!

But with the Treasury and Fed vomiting so much free money, some was invariably spent. That gave us a few quarters of GDP growth, prevented the loss of some jobs, and helped levitate asset prices, driving the Dow up by more than 4,500 points.

Yet even so, the recovery was extremely anemic — nothing like what we've seen in past, healthy rebounds driven by a private sector resurgence. Economist David Rosenberg at Gluskin Sheff notes that real final sales have risen at an average annual growth rate of 1.2 percent since the economic trough, the weakest in any U.S. post-recession recovery on record!

And that's not all. The government-led, bought and paid for economic recovery always had a crucial Achilles heel. It relied on the willingness of bond investors the world over to finance it!

You see, it's not like we had a bunch of money lying around to pay for all the bailouts and stimulus packages. We had to borrow it from the capital markets. The same was true for most other nations, many of which embarked on the same kind of wild spending that we did.

That worked for a while. Bond investors went along with it like lambs to the slaughter. But that ended in late 2009 and early 2010 ...

Section 2:

The Bill Comes Due — Forcing Radical Change!

If you haven't already heard the so-called "bond vigilantes," they are a class of investors who don't sit around waiting for government bureaucracies to slowly recognize the folly of their finances and eventually reach a verdict regarding policies to fix them. These vigilantes make their own judgment and mete out their own one-word sentences — SELL!

In effect, they cut up government credit cards if they see a reason to. That's precisely what is happening to heavily indebted countries like Greece, Portugal, and Spain. Bond investors are boycotting their bond auctions or, at best, buying only small amounts at heavily discounted prices. Even the ever-complacent ratings agencies are finally waking up from their long slumber, warning governments worldwide to get with the program — a program of fiscal discipline.

Just in the last few months ...

- Moody's Investors Service slashed its Greek sovereign debt rating by four steps to "Ba1" from "A3" — putting them in junk territory. Result: Greek bond yields surged yet again, despite a massive $135 billion European Union bailout designed to support the Mediterranean nation.
- In Spain, concerns over deficits and debt loads continue to mount. While Spain did manage to auction off $4.3 billion recently, it was only able to sell those 10-year notes by offering juicy yields. The notes sold at a yield of 4.86 percent, up from 4.05 percent at the last auction less than a month earlier.
- In Portugal, it's much the same story. Ten-year debt was recently yielding 5.7 percent — up substantially from 4.15 percent a couple of months ago. The Portuguese government reportedly had to yank a three billion euro bond sale scheduled for late June, while Moody's cut the country's credit rating two notches to A1 from Aa2.

In short, after a long period of complacency during which they enabled governments the world over to run amok, bond investors are no longer accepting lame government promises. They're forcing policymakers to radically shift course — and for good reason! The path we're on is completely unsustainable.

The IMD International business school in Switzerland recently published a damning study on sovereign debt burdens around the world. It estimated that the *average* debt load for the "Group of 20" nations (all the major economic powers in the world, including the U.S., the U.K., China, Germany, and Russia) is on track to surge to 106 percent of GDP this year. It was just 76 percent three short years ago.

Worse, ***it will take decades for the world's major economies to work debt levels down to a more reasonable level***. In Japan, public debt won't drop below 60 percent of GDP threshold until 2084, according to IMD. Portugal won't hit that target until 2037, while Greece won't be able to do it until 2031. And the U.S.? Not until 2033 — when I'm almost retired and my four-and-a-half-year-old daughter will have kids of her own!

Governments the World Over Being Forced to Change Course!

Let's start with the so-called "PIIGS" nations — Portugal, Ireland, Italy, Greece, and Spain. Spain is trying to slash its budget deficit from 11.2 percent of GDP to 9.3 percent in 2010 and 6 percent in 2011. Portugal wants to cut its deficit from 9.4 percent to 7.3 percent this year and 4.6 percent next year. Greece is aiming to slash its deficit from 13.6 percent to as low as 3 percent by 2014. They plan to do so by some combination of pension freezes, wage cuts, new taxes, and other measures.

But the pressure to cut isn't staying bottled up in the PIIGS nations. The bond vigilantes are now forcing a radical course correction in two of the biggest economies of the world. I'm talking about the U.K. and the U.S.

In the U.K., the budget deficit equals more than 11 percent of gross domestic product. The country's total debt load has already risen to $1.12 trillion — and it's on track to DOUBLE in just the next five years!

That's causing bond investors and ratings agencies to lose patience. Fitch recently weighed in with a debt warning, calling the U.K.'s fiscal challenges "formidable."

The unspoken threat? That Fitch could soon cut the U.K.'s AAA debt rating, a move that would lead to even more dislocations in its equity, debt, and currency markets.

The result? British Chancellor of the Exchequer George Osborne was forced to take several painful steps in response to the pressure.

Osborne released an emergency budget calling for 30 billion pounds ($44.5 billion) in spending cuts annually between now and 2015. The goal is to reduce net borrowing from 149 billion pounds ($221 billion) in the current fiscal year to 20 billion pounds ($29.7 billion) in 2015-16.

Virtually no one will be spared. The U.K.'s Value Added Tax, or VAT, is going to spike to 20 percent next January (from 17.5 percent). Banks will have to start paying 2 billion pounds ($3 billion) per year in new levies. And an investment-related tax break for companies will drop to 25,000 pounds ($37,120) a year.

Meanwhile, civil service wages will be frozen for two years and housing subsidies will be capped, slashing 1.8 billion pounds ($2.7 billion) a year in spending. Even Queen Elizabeth II will see her financial support frozen.

Here in the U.S., the markets and the populace are rising up and forcing Washington to change course as well!

Remember the plans announced by the Obama administration recently to spend as much as $266 billion on economic stimulus? It was supposed be a booster shot, in addition to the almost $800 billion already spent. But now, after months of angry feedback from voters, the new booster shot is simply not happening.

Congress is pushing back. Legislators are refusing to push through many of Obama's preferred measures. In response, big-government, big-spending acolytes like Paul Krugman are up in arms. They say discipline and austerity are exactly the wrong medicines at precisely the wrong time.

But these voices are increasingly being drowned out by debt-fearing economists and politicians. As the *Wall Street Journal* noted ahead of a recent G-20 meeting — a meeting noteworthy for the fracturing of the global consensus on government spending vs. austerity:

> "President Barack Obama, worried the fragile world economy could slip back into recession — as it did in the 1930s during the Hoover administration — plans to urge his counterparts at this weekend's Group of 20 meeting to continue some level of simulative spending, among other policies, as a way of sustaining economic growth. But at precisely the same time, politicians around the world are starting to embrace a newfound desire for fiscal austerity.
>
> "European leaders are more cautious about spending, chastened by the example of Greece, where investor confidence was shattered by mounting debt and the possibility of a default, prompting a nearly $1 trillion rescue fund."

The Consequences of Market-induced Austerity

Ultimately, the newfound affection for austerity is healthy. It's exactly what we NEED to see if we want to avoid burying our grandchildren under an Everest-sized mountain of debt they'll never be rid of. But there are serious consequences.

For starters, ***even all these austerity measures may not be enough***. Heck, the executive arm of the European Union warned that "while the newly announced measures are significant and the targets imply impressive budgetary consolidation, more measures are needed to meet those targets."

Moreover, countries that are forced to cut back on aggressive spending risk being forced into an untenable situation. They need to slash government spending to lower their overall debt burdens. But those austerity measures will reduce economic growth and, therefore, taxes. That, in turn, will cause deficits to continue piling up!

Here in the U.S., the dismal federal deficit picture is complicated by another factor: States and local governments are in essentially the same leaky budget boat — and sinking faster!

The cumulative deficit of the 50 U.S. states is now a whopping $127.5 billion. Total state and local government debt has surged 57 percent in the past decade, mirroring the explosion at the federal level, according to Brown Brothers Harriman.

Politicians in capitols and state houses around the country have tried every budget maneuver to kick the can down the road. But the jig is up. Now, they too have to slash spending, raise taxes, and fire workers.

New York is staring down a $9.2 billion deficit this year. It's cutting everything from $302 million in aid for New York City to $4 million earmarked to renovate the roof at the state Capitol. Illinois faces $13 billion in red ink, so it's cutting education spending by $340 million and eliminating $17 million in public health programs. Meanwhile, California is trying to control a $19 billion deficit with some combination of salary reductions, job cuts, tax increases, and welfare reform.

And it's not going to end there. All told, ***states have made $1 trillion more in pension promises than they can truly afford***. This means benefit cuts, changes to retirement ages, and other punitive measures will soon be foisted on government workers.

Bottom line: There is simply no money left in Washington — or in the 50 capitols around the country — to pay for more stimulus efforts. And even if there were, the electorate is sick and tired of government bureaucrats creating, borrowing, and spending trillions of dollars they don't have.

Section 3:

Economy Grinding to a Halt as Free Money Dries Up!

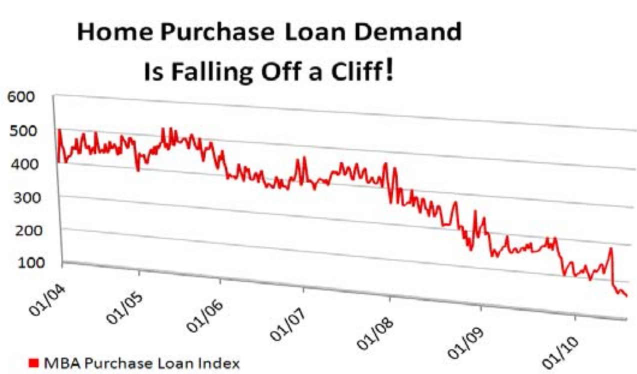
Without the benefit of free money from Washington, the economy simply can't stand on its own. That's the irrefutable verdict rendered by the sum total of economic data released in the past several months. A sampling:

- Retail sales dropped 1.1 percent in May, then another 0.5 percent in June. That was the first back-to-back decline in more than a year and much worse than economists were expecting.

- The Conference Board's Consumer Confidence index plunged to 50.4 in July, the lowest in five months.

- Overall housing starts cratered after the home buyer tax credit expired. They plunged 10 percent in May to the lowest level of 2010. Single-family home construction tanked 17 percent. ***That was the biggest drop in any month in more than 19 years!***

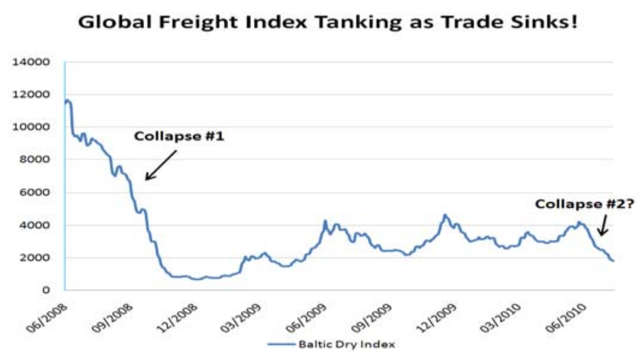
- New home sales plummeted by around a third to a seasonally adjusted annual rate of 267,000 units. ***That's its lowest reading in U.S. history!*** (Census has been collecting data since 1963.) The Mortgage Bankers Association's weekly home purchase loan index just fell to 163.30. That's the worst showing going all the way back to December 1996.



- Durable goods ordrs overall plunged 1 percent in June after dropping 0.8 percent a month before, the worst reading since mid-2009.

- The Baltic Dry Index, which measures demand and pricing for global shipping services, recently dropped a stunning 36 days in a row. That's the kind of implosion we haven't seen going all the way back to 2001, and it tells me that global trading and economic activity is grinding to a halt.

- Regional manufacturing indices are weakening in Philadelphia, Chicago, Dallas, and Richmond. This proves weakness is rapidly spreading



throughout the country. The Institute for Supply Management's non manufacturing index slumped to 53.8 in June from 55.4 in May. That tells us the service sector is following the manufacturing sector off a cliff.

- Consumer credit (car loans, credit cards, etc.) shrunk by a massive \$9.1 billion in May on top of a \$14.9 billion decline in April. That May slump was FOUR TIMES as large as the economists were expecting. It's also the 15th decline in the last 16 months.

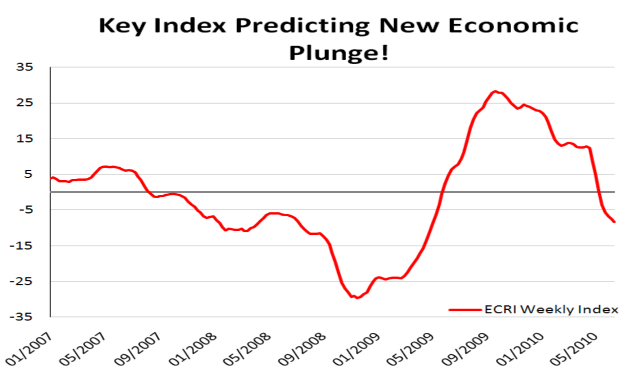
- The economy shed another 131,000 jobs in July on top of a massive 221,000 jobs in June. Private hiring missed forecasts, and the "all-in" unemployment rate held at a whopping 16.5 percent. Shadowstats pegs the number even higher — around 22 percent!

The clincher? One of the most reliable indicators I follow is tanking again! I'm talking about the Economic Cycle Research Institute's weekly leading index.

This index is designed to forecast periods of growth or recession well in advance — and it's done a great job at it. For example, the index's growth rate peaked at 7.2 percent in June 2007.

Commentators thought nothing of the decline that occurred shortly thereafter. But sure enough, the Dow Jones Industrial Average topped out four months later. And six months later, the recession began, according to the National Bureau of Economic Research.

The index's growth rate eventually plunged as low as *negative* 29.7 percent in December 2008 before reversing course and surging to 28.4 percent in October 2009. That foretold the "bought and paid for" bounce in GDP and the stock market.



But now the index is plunging again. It dropped below the zero line in June and kept on going. As of late July, it was sinking 10.7 percent — the worst reading in more than a year! We haven't seen this kind of vicious free-fall since the months leading up to the 2007-2008 stock market crash.

Why Policymakers Are Powerless to Stop the Coming Collapse

To stave off the second great depression I talked about earlier, policymakers threw anything and everything they could at the economy and the financial markets. That postponed the day of reckoning. But it didn't solve the underlying problems.

Moreover, because they've already fired their heavy weaponry, policymakers are powerless to stop a Great American Apocalypse ...

The Federal Reserve *already* cut its key short-term interest rate to within a smidge of zero percent. Rates can't go negative.

Long-term mortgage rates *already* fell to their lowest level in the 21st AND 20th centuries. But home buying is still falling off a cliff.

The Obama administration *already* blew almost $800 billion on economic stimulus. But according to a July Bloomberg National Poll, more than seven out of ten Americans still believe we're in a recession. Moreover, a majority of the country characterized the deficit as "dangerously out of control." That neutralizes the possibility of a new stimulus package.

The Treasury is *already* borrowing so much money that it faces a bond buyer backlash similar to what we've seen in Greece. Net issuance (new debt sold minus old debt that matured) of government debt hit a stunning $922 billion in 2008. It then surged to $2.1 trillion in 2009, and it's on track to top $2.5 trillion this year!

Just five short years ago, benchmark government sales of notes and bonds would total around $20 billion to $30 billion. That has now ballooned to more than $120 billion! In one week earlier this year, ***the Treasury sold an average of $375,330.69 in debt a second***!

Bottom line: The Great American Apocalypse of 2011-2012 is baked in the cake. It is the inevitable result of the credit crunch, the housing bust, the deleveraging cycle, and the renewed focus on austerity and deficit reduction by governments worldwide.

Fortunately, as an individual investor, you are far from powerless. You can confront the recession head on, and grab the resulting bear market by its fur. But before you can use your aggressive funds to shoot for massive profits, you must get your conservative funds to safety ...

Section 4:

My Three-Pronged Plan to Get Your Conservative Money Out of Harm's Way!

Before you go on the offense — whether you're talking about a World Cup soccer match or your investment portfolio — you have to make sure you've shored up your defenses. That's even more important when the weight of a great american apocalypse is crashing down on you.

I recommend taking three steps immediately:

- ***Conservative Step #1: Close Out Positions!*** The easiest way to lose money in the Great American Apocalypse of 2011-2012 is to have too much of it exposed to market risk. Stocks are no place to be when the economy is crapping out. Earnings and sales will plunge ... inventories will pile up ... debt burdens will crush the weak, while investors will begin throwing even the babies out with the bath water.

So I recommend you start closing out positions right away. Sell HALF of your stocks at the market. Then sell the REST into any significant rally. This goes for individual stocks, mutual funds, exchange traded funds, the whole lot.

Ditto for bond funds with a significant amount of credit risk. High-yield, or "junk," bonds tend to trade like equities rather than Treasuries. So they should be jettisoned. Even higher-quality municipal and corporate bonds are vulnerable given the threat of a significant recession and the dismal condition of municipal and state balance sheets.

- ***Conservative Step #2: Raise Cash!*** So what should you do with the money you raise from those sales? Most brokers will tell you to plow that money back into other stocks, bonds or commodities. I reject that approach. I think you should raise CASH.

Cash is not a four-letter word. It's the safest asset class on the planet. By building up your store of cash now, you'll leave yourself with the means to buy other assets on the cheap in the depths of the great american apocalypse. I advocate a position of roughly 75 percent cash for conservative portfolios, though 50 percent is okay if you have substantial amounts of money socked away.

Rather than bury a bunch of dollar bills in the back yard, I recommend you move the funds that you raise into short-term Treasuries or Treasury-only money funds. You can buy Treasury bills with maturities of six months or less from Uncle Sam himself via Treasury Direct (www.treasurydirect.gov or 800-722-2678) or through your broker. You can find more information about this option in Section 8 of this report.

- ***Conservative Step #3: Add Hedges!*** Raising cash is a protective strategy and there's nothing wrong with it. But if you want to go a step further, you need to hedge against downside risk in any remaining stocks you may own.

Inverse exchange traded funds, designed to rise in value when stocks fall, are a key component of this strategy. Put options are another valuable form of downside insurance. Let's get right to the details of how they work now ...

Section 5:

Two Powerful Profit Vehicles For a Great American Apocalypse!

In the past, it was complicated and costly to profit from falling markets. You had to sell short. Or you had to use futures markets. And in either case, you could expose yourself to unlimited risk.

That is no longer the case. You now have two powerful profit vehicles that you can buy and sell quickly, easily, and transparently.

Inverse Exchange Traded Funds (ETFs)

You're probably familiar with traditional Exchange Traded Funds, or ETFs. They're simply securities that hold baskets of underlying stocks. Some target specific foreign markets. Others invest in domestic sectors, such as financials or technology companies. Still others allow you to buy into portions of the bond and commodity markets.

Well, INVERSE ETFs are simply specialized ETFs designed to go *up* when a particular stock index or sector goes *down*.

The good news: You can buy these inverse ETFs just like any other ETF — through your same broker, with the same low commissions and the same flexibility to get in and out as you please.

More good news: You can buy single-leverage ETFs, designed to go up 1 percent for every 1 percent decline in the index. Or you can buy double-leveraged ETFs, designed to go up 2 percent for every 1 percent decline. A handful of ETF providers now even offer triple-leveraged ETFs, which should rise 3 percent for every 1 percent drop in the underlying benchmark.

The best news: A whole new series of inverse ETFs are now available that you can use for protection against declines in many major sectors: Real estate, financials, consumer goods, semiconductors, technology, emerging markets and even China.

If you're hedging, this allows you to match your hedges more closely to the sectors or styles you're heavily concentrated in. For example ...

- If you have a lot of technology stocks, you could use the **UltraShort Technology ProShares**, which trades under the symbol **REW**. It's designed to rise 2 percent for every 1 percent decline in the Dow Jones U.S. Technology Index.
- If you have a lot of small caps, you could use an inverse small cap ETF such as the **UltraShort SmallCap 600 ProShares**, or **SDD.** It should rise 2 percent for every 1 percent decline in the Standard & Poor's SmallCap 600 Index.
- If you have a broadly diversified domestic portfolio, you could use the **Short Dow30 ProShares (DOG)** or the **Short S&P500 ProShares (SH)**. They inversely track the Dow Jones Industrial Average and Standard & Poor's 500 Index, respectively.
- If you're heavy into emerging markets, you could use the **Short MSCI Emerging Markets ProShares (EUM)**. It targets the MSCI Index of foreign shares.

Many investors are either unfamiliar with inverse ETFs or unwilling to use them. They may be reluctant to "bet against America" by profiting from a decline in U.S. stocks.

I disagree with that premise — vehemently so. Buying inverse ETFs during bear markets will allow you to grow your wealth. You can then use that money in the recovery phase to help the economy rebuild.

It's also worth noting that professional investors use hedging vehicles such as inverse ETFs to make downside bets every day. There is simply NO legitimate reason not to take advantage of the same opportunities now that they are widely available.

Here are some other points to keep in mind on inverse ETFs:

Point #1. You're still just buying an ETF. You are therefore not exposed to the unlimited risks associated with leveraged investments like futures.

Point #2. The leverage used by some inverse ETFs is a double-edged sword. If the market is going your way, it magnifies your gains. If it's not, it magnifies your losses.

Point #3. Leveraged ETFs *aim* to achieve equal leverage whether the market is going your way or not. But in practice, they may occasionally provide a bit less leverage when the market is moving in your favor and a bit more when it's moving against you.

Now that you have some of the basics down, you're probably wondering how you can take inverse ETFs and put them to practical use in the Great American Apocalypse of 2011-2012. Here are a few steps to consider taking ...

Step 1. *Determine how much money you want to set aside for portfolio protection.* To help you think that through, let me first show you what the different possibilities are.

Possibility A. Let's say you have a $100,000 stock or ETF portfolio that is broadly diversified and approximately matches the performance of the S&P 500. And let's say you want to protect the entire amount using an inverse ETF that's single-leveraged — designed to go up 10 percent for every 10 percent decline in the S&P 500.

Problem: That could be very costly. For every dollar in your portfolio, you'd have to invest another dollar in the inverse ETF. And to do that you'd have to come up with *another* $100,000 from some other source to throw into the game.

If you were in Las Vegas, that would be tantamount to betting $100,000 on the red ... and then finding another $100,000 to bet on the black. You may think you can't lose. But the reality is ...

- You can't win either;
- You're incurring costs and commissions; and
- No portfolio protection strategy is perfect. And in the unlikely event of a "double-zero" doomsday scenario, you could wind up losing something on both the "red" and the "black" bets.

Possibility B. Instead of full protection, why not settle for half protection? In other words, for every $1 of current value in your portfolio, you'd put up only 50 cents of your money into the inverse ETFs. Assuming a stock portfolio worth $100,000, that would mean investing another $50,000.

Possibility C. Use an inverse ETF that gives you double-leverage. Now, to protect half of your $100,000 portfolio, all you'd need to invest is $25,000. Assuming your portfolio falls 10 percent in value, here's what you'd have:

A $10,000 loss in your stock portfolio, a $5,000 gain in your hedge portfolio, and a $5,000 loss overall. That cuts your risk of loss in half. Not bad. But you're probably wondering if you can do better than that. The answer: Absolutely, as you'll see with the following steps ...

Step 2. *Rather than invest new money in the inverse ETFs, why not raise that money by liquidating one-third of your stocks?* Then, here's what you should wind up with:

You'll have $66,667 left in your portfolio, and $33,333 available to invest in an inverse ETF with double-leverage.

If the market falls 10 percent, you'll have about a $6,667 loss in your portfolio and about a $6,667 gain in your inverse ETF. End result: No loss (except for commissions and costs).

This simple step brings you two advantages: First, you won't have to dig into your cash assets to fund your hedge strategy. And second, you'll get *close* to full protection for the balance of your portfolio.

Again, the reason I stress the word "close" is because no portfolio protection strategy can be perfect. You'll still have to pay commissions and some costs. And the double-leverage inverse ETFs do not always deliver exactly the *full* double-leverage they're designed to provide.

You could stop there and you'd have achieved your goal of risk protection. But if you want to apply some additional leverage (with some additional risk), you could do even better by following a couple of advanced steps ...

Step 3 (advanced). Instead of liquidating one-third of your stocks randomly, strictly get rid of the ones that are in the *riskiest* sectors, while holding on to those that are in the *strongest* sectors. Let's assume you're only half right about the markets and you get the following results:

Overall market: Down 10 percent

Weakest sectors: Down 20 percent

Strongest sectors: Down 5 percent

In this scenario, we're half right in the sense that the strongest sectors outperform. But we're also half wrong because, instead of rising as we expected, they still go down, although not as sharply. I think that's a reasonable expectation. But even in this situation, you wind up a winner:

Since your portfolio is strictly in the strongest sectors, your loss is reduced from 10 percent to 5 percent, or only $3,333. Meanwhile, you're still gaining 20 percent on your hedges, or $6,667. End result: Despite the market's overall decline of 10 percent, you actually come out ahead.

Step 4 (more advanced). Assume the same scenario as the previous example. And assume the same steps to liquidate the riskiest sectors while holding the strongest.

But, in addition, instead of using strictly an inverse ETF that matches the S&P 500, you use inverse ETFs that are designed to make you money when specific sectors are going down, targeting those that you believe to be the weakest. Again, there's no guarantee that you're going to be right. But, assuming you're half way right (as in Step #3), here's how it would turn out:

You'd still have a $3,333 loss in your stock portfolio. But on the other side of your portfolio — the inverse ETFs — you gain substantially because the bad sectors fall 20 percent. Your double-leveraged ETFs give you a gain of 40 percent, or $13,333 (minus commissions and costs, of course).

Your net gain overall: $10,000!

Hopefully, this illustration shows you how you can turn lemons into lemonade when stocks decline. I'll share my favorite inverse ETF investments in a bit. But first, I want to discuss my *second* powerful investment vehicle for the Great American Apocalypse of 2011-2012 ...

Put Options

Put options are an excellent vehicle for generating substantial profits from the financial markets, as well as hedging your other investments. A purchased put option gives you the right to sell a particular security at a predetermined price.

Most people are familiar with the concept of stock options that come with an employment compensation package. If you join a corporation, they may give you the option to buy stock in the company at a low fixed price, no matter how high the stock price subsequently rises.

If your company does well and the stock price rises, you exercise the option. You buy the company's stock at the low price and can reap a great benefit. If the company doesn't do well, you've lost nothing more than the opportunity.

Options bought and sold by investors are similar, but with a few important differences:

First, you have to pay something for them, and their price can vary greatly.

Second, they are shorter term. Stock options, like the type you get as an employee, can be good for several years. Most actively traded put options expire in a matter of months, although some options extending beyond a year are also available.

Third, they are listed on an exchange. They can be bought and sold at almost any time for minimal commissions.

When you purchase a put option, you're risking no more than your original investment — the price of the option, plus commissions. The only exception would come if you allow your option to be "exercised" at expiration. But all you have to do to prevent that is sell before the expiration date.

The option universe has its own vocabulary, which you'll need to learn if you're going to put these powerful investments to work. Here are some of the most important terms:

Premium — The price of the option; the price the buyer pays and the seller receives. The premium can be broken down into two parts: The intrinsic value and the time value.

Strike Price — The price at which the put owner has the right to sell the underlying stock.

Expiration — The last date the option is a valid contract. Technically, options expire on the Saturday following the third Friday of the month. But the last day to trade them is the third Friday of the expiration month. Many index options will expire one day earlier on Thursday.

You can describe an option in one of three ways, depending on the relationship between its strike price and the value of the underlying stock ...

In the money: When the strike price of a put option is *higher* than the price of the underlying instrument, the option is **in the money**.

At the money: When the strike price is essentially equal to the price of the underlying instrument, the put option is **at the money**. When expiration day arrives, options that are in the money have value and you can sell them at a price that's very close to that in-the-money value. Before expiration, you also can capture any remaining time value in the options.

Out of the money: When the strike price of a put option is *lower* than the price of the underlying, then the option is **out of the money**. When expiration day arrives, options that are out of the money expire without value.

Literally thousands of options are available for you to invest in — all with different expiration months, strike prices, and underlying stocks. You can identify them using ticker symbols, which the options industry recently expanded. Instead of a three-letter or four-letter ticker, like you typically see with NYSE and Nasdaq stocks, options tickers are now 21-characters long.

The **January 2011 General Electric put option with a strike price of 15**, for instance, is quoted as "**GE110122P00015000**" The first series of letters identifies the underlying stock. The next six numbers identify the expiration date in the YY/MM/DD format. The next letter identifies the option as a put or call. Then the last two non-zero digits stand for the strike price, in this case "15."

Advantages of Options

Advantage #1. Leverage. Even a modest move in an underlying stock can result in a significant change in the value of your options.

Advantage #2. Limited risk. With the simple purchase of options (as long as the options are not exercised), you can never lose a penny more than you invest plus commissions. That means you always know how much money you have at risk.

Advantage #3. Low cost. You can find options with excellent potential that cost as little as $50 or $100 per contract, although some options may cost $1,000 or more per contract.

Advantage #4. Listed on exchanges. Thousands of options are listed on regulated exchanges. You don't need to venture into so-called over-the-counter options to generate substantial profits in the Great American Apocalypse of 2011-2012.

Advantage #5. An excellent vehicle for protective "hedges" against market declines. As I mentioned above, options can be used as a kind of insurance policy or hedge.

Suppose, for example, you have a large portion of your net worth in a pension plan or 401k plan that's heavily invested in stocks. You can't trade options in a 401k or IRA. But if you buy them in a separate account, the profits you make in options can help offset some, or most, of the losses you incur on those assets.

If you're buying options for protection, you pay the premiums on the options as a cost of that protection — it's similar in that way to the premium you pay for your home or car insurance policy. If the put options work out, fine. But even if they don't work out, they have still delivered a value in that they've afforded protection and peace of mind.

Disadvantages of Options

Disadvantage #1. Options are wasting assets. That's because when you buy an option, you are buying time. So if the market remains unchanged, the value of the option will naturally decline as time goes by.

Disadvantage #2. Limited time. This follows from the first disadvantage. The expected market move has to take place — or at least get underway — before the option expires. Otherwise, the option can expire worthless and you will lose the entire amount you invested in that option. That's why it's important to buy an option with enough time for your trade to work out.

Disadvantage #3. Volatility. Investors who buy options and just forget about them often miss out on opportunities to take large profits. Sometimes the option's value will spike upward, and then, before you know it, plunge back downward again.

Disadvantage #4. Occasional low liquidity. There are many options with plenty of liquidity. But there are also some that are not so liquid. In other words, the number that change hands in a given day (the volume) is low and the total amount held by investors (the open interest) is small.

These options tend to have wider spreads, or differences between the bid and ask prices. That can result in you getting poor execution on your trades — paying more than you should to buy and getting less than you deserve when it's time to sell.

Section 6:

My Top Four Investment Recommendations For the Great American Apocalypse of 2011-2012

A wide variety of sectors and stocks will be laid to waste by the coming economic decline. But I believe the most vulnerable ones are those with the most domestic exposure. That would include retailers, transportation stocks, small capitalization stocks, and financials.

With that in mind, I've identified four aggressive investment recommendations for you. These offer the best risk-reward dynamics, in my opinion. Let's get right to them ...

Great American Apocalypse Recommendation #1: UltraShort Russell 2000 ProShares (TWM) — This leveraged, inverse ETF is designed to track the Russell 2000 Index of smaller capitalization stocks. It should rise 2 percent for every 1 percent decline in the underlying index.

Unlike the mega-cap multi-nationals that dominate broader indices like the S&P 500 or Dow Industrials, the companies in the Russell are more exposed to the domestic economy. So they are likely to fall further, faster than companies which can offset domestic weakness with international strength.

Great American Apocalypse Recommendation #2: Short Financials ProShares (SEF) — This unleveraged, inverse ETF is designed to rise 1 percent for every 1 percent decline in the Dow Jones U.S. Financials Index. That index tracks the performance of more than 250 banks, brokers, and insurers — from JPMorgan Chase and Bank of America to AON Corp. and Lincoln National.

My view: Financial stocks are among the most vulnerable out there to a renewed credit crisis. They'll lose money on loan delinquencies and defaults as the economy slides into a great american apocalypse. Plus, the increase in systemic risk stemming from the sovereign debt crisis will hammer their bond portfolios.

Great American Apocalypse Recommendation #3: January 2012 SPDR S&P Retail ETF LEAPS put options with a strike price of 30 (symbol XRT120121P00030000) — The SPDR S&P Retail ETF is an exchange traded fund that tracks the performance of the S&P Retail Select Industry Index.

The ETF holds 65 retailing stocks overall, from Kroger and AutoZone to Office Depot and Barnes & Noble. All of them are vulnerable to declining consumer confidence and spending. Since the underlying index is an equal-weighted one, the XRT's performance also isn't distorted by the performance of a couple of mega-capitalization retailers (like Wal-Mart or Home Depot).

The January 2012 puts I recommend are a type of option called "LEAPS." The acronym stands for Long-Term Equity Anticipation Securities. LEAPS give you several quarters to profit from an underlying trend. They're less volatile than shorter-term options, and they give you plenty of time for an investment thesis to play out.

Great American Apocalypse Recommendation #4: January 2012 Union Pacific LEAPS put options with a strike price of 50 (symbol UNP120121P00050000) — These LEAPS puts give you the right to sell 100 shares of Union Pacific Corporation at a price of $50 per share on the expiration date of January 21, 2012.

Based in Omaha, Nebraska, Union Pacific is the largest railroad company in the U.S. It has more than 32,000 miles of track spread across 23 states. Its performance improved along with the economy in 2009 and early 2010. First-quarter profit jumped 43 percent to $516 million, or $1.01 per share, from $362 million, or 72 cents per share, in the year-earlier period. Revenue rose 16 percent amid a 13 percent increase in carloads hauled.

But with the economy beginning to roll over again, the future doesn't look nearly so bright. Shipping demand will decline as retail sales fall and factory orders drop. These relatively inexpensive LEAPS put options offer a cost-effective way to profit from a great american apocalypse in the transportation sector.

Remember, you don't have to sit idly by and let the great american apocalypse of 2011-2012 rip your portfolio to shreds. You can take proactive steps to protect yourself ... to not only SURVIVE but also THRIVE as stocks fall.

Now, let's get into some more specifics about how the great american apocalypse will play out in key sectors and asset classes ...

Section 7:
Phase II of The Great American Apocalypse Real Estate Bust

I take pride in my track record on the real estate market.

Long-term subscribers know I unambiguously predicted the collapse in the housing and mortgage market before it happened. Indeed, I published a landmark *Safe Money Report* issue in 2005 titled "Final Stage of the Real Estate Bubble" right as the market was topping out.

Then, in early 2009, I said that the real estate market was bottoming ... and what followed was a powerful rally in every stock sector tied to real estate, including home builders, construction suppliers, mortgage insurers, and banks.

Now I'm seeing another important shift occurring. The plunge in home prices and mortgage rates — which were helping to stimulate some demand — aren't working any more.

The obvious reason: With the underlying American economy spiraling downward, I don't care how cheap homes or financing get. If you don't have a job, you aren't going to buy a house. Worse, this american apocalypse comes just as the homebuyer tax credit has expired ... and precisely when home foreclosures are rising again.

More than 300,000 borrowers are falling into some stage of foreclosure every month, according to RealtyTrac. That's been the case for a year and a half, and it shows no sign of letting up.

What does this mean to you?

If you're a homeowner ... it means your hard-earned home equity is in massive jeopardy.

If you're an investor ... it means that the rally in real estate and related share prices is over, and that we're going to now see sharp declines across the board.

And if you're a patient renter or cash-rich potential buyer ... it means eventually, you're going to be able to scoop up a dirt-cheap home that you can live in for the long term.

So you have no time to wait. You must take action. To help you, here is my four-step plan to protect every dollar you have invested in your home ... to insulate your investment portfolio ... and to go on the offense, making gains of up to 56% as real estate values fall.

Urgent Step 1: Eliminate or reduce your exposure to plunging real estate prices!

There are a lot of reasons people sell their homes. Some people need to move for a job. Some want to downsize after the kids go off to college. And some need a bigger home for a growing family.

But right now, there's another, more important reason to consider selling: Real estate prices are set to plunge again! With investment property, it's a no brainer. Sell and don't look back. The decision can be more complicated with a primary residence. But with prices likely to fall further, it makes sense to consider doing it.

So how can you be a "smart" seller? This information will help you ...

Step 1. Make sure you work with a competent agent, choosing a Realtor with the following minimum capabilities:

- A recent track record of selling many properties in the same general category as yours.
- Strong marketing savvy, including not only traditional channels, but also email, the Internet, and the ability to develop a stunning virtual tour of your property online.

Step 2. Work with your agent to review comps — recent sales of comparable homes in your neighborhood. Make sure they are:

- Truly recent. If prices are changing rapidly, the usual timeframe, such as the last six months, may be too long.
- Actual sales. "Asking" or "list" prices could be based largely on fiction and fantasy. Do not rely on them.
- Really comparable. Make sure it's an apples to apples comparison. If not, work with your Realtor to make the needed adjustments.

Step 3. Calculate an average on the comps and mark it down at least 10%. If market conditions are deteriorating rapidly and/or you're in a particular hurry, mark it down another 10%.

Not convinced you should be that aggressive? Then ask your Realtor to show you the stats on your neighborhood provided by www.TrendGraphix.com.

Specifically ...

- Compare the number of homes on the market to the number of homes sold. If the number of homes on the market is far larger, that gives you an idea of how much competition you have.
- Check the average price per square foot. Is it falling? If so, you need to make sure your price is not only below last month's level, but also below what the current month and the next couple of months are likely to be, assuming the decline will continue at the current pace.
- Review the average number of days that homes are on the market before they're sold. If it's high, or worse, going higher, that should redouble your resolve to price the home aggressively. Remember: The longer your property stays on the market, the more its price can decline and the less likely you'll be able to sell it.

Another reliable indicator: The months of inventory of homes on the market. If it's high and rising, discount your property accordingly.

Step 4. Work with your agent to estimate the final proceeds of the sale — the amount you're likely to receive after negotiations, commissions and costs. If you've priced your property aggressively, the final sale price should not be significantly lower than your asking price. If a home is priced with some room for additional back-and-forth bargaining with the buyer, the sale should not have to be lower than 10% off the asking price.

In some communities, however, where previous buyers have historically gotten better deals, say 12-15% discounts from the asking price, new buyers will push for — and typically get — a similar deal. If that's your case, ask for a bit more up front to compensate for the fact that your price will probably be negotiated down more aggressively.

Step 5. Compare the estimated proceeds to the outstanding balance on your mortgage. If it's not enough to pay off your mortgage, I would strongly recommend paying the difference with cash from one or more of the following sources:

First choice: The sale of other assets you own that are not a necessity, such as investments, equipment, a second car, collectibles like art and antiques, business assets, etc.

Second choice: Cash savings

Third choice: A loan from your 401(k)

Fourth choice: Cash loans from friends and relatives

I recognize that these are tough choices. But if your original decision to sell the property was based on valid reasons, those reasons are not altered simply by the fact that you're upside down on your mortgage. Even borrowing from other sources is probably a better choice than being trapped in a sinking asset with a burdensome debt load.

I can think of only one combination of circumstances that would justify canceling the sale and keeping the property:

You see strong indications that the Great American Apocalypse Real Estate Bust is over and that home prices have indeed reached rock bottom in most areas. Plus ...

Your mortgage is a low-rate, fixed-interest mortgage and you are relatively sure you will continue to earn enough income to cover the monthly payments until it's completely paid off.

If you cannot raise the funds, one last resort would be a possible short sale. But it has severe limitations.

Step 6. When you're ready to list the property, do not mark the price down incrementally. Some people think "I'll try listing my home at a higher price first. If it doesn't sell, then I'll mark it down some more." But that approach is asking for failure because the best time to attract buyers is within a short time window after your initial launch.

Months later, your listing will be stale and attract fewer buyers. So it's always best to offer your lowest, most aggressive price right from the outset. The longer the property is on the market, the greater the danger that you'll find yourself chasing, always one or two steps behind the falling market prices.

Step 7. Offer a special commission bonus to Realtors. Typically, commissions are 6 percent, give or take a percentage point in special situations. To make sure your property has a competitive advantage over other, similar properties, I highly recommend that you:

Offer a two-point, extra commission bonus, bringing the total commission to 8 percent. That way the listing agent (your broker) and the selling agent (the buyer's broker) will each get an extra one-point incentive to focus on your property above anyone else's.

Tell your agent to make sure the extra commission is clearly stated in the MLS listing — both under "commissions" and under "broker remarks."

Step 8. A no-brainer: Make your house clean! If that means repainting, new carpets and a lawn make-over, it will be worth every penny of cost and every minute of your time. Never underestimate how much poor appearance will turn away potential buyers, or, at best, diminish the value you get out of any sale. You want buyers to take one look and say "Wow! I could move right in today!"

Step 9. Develop a carefully crafted, multi-channel marketing plan. Many sellers assume a beautiful home will simply sell itself. So they underestimate the importance of strong marketing. Don't make the same mistake!

Even in a not-so-weak market, there is often tough competition for scarce buyers; and without strong marketing, your property may not get the time of day. No matter how wonderful the house may be, if no one comes to see it, what good will it do you? You should:

Brainstorm with your Realtor to come up with the single most important, outstanding feature that makes your property different from others. That's your unique selling proposition (USP). It could be something about the home itself, the neighborhood, or the location. If everything seems uninteresting or plain vanilla, then pick the one feature you like the best and couple it with the low price.

Brainstorm further to develop a list of other special features. Unlike the USP, these don't have to be unique. If there are many, the list can be relatively long. If there are few, the list can be short. Rank the items from most to least important. Then, put #1 and #2 at the top of the list, #3 and #4 at the bottom of the list, and the balance in the middle of the list.

Make sure all your advertising and communications begin with the USP and, space allowing, include as many of the special features as you can.

Develop a virtual tour online. Make sure that ...

- it is professionally photographed, reminding you of something you might see in a home magazine;
- it also illustrates your USP and special features;
- each photo or video segment includes a strongly worded caption that points out interesting details

or features (whether clearly visible in the photo or not);

- the photographer also shoots any attractive views of mountains, water, gardens, or other scenery;
- the slide show is accompanied by background music carefully selected to bring out the ambience of the home.

Place the listing online — not only on primary sites like Realtor.com CraigsList.com, Yahoo.com, Zillow.com, but also on Internet real estate sections of local newspapers.

Dedicate some quality time or a bit of money to creating a dedicated webpage of your own, including:

- all the professionally created materials developed for other sites;
- additional photographs highlighting aspects that you could not include in the virtual tour, such attractive scenes in the neighborhood and the region;
- maps that demonstrate the convenience of local shopping, recreation and other facilities;
- favorable comments about the community.

Your dedicated page doesn't have to have everything to be ready for launch; you can always improve upon it as you go. Just be sure to have your Realtor review the site carefully to identify anything that might be misinterpreted by buyers and potentially kill a worthy sale. For more ideas, also visit sites like www.ziprealty.com and www.realestate.msn.com.

Print out your dedicated web page to a color printer. Or better yet, work with your Realtor and a professional graphic artist to craft it into an attractive flyer or brochure.

Create a special launch email to send to all Realtors in the area. In your email, be sure to use:

- a sender name that Realtors are likely to recognize (Remember: Most people don't open emails from strangers.);
- a strong subject line that, in a few short words, communicates the USP of your property;
- a message that begins with the full USP and then bullets each of the special features — plus, don't forget to highlight the two-point commission bonus;
- a link to the page with your listing for further details.

Adapt the Realtor launch email to send personally to friends, neighbors and others that may be interested in buying your property themselves.

Add a personal note along the lines of: "If you have friends or relatives planning to move into this area, this could be the solution for them."

Invite them to forward the email.

Do your best to personalize as many of your emails as possible. But if you must send out a mass email, enter the recipients' email addresses in the "Bcc" field of your email to avoid broadcasting your email list to everyone.

I repeat: Do not underestimate the importance of all of these efforts.

Step 10. When you get bids for your property, never say "no," regardless of how ridiculously low you may think they are. Some sellers say, "That bid is so low, it's an insult. I don't even want to talk to those people." But in a very weak market, you have to deal with what you've got. If you do not reject the bid out of hand ...

- Your agent will have the opportunity to nurse it along and possibly warm the buyer up to a price that you may be able to live with.
- It will be a learning experience: You'll get a sense of what a buyer's typical objections may be and you'll have a chance to try out some arguments to overcome the next buyer's objections.
- Based on what you learn, you can update all your marketing materials and dedicated web page while your listing is still relatively new.

Step 11. Consider offering special incentives to the buyer. In a buyer's market, new home builders will likely be handing out incentives like Halloween candy. To sell a used home, you may need to do something similar. For example, you could offer:

- An allowance for closing costs. If your agent thinks it will make a significant difference, you can specify the allowance in MLS listing with words like "Seller willing to pay closing costs." Otherwise, save it for negotiations and deploy it as an ace in the hole to help close a deal that's on the fence.
- A buy-down of the buyer's mortgage. I don't recommend owner financing. It's too risky. But often, the lender will accept a deal in which the seller pays some portion of the interest in the early years of the mortgage, e.g., two percentage points in the first year, one point in the second year, or the like. Not a very good deal for you! But if that's what it takes to make the sale, it might be worth it.
- A decorating allowance worth some small fraction, say, one percent, of the sale price. Just be sure not to make this known except to buyers who see the house. Otherwise, they may interpret it as a sign that the home is not clean and needs work.

In each case, your Realtor should seek to get a sense of what the buyer's objections are or what special extras the buyer is looking for. Then, try to customize your incentives to meet each buyer's individual needs and tastes.

Step 12. What about a short sale? I don't like this solution for two reasons:

In a short sale, you effectively default on the difference between your final proceeds and the balance on the mortgage. For example, if you owe $300,000 on your mortgage and the most you can get from a sale is $270,000, you pay the bank the full $270,000 and default on $30,000. This leaves a stigma on your credit record that can last as much as five years.

You may have to wait for months to get the bank's approval, and until that day arrives, it is very difficult to know what the chances of approval may be. Despite bona-fide offers from buyers, banks are known to take a long time to make a decision and still turn down the request. In the meantime, you may lose your prospective buyer, who has other choices not requiring approval from the seller's lender. Some Realtors, virtually promised an approval by bank officers and then turned down, are suing the banks. But they're unlikely to prevail.

However, if your only two options are a short sale or foreclosure, the short sale is the lesser of the evils.

Urgent Step 2: Eliminate your real estate investment risk!

If we're heading into a real estate apocalypse, as I believe we are, you can bet that stocks and bonds of all kinds of companies will get slammed. The most vulnerable?

1) Home builders — With the real estate market sliding into an american apocalypse, we'll see a fresh flood of homes hitting the market. We'll also see major drops in orders. That will lead to a renewed plunge in sales and earnings at public home building companies that operate around the U.S.

Vulnerable Stocks: **Lennar (LEN), Ryland Group (RYL), KB Home (KBH), Toll Brothers (TOL)**

Vulnerable Exchange-Traded Funds and Indices: **PowerShares Dynamic Building & Construction Portfolio ETF (PKB), Philadelphia Housing Sector Index (HGX), SPDR S&P Homebuilders ETF (XHB)**

2) Mortgage Insurers — These insurance companies write policies that pay off banks in the event low-down-payment borrowers default. Their losses are going to explode again as the market rolls over for a second time.

Vulnerable Stocks: **MGIC Investment (MTG), Radian Group (RDN), PMI Group (PMI)**

3) Diversified banks — Many banks got hammered in Phase I of the real estate collapse. Some failed, while others were forced into shotgun marriages with stronger institutions. Now with a real estate apocalypse coming, they're going to see a fresh surge in loan and credit losses and a fresh collapse in the value of loan collateral.

Vulnerable Banks: **Citigroup (C), Wells Fargo (WFC), Bank of America (BAC)**.

Vulnerable ETFs and Indices: **PHLX/KBW Bank Index (BKX), Regional Bank HOLDRS Trust (RKH), Financial Select Sector SPDR Fund (XLF)**

4) Retailers — Consumers can't cash out home equity to fund spending binges anymore. Their confidence is plunging along with the value of their homes. And the job market stinks. That makes retailers incredibly vulnerable. Stores specializing in home improvement goods, yard supplies, furniture, appliances, and other related goods should suffer the most.

Vulnerable Stocks: **Home Depot (HD), Lowe's (LOW), La-Z-Boy (LZB)**

5) Construction-related businesses — These include suppliers of things like lumber, concrete, carpet, and paint ... companies distributing or leasing construction equipment ... and more. The basic rule of thumb is clear-cut: If the company relies on the housing industry for its livelihood, it's vulnerable.

Vulnerable Stocks: **Masco (MAS), Sherwin-Williams (SHW), Stanley Black & Decker (SWK)**

Vulnerable ETF: **iShares Dow Jones US Home Construction (ITB)**

Urgent Step 3: Cut your homeownership expenses!

Okay, let's say you realize how deep and steep future home price drops could be, even after the declines that have already occurred. You know how shaky the stock market and the economy may become, and how that might affect your real estate investments.

If, despite these dangers, you feel your financial condition can easily withstand the downside, or you have decided to keep your home for other personal reasons, that's understandable. There are millions of Americans who do not want or need to sell their own home. But there are, still, some basic steps you can take to reduce your costs — to help ensure you'll survive the Great American Apocalypse Real Estate Bust:

Step 1. Cut your property taxes.

Determine if the residences in your neighborhood have been falling in value, and by how much. For a quick estimate go to http://realestate.yahoo.com/Homevalues and enter your address and zip code. Not only will you see your residence's estimated value but also the price of nearby similar homes for sale. If property prices have fallen significantly in your area, you have every right to cut your property taxes accordingly.

If you're experiencing a significant price decline in your area (say, 10% or more from the peak), ask your Realtor to help you gather evidence of the decline, including sales records of properties similar to yours.

Contact your county property appraiser's or Treasurer's office and ask for the property appraiser or other officials responsible for determining the value of residential property for tax purposes.

Step 2. Shop around for homeowners insurance. In tough times, it's not unusual for insurers to compete aggressively for your business. They want your business because they hope you'll buy other insurance products. And in areas where homeowners insurance is harder to get, you can take steps to cut your insurance costs by installing hurricane shutters, adding a burglar alarm system, getting a special roof inspection and more.

Step 3. Consider a mitigation inspection. If you live in an area considered prone to natural disasters, the moderate cost of a mitigation inspection may be money well spent. One of my co-workers did just that in South Florida. A licensed contractor visited her newly-built home, inspected the home's stormproofing features, and then provided signed paperwork to the insurance company. Result: She saved 56% on homeowners insurance.

Step 4. Refinance if possible. Mortgage rates are essentially the lowest they've been in the past century. If you have equity in your home and your credit is good, you have every reason in the world to refinance. You could save hundreds or thousands of dollars a year in interest charges and payments.

A good place to check on current mortgage rates: www.Bankrate.com.

And for more resources on refinancing, check:

www.fool.com/personal-finance/home/60-second-guide-to-smart-refinancing.aspx

www.hud.gov/buying/refinance.cfm

www.consumersunion.org/finance/refinance.htm

http://finance.yahoo.com/how-to-guide/loans/12821

Step 5. If you're struggling to make your mortgage payments and are at risk of default, the Home Affordable Modification program could help you. The $75 billion loan modification program, which runs through 2012, is designed to reach up to 4 million at-risk borrowers.

Check out these highlights to see if you qualify:

Mortgages for single-family properties that are worth more than $729,750 are excluded.

The home must be a primary residence and may not be investor-owned.

Borrowers must provide their most recent tax return and two pay stubs, as well as an "affidavit of financial hardship" to qualify.

Borrowers in bankruptcy are not automatically eliminated from consideration for a modification.

Borrowers in active litigation regarding the mortgage loan can qualify for a modification without waiving their legal rights.

Eligibility is restricted to loans originated on or before Jan. 1, 2009.

How to apply? Contact your mortgage servicer at the number listed on your monthly mortgage bill or coupon book, and ask about the Home Affordable Refinance application process.

Step 6. Pay down your mortgage. With bonds yielding so little, your best financial bet may be to "earn" a "return" of 5% or 6% easily — by paying off your mortgage! Every dollar of debt you eliminate at an interest rate around that level is saving you money. It's certainly better than parking money in a bank account that's paying all of 0.1% in yield!

Urgent Step 4: Go on the offense and make money as real estate tanks!

When stocks or real estate tank, many investors freeze like a deer in headlights. They just sit there and listen to their broker's or agent's lousy advice to "hold for the long term."

But you don't have to be taken to the cleaners anymore! You can go on the OFFENSE, using inverse ETFs as I described earlier. With the rally in real estate and related share prices coming to a close, you should consider two primary inverse ETFs that are focused on real estate:

- The **ProShares Short Real Estate (REK) —** REK is an unleveraged, inverse ETF that's designed to rise 1 percent for every 1 percent decline in the Dow Jones United States Real Estate Index.

That index includes 76 companies active in all areas of the real estate business — from mall owner **Simon Property Group (SPG)** to apartment community operator **Equity Residential (EQR)** to mortgage REIT **Annaly Capital Management (NLY)**.

- **The UltraShort Real Estate ProShares (SRS) —** SRS is a leveraged, inverse ETF that's designed to rise 2 percent for every 1 percent in the same index that REK targets. Just keep in mind that while the use of leverage can magnify your gains, it can also increase your losses if you get the direction of the underlying market wrong.

My recommendation: Use one or both these inverse ETFs to target big gains from the renewed decline in real estate. If real estate shares fall back to the level they were trading at in phase one of the economic decline, this ETF could return as much as 56%. And if the great american apocalypse carries us to even lower lows, all bets are off!

Section 8:

Phase II of The Great American Apocalypse Banking Crisis

The banking sector caught a break in late 2008 and early 2009 when the government basically propped it up with a flood of money. But with the economy slumping into a great american apocalypse, that funny money just isn't going to cut it anymore — not with the banking sector in such lousy shape.

Indeed, among 7,851 institutions recently reviewed by Weiss Ratings, only 911 merited a rating of B+ (good) or better, qualifying them for Weiss' "strongest" list, while 2,331 received a rating of D+ (weak) or lower, the criteria for inclusion in Weiss' "weakest" list.

Moreover, of the industry's $13.3 trillion in total assets, the weakest banks and thrifts hold the lion's share — $7 trillion, or 52.9 percent. In contrast, the strongest institutions hold assets of only $491.7 billion, or 3.7 percent of the total, based on first quarter data.

Previously, based on year-end 2009 data, Weiss' "weakest" list included 2,259 banks and thrifts, holding 43.8 percent of the industry's assets, while the "strongest" included 962 institutions, which, as now, was 3.7 percent of the total assets.

As Martin Weiss recently noted: "Our ratings not only reflect continuing weakness in the wake of the american apocalypse, but also indicate a further deterioration since 2009. This trend is confirmed by the large number of bank failures, totaling *103 banks so far this year, compared to 64 this time last year*.

"Looking ahead, if the economy suffers a double-dip recession, we could see further loan losses from mortgages and high-risk derivatives, threatening a return of the debt crisis."

So what can you do to protect yourself? For starters, avoid doing business with the weakest large institutions in the country. Here they are:

U.S. Banks and Thrifts Considered Vulnerable (with a Weiss Rating of D+ or lower and assets of $8 billion or more; Data Pull Date; February 2011)

Institution	City	State	Assets ($000)	Weiss Rating
SUNTRUST BANK	ATLANTA	GA	164,556,831	D-
REGIONS BANK	BIRMINGHAM	AL	129,067,664	D-
RBS CITIZENS NA	PROVIDENCE	RI	114,464,649	D-
COMPASS BANK	BIRMINGHAM	AL	64,282,405	D-
E*TRADE BANK	ARLINGTON	VA	43,286,835	D-
BANCO POPULAR DE PUERTO RICO	SAN JUAN	PR	30,816,000	D-
SYNOVUS BANK	COLUMBUS	GA	30,600,180	D-
ASSOCIATED BANK NA	GREEN BAY	WI	22,244,020	D-
ASTORIA FS&LA	NEW HYDE PARK	NY	18,916,885	D-
FIRSTBANK PUERTO RICO	SAN JUAN	PR	16,667,580	D-
STATE FARM BANK FSB	BLOOMINGTON	IL	15,351,787	D-
FLAGSTAR BANK FSB	TROY	MI	13,833,304	D-
EVERBANK	JACKSONVILLE	FL	11,547,331	D-
WHITNEY NATIONAL BK	NEW ORLEANS	LA	11,499,458	D-
CITIZENS BANK	FLINT	MI	10,394,247	D-
STERLING SB	SPOKANE	WA	10,034,258	D-
EMIGRANT BANK	NEW YORK	NY	9,820,024	D-
BANCO POPULAR NORTH AMERICA	NEW YORK	NY	9,348,606	D-
WILMINGTON TRUST CO	WILMINGTON	DE	8,700,781	D-
DORAL BANK	SAN JUAN	PR	8,131,140	D-

Weiss Ratings Scale: A=Excellent, B=Good, C=Fair, D=Weak, E=Very Weak. Plus sign=top third of grade range; minus sign=bottom third. According to a 1994 GAO study of Weiss Ratings scale, a Weiss Rating of D+ orlower is considered “vulnerable.”

By contrast, some of the safest banks to consider for checking and savings accounts include the following:

U.S. Banks and Thrifts Considered Strong (with a Weiss Rating of B+ or higher and assets of $5 billion or more; Data Pull Date; February 2011)

Institution	City	State	Assets ($000)	Weiss Rating
INTERNATIONAL BK OF COMMERCE	LAREDO	TX	10,009,177	A-
STATE STREET BANK & TRUST CO	BOSTON	MA	167,877,412	B+
TD BANK USA NA	PORTLAND	ME	10,613,543	B+
NORTHERN TRUST CO	CHICAGO	IL	67,512,976	B
CHARLES SCHWAB BANK	RENO	NV	52,999,980	B
AMERICAN EXPRESS BANK FSB	SALT LAKE CITY	UT	33,772,618	B
AMERICAN EXP CENTURION BK	SALT LAKE CITY	UT	29,911,904	B
UBS BANK USA	SALT LAKE CITY	UT	29,614,443	B
FIRST-CITIZENS BANK & TRUST CO	RALEIGH	NC	18,108,502	B
SILICON VALLEY BANK	SANTA CLARA	CA	14,543,825	B
NORTHERN TRUST NA	MIAMI	FL	11,978,492	B
SIGNATURE BANK	NEW YORK	NY	10,934,974	B
NORTHWEST SB	WARREN	PA	8,170,812	B
SCOTTRADE BANK	DES PERES	MO	7,204,082	B
COMMUNITY BANK NA	CANTON	NY	5,470,740	B
MANUFACTURERS & TRADERS TRUST	BUFFALO	NY	67,256,265	B-
HUDSON CITY SAVINGS BANK	PARAMUS	NJ	60,616,788	B-
USAA FSB	SAN ANTONIO	TX	43,609,024	B-
PEOPLES UNITED BANK	BRIDGEPORT	CT	20,415,430	B-
COMMERCE BANK NA	KANSAS CITY	MO	18,577,844	B-

Weiss Ratings Scale: A=Excellent, B=Good, C=Fair, D=Weak, E=Very Weak. Plus sign=top third of grade range; minus sign=bottom third. According to a 1994 GAO study of Weiss Ratings scale, a Weiss Rating of D+ orlower is considered "vulnerable."

There's another option to mull over, though: Moving your money out of the banking sector ENTIRELY. Just consider: America's banks pay you an average of only about 0.51%[1] on personal checking accounts. Meanwhile, on business checking accounts, banks pay you no interest whatsoever.

[1] Bankrate.com, February, 2011

And by the time you add up all the fees that banks charge you for services such as ...

- Regular checking ...
- Low balances ...
- Writing too many checks ...
- ATM withdrawals ...
- Deposits, and ...
- Bounced checks ...

... you may actually be *paying* your bank for the use of your own money.

You do get better interest with CDs. But there, your liquidity — the access to your funds — is severely restricted by early-withdrawal penalties.

Federal law requires a minimum penalty of seven days interest for early withdrawal on any account classified as a time deposit, which includes CDs. And since the law doesn't set a maximum penalty, banks are free to charge more — and they usually do.

So it's not unusual to see penalties like these on CDs:

CD's term	You lose
30 days	All your interest
Two to 18 months	Three months interest
Two years or more	Six months interest

My solution is a plan I call "Treasury-Only Savings and Checking." I think it gives you the very best combination of safety, yield, liquidity, and convenience available in the world today.

I will show you exactly how to go about setting it up — both for your personal and business accounts. And I will tell you about the best vehicles for you to use. But first, let's cover ...

The Advantages (and Disadvantages) of Treasury-Only Savings and Checking

The basic vehicle for Treasury-Only Savings and Checking is very simple: Instead of using banks, you use primarily a special kind of money market mutual fund — a Treasury-only money fund.

A Treasury-only money fund invests all of your money in short-term U.S. Treasury securities (plus other securities that are 100% backed by U.S. Treasuries). The fund uses a bank, but strictly as custodian for the securities, and those accounts are completely segregated from the bank's deposits or assets.

The Treasury-only money fund also provides you with check-writing privileges so that you can use the money fund as your personal or business checking account. There are many advantages:

Advantage #1. Enhanced Safety. Although the FDIC has raised its coverage limits from $100,000 to $250,000, there are a couple of problems associated with that change:

First, if many small banks — or just one large bank — fails, the FDIC's funds could be exhausted. It has credit lines with the U.S. Treasury, and if those are exhausted, it would certainly ask for additional money. However, it is uncertain if those additional funds would be granted immediately.

Second and most important, even within the world of Treasury guarantees, there is a pecking order, with differing degrees of safety. U.S. Treasury securities are at the top of the totem pole, enjoying a first-priority *direct* guarantee of the U.S. Treasury Department. In contrast, the Treasury's *indirect* guarantees through agencies like Ginnie Mae, Fannie Mae, Freddie Mac or the FDIC are second or third priorities. In an extreme pinch, the Treasury will meet its highest priority guarantees first, and only then, honor its second and third priority guarantees with whatever funds it has available.

The authorities may try to downplay this critical difference, insisting that "all government guarantees are created equal." However, if that were the case, why do agencies like Ginnie Mae, Sallie Mae, Fannie Mae and Freddie Mac — plus thousands of banks and thrifts — have to pay more interest than the Treasury Department to borrow money? The answer is quite straightforward:

Buyers and sellers — including the U.S. government itself — recognize that those other government-backed instruments are ultimately riskier and that direct U.S. Treasury securities are safer.

Advantage #2. Higher Yields. Right now, the Federal Reserve is trying so hard to prevent a depression — and the demand for ultrasafe short-term U.S. Treasury securities is so great — that the yields have fallen to practically zero. However, this is probably a temporary situation. And, historically — both in good times and bad — the Treasury-only money funds have generally yielded substantially more than the yield offered on the average personal checking account in the U.S.

So although this illustration does not apply to today's situation, it has generally been true in the past and probably will be true again in the not-too-distant future.

Let's assume an average balance of $5,000. And let's assume you boost your average yield from 2% to 4%. Your interest income, when compounded, could actually be more than TWO times greater.

Assuming no change in these rates, over a 10-year period, you would boost your interest income from $1,095 to $2,401.

In your business checking account, banks pay you no interest whatsoever. So if you assume an average balance of $50,000, your interest income over 10 years would be $24,012. That's a total 10-year return of nearly 48% on your money that you might not have earned otherwise.

Plus, in a business of fairly average activity, you would also be able to take better advantage of the "float" — the funds remaining in your account while checks written against them have not yet cleared.

With this float, your average daily balances can increase by 50% or more. Assuming an average daily bank balance of $75,000, your total yield on your $50,000 book balance jumps to $61,018 over 10 years. So we're not talking about petty change. We're talking about a very significant, untapped source of revenues.

Advantage #3. Low Fees. When a bank quotes you yields — on any kind of account — it always quotes you the yields *before* deducting all the service fees I cited at the outset. And with bank charges and fees currently at their highest level in modern history, it's almost impossible for most bank customers to collect anything near the advertised yield.

In contrast, when a money fund quotes you its yield, it is invariably *after* deducting its fees and expenses. Of course, the past or current yield is no guarantee of future results. But the yield quoted is the net yield that investors in the fund are actually earning.

How much of a difference can this make? In most cases, a very large one. Indeed, we figure that, after deducting the myriad of bank fees, most Americans today are getting a net yield of close to zero on their accounts, while many wind up losing money.

Two examples of outrageous fees:

It rarely costs banks more than $2 to process a bounced check. But most charge you close to $30.

It costs them nothing to receive a wire transfer from another bank. Yet most banks charge you $10 or more.

Many banks charge you if you make too many transactions ... and they charge you again if you have too few transactions. They get you on the way in when you make deposits — and on the way out, when you make withdrawals.

They often charge a hefty fee if you use the automated teller machines; and with some accounts, many will charge you yet another fee if you use live tellers.

In contrast, most Treasury-only money funds charge you nothing or very little for each of these situations.

Advantage #4. One Account for Both Checking and Savings. At banks, most customers divide their money between (a) a checking account, where they give up most of their yield, and (b) a savings account or CD, where they give up immediate access and liquidity. No matter what, it's almost impossible to get both optimal liquidity and solid yield in the same bank account.

In contrast, Treasury-only money funds let you keep nearly all of your cash assets — whether for savings or for checking — in one single account. This means that whether you're investing $10,000 or $1 million ...

You have complete access to all your funds at all times.

You can withdraw the entire amount, with no penalty whatsoever. Just write a check or request a wire transfer, and it's done.

Your money consistently earns competitive, current market yields.

You never have to worry about leaving too much in your checking account at lower yields. The full amount is available for checking at all times, earning full interest.

You continue earning interest on your money up until the moment your check clears. The longer it takes for your payees to cash their checks, the more interest you earn.

In short, you get maximum liquidity and maximum yield on your entire balance. Plus, there's no more shuttling back and forth between checking, passbook savings, money market accounts, CDs, and other complex combinations.

Instead, you'll be able to have one large account that meets nearly all your needs — checking, savings, and investment. (You may still need one more small account that I'll tell you about in a moment.)

Advantage #5. No Limit to Your Account Size. When you use banks for your savings or checking, you have to go through a series of contortions to keep your money safe from failure:

In each CD, you have to make sure your initial investment is actually under the $250,000 limit. Otherwise, the accumulation of accrued interest could put your balance over the limit, and that portion would not be covered by the FDIC.

You have to spread your CDs among various accounts. This means you would have to keep track of several accounts at the same time.

With large checking accounts, you would have to call your bank almost daily to make sure it's not over the $250,000 FDIC limit. Reason: If there are several large checks outstanding, your bank balance could be over the limit; and if the bank fails at that time, any excess amount could be lost.

Here's the crux of the dilemma with any bank checking account: To make sure your funds are covered by the FDIC, you need to keep your balance under $250,000. But to maximize your interest on the float, you'd want your balances to be as high as possible, with no limit at $250,000.

Result: The two goals are in conflict. So if you want the full insurance coverage, you may have to forget about the float.

With Treasury-only money funds, I believe that insurance is a moot point. Your funds are invested strictly in securities that are guaranteed directly by the full faith and credit of the U.S. Treasury Department.[2] And there is no limit on the Treasury's guarantee of its obligations — whether you're a beginning saver with just a few thousand, or you're a Bill Gates with billions.

Unlike bank accounts, there is no limit to your account size with a Treasury-only money fund — another reason for keeping nearly all your cash in one single, easy-to-manage account.

All the assets of Treasury-only money funds are invested in short-term U.S. Treasury securities (plus some securities that are fully backed by U.S.

Treasuries). These are widely considered to be the safest securities in the world. So other than a decline in the value of the U.S. dollar itself (a subject I will cover shortly), U.S. Treasury securities are simply not at risk.

Indeed, as I explained under Advantage #1, most people in the financial industry (except perhaps for some bankers) would agree that the direct guarantee of the U.S. Treasury Department is actually stronger than the guarantee of the Federal Deposit Insurance Corporation. As a result, U.S. Treasury securities receive a higher credit rating than bank CDs.

The reason is obvious: There have been more than 3,000 bank and S&L failures in the last 30 years, causing savers and businesses serious inconveniences and even outright losses. In contrast, there has *never* been a default on U.S. Treasury securities ... even when the government was temporarily shut down due to a budget dispute ... even when the entire country was torn by Civil War.

Advantage #6. Exempt From Local and State Taxes. The income you earn on both Treasury-only money funds and bank accounts is subject to federal income taxes. So there's no difference between bank deposits and Treasury-only money funds in that regard.

However, when it comes to local and state income taxes, there *is* a significant difference:

The dividends you earn on Treasury-only money funds are generally exempt from local and state income taxes. On the other hand, the income earned on bank accounts and CDs is not exempt. And you should know that we did not account for the added benefit of this tax exemption when we compared the yields on bank deposits to those on Treasury-only money funds. Therefore, depending on your city's or state's tax laws, the after-tax yield advantage with a Treasury-only money fund could be even greater.

Advantage #7. Truly FREE Checking. Nearly all banks charge you — one way or another — for your checking privileges. They may charge you a fee for each check you issue. They may charge you a flat monthly service fee. Or they may charge you a combination of both.

Sometimes banks say they're giving you "free checking," but require large minimum balances, paying little or no interest. No matter what, you're paying for checking — and probably too much.

Most Treasury-only money funds do not charge you any extra fee for check-writing privileges. You can write as many checks as you want, as often as you want. At most money funds, when they say "free checking privileges," they really mean it.

This is not true for all Treasury-only money funds, however. And some do levy certain charges for special services — that's to be expected. But they're almost always lower than the charges at banks. Moreover, if you shop carefully, you can reduce even these charges down to virtually zero.

Advantage #8. Immediate Liquidity. As with any financial institution, there will be a holding period for the out-of-town checks you deposit to your account. But your money goes to work for you right away, generating interest income immediately. And if you deposit your money via wire transfer, you can avoid the holding period; your funds will be available immediately.

In short, except for the holding period, all of the funds received by your Treasury-only money fund are available to you all of the time. There are four ways you can withdraw your money from your Treasury-only money fund:

You can write a check against the balance in your account — to yourself or to another payee.

You can call or send a fax to your money fund's shareholder service department, giving them

---

2 Treasury-only money market funds themselves, like all funds, are neither sponsored nor guaranteed by the U.S. government. In addition, they are not a deposit of, nor endorsed by, any bank and, therefore, are not insured under the FDIC or any other agency. However, the Treasury securities they invest in are fully guaranteed by the U.S. Treasury Department, and the securities are kept in safe keeping at a custodian bank. Even if the custodian bank fails, the Treasury securities are segregated from the bank's assets and are not affected.

instructions to issue a wire transfer. (Before the fund can accept your wire instructions, however, you will need to have a signed authorization on file. This can be done when you open your account.)

You can request a check be sent to you directly from the fund. You can also authorize telephone instructions for redemption by check when you open your account.

You can establish a systematic program to automatically send a set amount to you monthly, quarterly, semi-annually, or annually.

The Disadvantages: As you can see, there are tremendous benefits in using this plan: Treasury-only money funds offer you the opportunity to earn more. They can save you a great amount of money and time. They give you far more access to your money, opening up new investment opportunities, and potentially transforming the way you do business.

However, there are three disadvantages — two small and one not-so-small:

First, most money funds impose a minimum amount for each check, usually $100. So you may need a small checking account for checks under $100. If you shop around, though, you should be able to find a Treasury-only fund that will let you write checks for as little as $50.

Second, the banking authorities have not allowed Treasury-only funds to offer cash withdrawals from ATM machines.

Third, never forget that a Treasury-only money market fund is denominated exclusively in U.S. dollars. Therefore, at times when the U.S. dollar is going down in value against other major currencies — or against other measures of value such as gold bullion — then the value of your dollar-denominated assets, including the safest of them all, also goes down.

However, in a great american apocalypse, deflation is very likely, and that deflation means your dollars will buy more in the U.S. and be worth *more* abroad — *not less*.

Plus, if you are a U.S. resident or do business in the U.S., you will still probably need to keep most of your funds in U.S. dollars. Therefore, even if the dollar is falling in value, the solution is not to simply avoid holding dollars — that would be both impractical and potentially riskier.

Rather, we believe the more prudent approach is to follow the plan we propose here for most of your keep-safe funds. Then, during times when the dollar is going down, separately allocate a modest portion of your funds to investments that rise when the dollar declines. For example, you can now easily invest in foreign currencies to hedge your dollar risk; I'll give you more information on that in the next section of this report.

How to Set Up a Treasury-Only Savings And Checking Account

Whether you are an active investor or not, whether you have a lot of money set aside or just small amounts, I recommend you follow these steps to open your account. These are the same steps Martin recommended in his book, The Ultimate Depression Survival Guide, but in greater detail to better help you with some of the specific issues and questions that may come up.

Step 1. Decide what type of account you want to open. For your personal checking account, it could be established as an individual, joint, custodian, or trust. (In addition, you can also use your Treasury-only money fund to open a separate account for your IRA or other retirement accounts.)

Step 2. Select any one of the Treasury-only funds listed in the table at the end of this section, investing exclusively in short-term U.S. Treasury securities or equivalent. All the funds offer the same safety and essentially similar services.

There is, however, one important issue that distinguishes the various Treasury-only money funds today: Since yields are currently so low and since those yields aren't enough to cover their fees and expenses, some are closing their doors to new investors.

That's a shame. Precisely when Americans most need and want a safe and convenient place for their money, those funds seem to be putting their own business interests first. My view: As a special service for their customers, they should be able to pull down a small portion of their revenues from their other mutual funds or businesses and cover their small operating expenses.

Step 3. Download the prospectus and application from the web site. Then, call to get answers to a few questions about the costs associated with check-writing privileges:

"How many checks will you provide for me at no charge?" For personal accounts, at least the first 20 or 25 checks should be free. If you want additional checks, it's reasonable to expect a printing charge, but it should not be more than $15 per 200 checks.

"Will you charge me a per-check transaction fee?" If the answer is yes and you anticipate a relatively active account, don't do business with this fund.

"What is the minimum dollar amount for which I can make out each of my checks?" It should be no more than $100. If it's over $100, this fund may not be suitable for your Treasury-Only Savings and Checking plan.

"What is the minimum balance that I must maintain in my account, and will you penalize me if my balance falls below the minimum?" If the minimum is too high for you or if there is a penalty, look elsewhere.

"Do you accept deposits of second-party checks?" If the answer is no, this isn't the right fund for this plan.

Step 4. Ask them to mail you a fund prospectus, along with the appropriate account application. Read it carefully before investing. You may also download the prospectus and application from the fund's website.

Step 5. If you are not sure about what forms and documents you will need to submit to open an account, now is the time to ask. Some typical types of accounts, along with the documentation needed, are:

Type 1. Individual or joint account, minor custodian account: You'll need the application and the signature card (indicate the number of signatures that will be required to cash a check).

For joint accounts, unless you specify otherwise, they will probably be opened as *joint tenants with rights of survivorship (JTWROS)*, meaning that the entire account balance will pass to the survivor in case one of the joint owners dies.

If you want the account to be registered as *joint tenants in common (JTIC),* be sure to specify that in writing when you open the account. JTIC means that each person owns a set percentage of the account; and if one person dies, his or her percentage does not automatically go to the survivor, but goes into the deceased's estate to be distributed.

If you wish a *custodian account for a minor child (UGMA),* don't forget to use the child's Social Security number for correct IRS reporting.

Type 2. Trust or guardianship: You will need the application and the signature card (indicate the number of signatures needed to cash a check). Plus, you will need certified copies of the appropriate trust documents or court papers appointing a guardian and any power of attorney forms, if applicable. Hint: Put the trustee name(s) first on the account registration to reduce the paperwork that would be needed whenever an account transaction is requested. Example: Jane S. Doe, TTEE Doe Family Trust.

Type 3. IRA, ROTH IRA, or other retirement account or rollover: Ask for the IRA or retirement plan application and agreement. This information should include a new account application, a transfer authorization, and a rollover certification form.

If you're opening a *new retirement account*, fill out the new account application only.

If you're *transferring a retirement account directly between custodians*, fill out both the application and the transfer authorization. Also be sure to include a copy of the most recent statement from your current custodian.

If it's an *IRA rollover* and you have a distribution from a retirement account that you are going to transfer to the Treasury-only money fund, fill out both the new account application and the rollover certification form. (Important: Due to IRS regulations, check writing is not possible on IRA accounts.)

Step 6. With the above documents, also provide the basic wiring instructions to the fund. If there is no space on the application, put the following information in a separate, signed letter:

Your bank's name, city, and state

Your bank's "ABA" number

Your bank's wire transfer account number

Your account number at the bank

All registered names on the account

Note: The account title on your bank account should be the same as the title on your Treasury-only money fund account.

Step 7. Don't forget to sign the application. Then make your check payable to the Treasury-only money fund and mail it with your new account materials. You should receive written confirmation of your deposit in the mail within a few days, and a checkbook within about two weeks.

How to Maximize Your Yield With Treasury-Only Savings and Checking

Once you have completed the above steps to establish your Treasury-only account, proceed with the following steps:

Step 8. Keep only a minimal amount in your local bank. Most people maintain balances of $500 to $2,000 for petty cash and small, occasional checks.

Step 9. Use a major credit card for as many of your purchases as possible. Then, in order to avoid any interest charges, pay off your credit card in full each month with one check written off your Treasury-only money fund.

Step 10. To maximize your total yield and liquidity, transfer the bulk of your cash funds to the Treasury-only money fund account. These can include any investment funds you wish to keep liquid and available for upcoming opportunities, most of your regular spending money, and most of your keep-safe savings.

Step 11. Write all of your checks that are above the fund's per-check minimum from this account. These could include checks for paying your mortgage, rent, monthly credit card bills, utility bills, and any large purchases at establishments that give you a better price for non-credit card purchases.

Step 12. If you need a large amount of cash or want to buy traveler's checks, just call your Treasury-only money fund and give them instructions to transfer the money to your local bank. In most cases, if you call before 3 PM, you should have the funds in your account the next business day.

Step 13. At most funds, you may deposit your salary and any checks payable to you directly into your account. Just endorse the checks with your signature on the reverse side and include the words "for deposit to," followed by your account number at the fund. Then simply mail your deposit to the fund. (You may use the deposit slip and envelope that most funds provide you with your monthly statement.)

As always, do not send cash in the mail. If you have cash deposits, make them at your local bank and then send the funds to your Treasury-only money fund via either a check or wire transfer.

If you want to know if your check has cleared your fund, and you don't want to wait for the written confirmation in the mail, just call the fund's shareholder services at its toll-free number.

You will receive monthly statements from the fund showing all your checking transactions, plus any other activity including deposits, dividend income credits, etc. (Note: Canceled checks are not usually returned to you automatically, unless you specifically ask for them.)

That's it! With these steps, you will now have superior safety overall, significantly greater effective yields, greatly reduced bank charges, and maximum liquidity.

Now, as promised, here is a list of Treasury-only funds to consider:

American Century Capital Preservation Fund
(800) 345-2021
www.americancentury.com
Symbol: CPFXX

Cavanal Hill US Treasury Fund
(800) 762-7085
www.cavanalhillfunds.com
Symbol: APGXX

BB&T US Treasury Money Market Fund/Trust Shares
(800) 228-1872
www.bbtfunds.com
Symbol: BBUXX

Citi US Treasury Reserves
800-625-4554
www.leggmason.com
Symbol: CISXX

Dreyfus 100% US Treasury Money Market Fund
(800) 645-6561
www.dreyfus.com
Symbol: DUSXX

Evergreen Treasury Money Market Fund, Class A
(800) 343-2898
http://www1.evergreeninvestments.com
Symbol: ETAXX

Fidelity US Treasury Money Market Fund
(800) 343-3548
https://www.fidelity.com
Symbol: FDLXX

First American US Treasury Money Market Fund
(800) 677-FUND
www.firstamericanfunds.com
Symbol: FOEXX

Gabelli US Treasury Money Market Fund
(800) 422-3554
www.gabelli.com
Symbol: GABXX

Huntington US Treasury Money Market Fund Trust
(800) 253-0412
www.huntingtonfunds.com
Symbol: HTTXX

JPMorgan 100% US Treasury Securities Money Market Fund
(800) 480-4111
www.jpmorganfunds.com
Symbol: HTSXX

RMK Select Treasury Money Market Fund
(800) 222-8866
http://www.morgankeegan.com
Symbol: FITXX

Schwab US Treasury Money Fund
(800) 435-4000
www.schwab.com
Symbol: SWUXX

T. Rowe Price US Treasury Money Fund
(800) 225-5132
www.troweprice.com
Symbol: PRTXX

US Treasury Money Fund of America
(800) 421-0180
www.americanfunds.com
Symbol: UTAXX

US Treasury Securities Cash Fund
(800) 873-8637
www.usfunds.com
Symbol: USTXX

Vanguard Admiral Treasury Money Market Fund
(800) 662-7447
www.vanguard.com
Symbol: VUSXX

*Intermittently some of the above funds may be closed to new money. Please contact your money market fund of choice before investing.

What else should you do to protect yourself from the Great American Apocalypse Banking Crisis? It almost goes without saying that you should purge your portfolio of ALL banking and finance sector stocks — big banks, small banks, insurers, you name it.

Then if you want to go a step further and turn this apocalypse into a fantastic profit opportunity, you can do so using inverse ETFs. A couple of ETFs focus specifically on the financial sector:

- **ProShares Short Financials (SEF)** — This ETF is designed to rise 1 percent for every 1 percent decline in the Dow Jones U.S. Financials Index. That index tracks the performance of more than 250 banks, brokers, and insurers — from **JPMorgan Chase (JPM)** and **Bank of America (BAC)** to **AON Corp. (AON)** and **Lincoln National (LNC).**

My view: Financial stocks are among the most vulnerable out there to a renewed credit crisis. They'll lose money on loans to heavily indebted countries. The blowout in risk spreads will hammer their bond portfolios. And their funding costs will go up as rates like LIBOR (a rate banks charge each other for short-term loans) climb.

- **ProShares UltraShort Financials (SKF)** — This inverse ETF targets the same underlying index, but it uses leverage. That is, it's designed to rise 2 percent for every 1 percent decline in the financial sector.

- **Direxion Daily Financial Bear 3X Shares (FAZ)** — This inverse ETF targets a broad-based index of financial stocks called the Russell 1000 Financial Services Index. It really amps up the leverage, targeting a 3 percent gain for every 1 percent drop in the underlying index.

As with the real estate ETFs I mentioned earlier, one or more of these ETFs could pay off handsomely if the financial sector plunges back to where it traded in the depths of Phase I of the recession. Just keep in mind that the more leverage you add, the riskier the investment becomes if you're wrong about the direction of the underlying sector.

Section 9:

Phase II of The Great American Apocalypse Dollar Disaster

Here in the U.S. we have the problem of being dead broke as a nation. Deeper in the hole than any civilization in history.

And once the sovereign debt crisis hits the U.S., there's absolutely no doubt that the U.S. dollar will also get clobbered, eventually losing as much as 50% of its current purchasing power in international terms, and perhaps even more domestically.

To the point where someday in the not-too-distant future, the dollar may even cease to exist.

The whole world knows the U.S. is bankrupt and it will not be able to ever get out from under its mountain of debts other than by devaluing the dollar, and defaulting on those debts on the sly, by paying them off with cheaper dollars.

The dollar is in a long-term downtrend that will not even begin to abate until at least 2012, and when it does, it will be because the world is moving towards a single world currency.

There's no question that the dollar is headed much lower. How can the buck not fall in value long-term when …

A. Washington is in hock to the tune of nearly $134 trillion, and the only way out is to largely monetize those debts by effectively printing an unlimited supply of dollars?

B. The economy of our single largest creditor, China, is soaring and will likely displace the U.S. economy as the largest in the world?

C. The conditions surrounding the ongoing financial crisis are exactly opposite the conditions that surrounded the Great Depression?

In the early 1930s, the U.S. was the world's largest creditor. Today it is the world's largest debtor.

In the early 1930s, Europe was defaulting on debts. Today, it's the U.S. that's in the biggest debt quagmire, by far.

In the early 1930s, Washington had a budget surplus, and the monetary system was tied to the amount of gold the Treasury held.

Today, Washington has a massive budget deficit, and there is no gold standard to prevent politicians from spending money the country doesn't have, or preventing the Federal Reserve from printing an unlimited amount of paper currency.

Sure, there will be short-term rallies in the dollar, but don't expect them to be anything but brief bounces. Now here's …

How to Profit

Years ago, it was very difficult for the average investor to participate in the currency market. Either you had to have a fortune or you had to have a big stomach for potentially unlimited risk.

Today, that's no longer the case.

If you are looking for good diversification and the potential for steady returns without leverage, you can use a new set of ETFs that are devoted to each of the major foreign currencies.

And if you are interested in the potential for large speculative profits, you can use the new World Currency Options™ provided by the Philadelphia Stock Exchange.

These are two new, revolutionary vehicles that, for the first time, open the door to currencies for average investors. Here are the details on each:

Revolutionary Vehicle #1
Currency Exchange Traded Funds (ETFs)

ETFs have already revolutionized the world of stock and bond investing. Now, a new kind of ETF — dedicated to buying foreign currencies — is revolutionizing the world of currency investing.

You can now buy ETFs on several world currencies: the euro, Australian dollar, British pound, Canadian dollar, Japanese yen, Mexican peso, Swedish krona, Russian ruble, Chinese yuan, Brazilian real, Indian rupee, New Zealand dollar, South African rand, and Swiss franc. And soon, there could be ETFs on other currencies as well.

As mentioned earlier, there will be short-term rallies in the dollar — and during those periods, the above currency ETFs are likely to decline. So if you own them at that time, you could lose money. But there's also currency ETF that allows you to profit from short-term rallies in the dollar: The **PowerShares DB U.S. Dollar Index Bullish Fund (UUP)**.

Want one *single* ETF that lets you bet on the dollar's decline? That's also available — the **PowerShares DB U.S. Dollar Index Bearish Fund (UDN)**.

These ETFs work in a fairly simple manner: They buy and hold the underlying currencies. If the underlying currency goes up in value, so does the value of the ETF, and vice versa.

Moreover, you don't just get the opportunity for solid appreciation in the currency. As an extra bonus, these ETFs pay you a dividend yield. For example, ETFs like the **CurrencyShares British Pound Sterling Trust (FXB)** and **CurrencyShares Australian Dollar Trust (FXA)** have recently provided significantly higher yields than those available on the U.S. dollar.

But the yield is just the kicker. The primary opportunity is the currency appreciation.

Next, let's take a look at some of the advantages that come with currency ETFs:

- **Easy to trade.** Unlike other methods of trading currencies, buying and selling currency ETFs is simple. You can buy them right in your regular brokerage account. And if you do most of your trading online, that's fine too. You can enter buy and sell orders just like any other electronic trade.
- **Standardized trading hours.** Currency ETFs trade between 9:30 am and 4:00 pm Eastern Standard/Eastern Daylight Time — the same as the stock market.
- **Lower trading costs.** There are no hefty costs or special transaction fees. Your transaction costs are essentially the same as you would pay when you trade any stock or ETF.
- **Low cost of entry.** You can invest as little as $100 per trade.
- ***All* the major currencies.** To repeat, these ETFs allow you to profit from moves in all of the most widely traded currencies.
- **Less risk than other instruments.** Compared to futures and spot markets, the risks are significantly reduced.

Bottom line: These ETFs have taken the mystery out of foreign currencies and made them very accessible to the average investor.

The biggest currency ETFs out there are the CurrencyShares by Rydex Investments and the Currency Income ETFs from WisdomTree

Revolutionary Vehicle #2
World Currency OptionsTM

The Philadelphia Stock Exchange recently introduced its new World Currency Options™ — a revolutionary new investment vehicle that allows you to aim for the profit potential of the currency markets without high minimums and *with strictly limited risk.*

Founded in 1790, The Philadelphia Stock Exchange — also known as PHLX — is over 200 years old, making it the oldest stock market in the U.S.

More than 7,000 stocks are listed there — and nearly every brokerage firm, online and offline, allows you to trade on the PHLX as easily as you trade on the New York Stock Exchange or American Stock Exchange.

Moreover, the PHLX has developed their new World Currency Options™ for all of the world's major foreign currencies: The euro, the Japanese yen, the British pound, the Swiss franc, plus the Canadian and Australian dollars.

With the purchase of World Currency Options™ ...

- ✓ **You can get started with as little as $100:** Instead of being required to put up huge minimums, you can harness the power of the world's six largest currencies for as little as $100!
- ✓ **Your risk is strictly limited:** You always know — to the penny — the maximum risk you're taking with each trade.
- ✓ When you buy World Currency Options™, it is ***guaranteed*** that you can never lose more than the small premium and brokerage commission you paid for the right to buy or sell the currency!
- ✓ **You get leverage of up to 200-to-1 — enough to multiply your money *many times over* on every trade:** You pay a small premium to control a vast amount of a currency. For as little as $100 or $200, you have the potential to control ...

- Ten thousand Swiss francs worth about $8,400 ...
- Ten thousand Canadian dollars worth about $9,500 ...
- Ten thousand Australian dollars worth about $8,600 ...
- One million Japanese yen worth about $8,500, or ...
- Ten thousand British pounds worth about $20,500!

Recently, for example, there was an option available that gave you the opportunity to control British pounds worth more than $20,000. Your price? Just $125. *That gives you the potential for 162-to-1 leverage!*

In addition, the World Currency Options™ offer the following advantages:

- ✓ **Leverage with limited risk.** When investors trade in highly leveraged currency trades, the risk is high. But when purchasing World Currency Options™, a small premium can control a relatively large amount of currency. With the purchase of these options, the entire risk is limited to the premium cost and brokerage fees.
- ✓ **Easy to trade.** World Currency Options™ can be traded right in your regular stock options account, either online or offline.
- ✓ **Standard expiration dates.** World Currency Options™ are settled on the last trading day prior to expiration — the third Friday of the expiration month, just like stock options.
- ✓ **Standard trading hours.** World Currency Options™ trade between 9:30 am and 4:00 pm Eastern Standard/Eastern Daylight Time — the same as the major U.S. stock exchanges.
- ✓ **Lower transaction costs.** Commissions are reasonable, as little as 15 cents to 75 cents per options contract.
- ✓ **Affordable trading units.** Unlike some futures options where the contract size can be too large for the average investor, these options were designed specifically for individual investors. The underlying contract size for World Currency Options™ is 10,000 units of foreign currency, with the exception of the Japanese yen, which is 1,000,000 units.
- ✓ **Cash settled.** There is no delivery of an underlying currency when World Currency Options™ are exercised. Instead, they are always settled in cash (U.S. dollars). In other words, there is *no* delivery of an underlying

currency upon exercise or assignment of the option

✓ **All major currencies.** PHLX has structured their World Currency Options™ so that investors can take advantage of the action that occurs in all of the major world currencies — the euro, Japanese yen, British pound, Canadian dollar, Swiss franc, and Australian dollar.

Three Currency ETFs for long-term gains

Here are three currency ETFs that are ripe for potential profits over the long term …

1.) CurrencyShares Japanese Yen Trust (FXY)

2.) CurrencyShares Australian Dollar Trust (FXA)

3.) CurrencyShares Canadian Dollar Trust (FXC)

Finally, if you would like a separate, unique vehicle for escaping — and profiting — from the spreading crisis, follow these steps:

1. Learn everything you can about foreign currency markets.

2. If you are looking for an excellent asset class for diversification, steady long-term growth potential and extra yield, use currency ETFs.

3. If you are investing on your own, consider ETFs or world currency options, allocating a portion of your funds that you're comfortable with.

Still another option? The suite of **WorldCurrency** CDs from Everbank. This innovative bank offers both individual currency CDs as well as CDs made up of various baskets of currencies to individual investors. You can earn higher yields in select foreign currencies than you can in short-term dollar-denominated deposits, and declines in the dollar against those currencies will juice your total returns.

Everbank also allows you to keep your deposits in any foreign currency you like.

Above all, recognize that with all investments, there are risks of loss. So invest in currencies with moderation. However, also recognize that doing nothing to diversify and protect yourself from the Great American Apocalypse Dollar Disaster could also be a risky approach.

Section 10:

Phase II of The Great American Apocalypse Stock Disaster

By now it should be clear that the stock market is in trouble ... big trouble.

Based on the leading indices I monitor ... the more comprehensive unemployment figures and "unofficial" ones from groups like Shadowstats.com ... and the deterioration in the economy we're already seeing, I believe a Great American Apocalypse Stock Disaster is a *fait accompli*. So brace yourself. It's not going to be pretty:

- The deterioration we've already seen in confidence will likely get much worse, with the Conference Board's index falling to the mid-20s from around 60. Retail sales should go from rising at a year-over-year rate of almost 9 percent to *falling* by double digits.
- Industrial production will likely slump for at least six months in a row, just like it did in early 2009. Factories should end up with more than 30 percent of their available production capacity sitting idle again. Initial jobless claims should rise by tens of thousands of workers a week.
- That, in turn, will lead to a rash of earnings warnings and analyst downgrades — putting the kibosh on corporate America's unwarranted optimism.

It also means that:

- The year-long reprieve from declining house prices is over ...
- It's going to get even harder to find a job ...
- More banks and financial institutions will fail, and ...
- Corporate bankruptcies are going to surge again.
- And all of that should cause stocks to plunge back toward their March 2009 lows. That's around 6500 on the Dow … 1265 on the Nasdaq … and 666 on the S&P 500.
- Corporate and junk bonds will take a renewed hit as well, while cash will become much more attractive to investors everywhere.

So how can you protect yourself ... and profit?

First, get out of vulnerable stocks. On the next page is a list of the riskiest 108 stocks with market capitalizations of at least $1 billion. We used the TheStreet.com Ratings to produce the list on the following page.

Second, raise cash and hedge by following the steps I laid out earlier in this report.

Third, go on the offense using inverse ETFs. I gave you my favorite recommendations earlier in this report. But feel free to explore others, using this comprehensive list of available choices. The **Short S&P 500 (SH)**, for instance, could return as much as 37 percent, if stocks revisit the lows we saw in early 2009.

Company Name	Ticker Symbol	Market Cap	Ratings
ADVANTAGE OIL & GAS LTD	AAV	$1,178,181,000.00	D
AK STEEL HOLDING CORP	AKS	$1,644,393,000.00	D+
AMERICAN CAPITAL AGENCY CORP	AGNC	$2,627,130,000.00	E+
AMERICAN CAPITAL LTD	ACAS	$2,767,615,000.00	D
AMR CORP/DE	AMR	$2,472,984,000.00	D+
AMYLIN PHARMACEUTICALS INC	AMLN	$2,125,375,000.00	D+
ARVINMERITOR INC	ARM	$1,963,771,000.00	D-
ASPEN TECHNOLOGY INC	AZPN	$1,299,083,000.00	D
AUXILIUM PHARMA INC	AUXL	$1,084,310,000.00	D
BLOCK H & R INC	HRB	$4,045,761,000.00	D+
BOSTON SCIENTIFIC CORP	BSX	$10,914,150,000.00	D+
BRASIL TELECOM SA	BTM	$5,175,189,000.00	D+
BRUNSWICK CORP	BC	$1,747,418,000.00	D+
CALPINE CORP	CPN	$6,343,448,000.00	D+
CEMEX SAB DE CV	CX	$10,660,160,000.00	D+
CENTRAL EUROPEAN DIST CORP	CEDC	$1,795,391,000.00	D+
CENTRAL EUROPEAN MEDIA	CETV	$1,265,030,000.00	D
CENTURY ALUMINUM CO	CENX	$1,313,222,000.00	D+
CGG VERITAS	CGV	$4,439,536,000.00	D+
CHARLES RIVER LABS INTL INC	CRL	$2,175,475,000.00	D+
CHIMERA INVESTMENT CORP	CIM	$4,254,469,000.00	D+
CIENA CORP	CIEN	$2,306,594,000.00	D+
CLEAR CHANNEL OUTDOOR HLDGS	CCO	$4,829,395,000.00	D
CLEARWIRE CORP	CLWR	$5,210,018,000.00	D
COMSTOCK RESOURCES INC	CRK	$1,143,187,000.00	D+
CORELOGIC INC	CLGX	$2,375,287,000.00	D+
CORPBANCA	BCA	$3,657,778,000.00	D
CREDIT SUISSE GROUP	CS	$54,395,060,000.00	D
DCT INDUSTRIAL TRUST INC	DCT	$1,205,574,000.00	D+
DENDREON CORP	DNDN	$5,081,858,000.00	D-
DEUTSCHE BANK AG	DB	$55,630,550,000.00	D+
DEVELOPERS DIVERSIFIED RLTY	DDR	$3,458,174,000.00	D+
DUN & BRADSTREET CORP	DNB	$4,281,359,000.00	D
E TRADE FINANCIAL CORP	ETFC	$3,463,520,000.00	D
EASTMAN KODAK CO	EK	$1,255,654,000.00	D
ELECTRONIC ARTS INC	ERTS	$5,063,799,000.00	D+
EMPRESAS ICA SAB DE CV	ICA	$1,645,741,000.00	D+
EXTERRAN HOLDINGS INC	EXH	$1,471,699,000.00	D
FANNIE MAE	FNMA	$2,649,834,000.00	D
FOREST CITY ENTRPRS	FCE/B	$2,605,372,000.00	D+
FORTRESS INVESTMENT GRP LLC	FIG	$2,571,165,000.00	D
GENERAL GROWTH PPTYS INC	GGP	$13,970,720,000.00	D
GOODYEAR TIRE & RUBBER CO	GT	$2,901,600,000.00	D+
GRACE (W R) & CO	GRA	$2,600,148,000.00	F
HATTERAS FINANCIAL CORP	HTS	$1,618,381,000.00	D-
HEARTWARE INTERNATIONAL INC	HTWR	$1,278,607,000.00	D+

Company Name	Ticker Symbol	Market Cap	Ratings
HELIX ENERGY SOLUTIONS GROUP	HLX	$1,172,665,000.00	D+
HOST HOTELS & RESORTS INC	HST	$11,973,520,000.00	D+
HUMAN GENOME SCIENCES INC	HGSI	$4,620,365,000.00	D
ICAHN ENTERPRISES LP	IEP	$3,067,169,000.00	D+
IESI-BFC LTD	BIN	$2,879,585,000.00	D
INCYTE CORP	INCY	$1,772,861,000.00	D-
INTERMUNE INC	ITMN	$2,011,523,000.00	D-
ION GEOPHYSICAL CORP	IO	$1,315,496,000.00	D
JAMES HARDIE INDUSTRIES SE	JHX	$2,723,081,000.00	D+
LAMAR ADVERTISING CO	LAMR	$3,545,262,000.00	D+
LEVEL 3 COMMUNICATIONS INC	LVLT	$2,019,745,000.00	D
MARSHALL & ILSLEY CORP	MI	$3,785,620,000.00	D+
MASCO CORP	MAS	$4,803,900,000.00	D+
MBIA INC	MBI	$2,378,308,000.00	D
MCMORAN EXPLORATION CO	MMR	$2,403,588,000.00	D
MEAD JOHNSON NUTRITION CO	MJN	$12,509,840,000.00	D+
MF GLOBAL HOLDINGS LTD	MF	$1,379,629,000.00	D+
MGIC INVESTMENT CORP/WI	MTG	$1,767,965,000.00	D
MGM RESORTS INTERNATIONAL	MGM	$7,225,233,000.00	D
NELNET INC	NNI	$1,099,671,000.00	D+
NETSUITE INC	N	$1,658,357,000.00	D+
NORTH AMERICAN PALLADIUM	PAL	$1,042,743,000.00	D
NOVAGOLD RESOURCES LTD	NG	$2,922,194,000.00	D
NXSTAGE MEDICAL INC	NXTM	$1,298,114,000.00	D
OCH-ZIFF CAPITAL MGMT LP	OZM	$5,786,495,000.00	D
OFFICE DEPOT INC	ODP	$1,537,721,000.00	D
PHARMASSET INC	VRUS	$1,794,977,000.00	D
POPULAR INC	BPOP	$3,262,358,000.00	D+
PROLOGIS	PLD	$8,097,291,000.00	D+
PULTEGROUP INC	PHM	$3,248,940,000.00	D
REDWOOD TRUST INC	RWT	$1,183,352,000.00	D+
REGIONS FINANCIAL CORP	RF	$8,978,488,000.00	D+
RSC HOLDINGS INC	RRR	$1,224,719,000.00	D+
SANDRIDGE ENERGY INC	SD	$2,953,775,000.00	D
SEATTLE GENETICS INC	SGEN	$1,612,015,000.00	D
SEMICONDUCTOR MFG INTL CORP	SMI	$2,155,559,000.00	D
SILVER STANDARD RES INC	SSRI	$1,718,843,000.00	D+
SPECTRUM BRANDS HOLDINGS INC	SPB	$1,793,368,000.00	D
SPRINT NEXTEL CORP	S	$12,933,910,000.00	D
ST JOE CO	JOE	$2,550,885,000.00	D
STANDARD PACIFIC CORP	SPF	$1,573,821,000.00	D
STERLING FINANCIAL CORP/WA	STSA	$1,212,523,000.00	D
STONE ENERGY CORP	SGY	$1,077,405,000.00	D+
SUNPOWER CORP	SPWRB	$1,405,207,000.00	D+
SUNSTONE HOTEL INVESTORS INC	SHO	$1,161,238,000.00	D
SUNTECH POWER HOLDINGS -ADR	STP	$1,641,148,000.00	D

Company Name	Ticker Symbol	Market Cap	Ratings
SUPERVALU INC	SVU	$1,523,227,000.00	D
SYNOVUS FINANCIAL CORP	SNV	$2,245,420,000.00	D
TELECOM ITALIA SPA - NEW	TI	$26,746,020,000.00	D
TEXAS INDUSTRIES INC	TXI	$1,117,146,000.00	D+
TFS FINANCIAL CORP	TFSL	$3,000,692,000.00	D+
THERAVANCE INC	THRX	$1,608,537,000.00	E+
TIVO INC	TIVO	$1,149,541,000.00	D
UBS AG	UBS	$68,648,030,000.00	D
UNISYS CORP	UIS	$1,178,364,000.00	E+
UNITED RENTALS INC	URI	$1,578,710,000.00	D+
UNIVERSAL DISPLAY CORP	PANL	$1,231,959,000.00	D
USG CORP	USG	$1,665,496,000.00	D
VERTEX PHARMACEUTICALS INC	VRTX	$8,255,781,000.00	D-
VULCAN MATERIALS CO	VMC	$5,414,258,000.00	D+
WEYERHAEUSER CO	WY	$12,211,450,000.00	D+
WHITNEY HOLDING CORP	WTNY	$1,313,366,000.00	D+

TheStreet.com Ratings scale: A = excellent, B = good, C = fair, D = weak, E = very weak, plus sign = upper third of grade range, minus sign = lower third.
Data Date: January 25, 2011

Appendix
My Comprehensive List of Inverse ETF's

Index or Sector You Want to Hedge Against (Look up the index In alphabetical order)	Inverse ETF You Can Use (CLICK on name for more Info)	Leverage	Ticker
Russell 1000® Index	Direxion Large Cap Bear 3X Shares	Triple	BGZ
Dow Jones AIG Commodity Index.	ProShares UltraShort DJ-AIG Commodity	Double	CMD
Dow Jones U.S. Oil & Gas Index	UltraShort Oil & Gas Proshares	Single	DDG
Dow Jones Industrial Average SM	Short Dow30	Single	DOG
MSCI EAFE Index	Direxion Develop Mkt Bear 3X	Triple	DPK
Dow Jones U.S. Oil & Gas SM Index	UltraShort Oil & Gas	Double	DUG
Dow Jones Industrial Average SM	UltraShort Dow30	Double	DXD
MSCI Emerging Markets Index	Direxion Emerg Mkt Bear 3X	Triple	EDZ
MSCI Emerging Markets Index	UltraShort MSCI Emerging Markets	Double	EEV
MSCI EAFE Index	UltraShort MSCI EAFE	Double	EFU
MSCI EAFE Index	Short MSCI EAFE	Single	EFZ
Russell 1000® Energy Index	Direxion Energy Bear 3X Shares	Triple	ERY
MSCI Emerging Markets Index	Short MSCI Emerging Markets	Single	EUM
MSCI Japan Index	UltraShort MSCI Japan	Single	EWV
Russell 1000® Financial Services Index	Direxion Financial Bear 3X Shares	Triple	FAZ
FTSE/Xinhua China 25 Index	UltraShort FTSE/Xinhua China 25	Double	FXP
Russell MidCap Index	Direxion Midcap Bear 3X	Triple	MWN
S&P MidCap 400 Index	Short MidCap400	Single	MYY
S&P MidCap 400 Index	UltraShort MidCap400	Double	MZZ
NASDAQ-100 Index	Short QQQ	Single	PSQ
Lehman Brothers 7-10 Year U.S. Treasury Index	UltraShort Lehman 7-10 Year Treasury	Double	PST
NASDAQ-100 Index	UltraShort QQQ	Double	QID
S&P 500® Energy Select Sector Index	Rydex Inverse 2x S&P Select Sector Energy ETF	Double	REC
Dow Jones U.S. Technology SM Index	UltraShort Technology	Double	REW
S&P 500® Index	Rydex Inverse 2x S&P 500 ETF	Double	RSW
Russell 2000® Index	Short Russell2000	Single	RWM
Dow Jones U.S. Health CareSM Index	UltraShort Health Care	Double	RXD
S&P SmallCap 600 Index	Short SmallCap600	Single	SBB
Dow Jones U.S. Consumer Services SM Index	UltraShort Consumer Services	Double	SCC
S&P SmallCap 600 Index	UltraShort SmallCap600	Double	SDD
Russell Mid-Cap® Growth Index	UltraShort Russell MidCap Growth	Double	SDK
Dow Jones U.S. Utilities SM Index	UltraShort Utilities	Double	SDP
S&P 500® Index	UltraShort S&P500	Double	SDS
Dow Jones U.S. Financials Index	Short Financials Proshares	Single	SEF
Russell 1000® Growth Index	UltraShort Russell1000 Growth	Double	SFK
S&P 500® Index	Short S&P500	Single	SH
Dow Jones U.S. Industrials	UltraShort Industrials	Double	SIJ
Russell 1000® Value Index	UltraShort Russell1000 Value	Double	SJF
Russell 2000® Value Index	UltraShort Russell2000 Value	Double	SJH
Russell Mid-Cap® Value Index	UltraShort Russell MidCap Value	Double	SJL
Dow Jones U.S. FinancialsSM Index	UltraShort Financials	Double	SKF
Russell 2000® Growth Index	UltraShort Russell2000 Growth	Double	SKK
Dow Jones U.S. Basic Materials SM Index	UltraShort Basic Materials	Double	SMN
Dow Jones U.S. Real Estate Index	UltraShort Real Estate	Double	SRS
Dow Jones U.S. Semiconductors Index	UltraShort Semiconductors	Double	SSG
Dow Jones U.S. Consumer GoodsSM Index	UltraShort Consumer Goods	Double	SZK
Lehman Brothers 20+ Year U.S. Treasury Index	UltraShort Lehman 20+ Year Treasury	Double	TBT
Dow Jones U.S. Select Telecommunications Index	UltraShort Telecommunications	Double	TLL
Russell 2000® Index	UltraShort Russell2000	Double	TWM
Russell 3000® Index	UltraShort Russell3000 ProShares	Double	TWQ
Russell 1000® Technology Services Index	Direxion Technology Bear 3X	Triple	TYP
Russell 2000® Index	Direxion Small Cap Bear 3X Shares	Triple	TZA

Also, as promised here's my list of 100 high-rated stocks on my watchlist. We used the TheStreet.com Ratings to produce this list:

Company	Ticker Symbol	Rating
ALTERA CORP	ALTR	A+
AMERICAN SCIENCE ENGINEERING	ASEI	A+
APPLIED SIGNAL TECHNOLOGY	APSG	A+
BALCHEM CORP	BCPC	A+
CHURCH & DWIGHT INC	CHD	A+
CLECO CORP	CNL	A+
ENSIGN GROUP INC	ENSG	A+
FIRST LONG ISLAND CORP	FLIC	A+
GRAINGER (W W) INC	GWW	A+
GREENE COUNTY BANCORP INC	GCBC	A+
HAWKINS INC	HWKN	A+
IDACORP INC	IDA	A+
MAXIMUS INC	MMS	A+
MCCORMICK & CO INC	MKC	A+
MCDONALD'S CORP	MCD	A+
MGE ENERGY INC	MGEE	A+
OPNET TECHNOLOGIES INC	OPNT	A+
PERRIGO CO	PRGO	A+
ROLLINS INC	ROL	A+
ROSS STORES INC	ROST	A+
SUNOCO LOGISTICS PARTNERS LP	SXL	A+
TRACTOR SUPPLY CO	TSCO	A+
ALBERTO-CULVER CO	ACV	A
AMETEK INC	AME	A
ANALOG DEVICES	ADI	A
AQUA AMERICA INC	WTR	A
ARTHUR J GALLAGHER & CO	AJG	A
BALL CORP	BLL	A
C H ROBINSON WORLDWIDE INC	CHRW	A
CANADIAN NATIONAL RAILWAY CO	CNI	A
CARBO CERAMICS INC	CRR	A
CASS INFORMATION SYSTEMS INC	CASS	A
CHECK POINT SOFTWARE TECHN	CHKP	A
CHEMED CORP	CHE	A
CLEAN HARBORS INC	CLH	A
COMMUNITY BANK SYSTEM INC	CBU	A
CONNECTICUT WATER SVC INC	CTWS	A
CORVEL CORP	CRVL	A
CUBIC CORP	CUB	A
DIAMOND FOODS INC	DMND	A
DOLLAR TREE INC	DLTR	A
EXPONENT INC	EXPO	A
EXPRESS SCRIPTS INC	ESRX	A

Company	Ticker Symbol	Rating
HASBRO INC	HAS	A
HEINZ (H J) CO	HNZ	A
HORMEL FOODS CORP	HRL	A
INFINITY PROPERTY & CAS CORP	IPCC	A
INTL BUSINESS MACHINES CORP	IBM	A
J & J SNACK FOODS CORP	JJSF	A
MEADOWBROOK INS GROUP INC	MIG	A
MWI VETERINARY SUPPLY	MWIV	A
NATIONAL BEVERAGE CORP	FIZZ	A
NATIONAL RESEARCH CORP	NRCI	A
NOVO NORDISK A/S	NVO	A
NSTAR	NST	A
NTT DOCOMO INC	DCM	A
O'REILLY AUTOMOTIVE INC	ORLY	A
ORITANI FINANCIAL CORP	ORIT	A
PANERA BREAD CO	PNRA	A
PENNICHUCK CORP	PNNW	A
QUALITY SYSTEMS INC	QSII	A
QUEST SOFTWARE INC	QSFT	A
SCANA CORP	SCG	A
SILGAN HOLDINGS INC	SLGN	A
SMUCKER (JM) CO	SJM	A
SOUTHERN CO	SO	A
STERICYCLE INC	SRCL	A
TREEHOUSE FOODS INC	THS	A
UNION PACIFIC CORP	UNP	A
UNITED-GUARDIAN INC	UG	A
VALSPAR CORP	VAL	A
WASTE CONNECTIONS INC	WCN	A
WATSCO INC	WSO	A
WISCONSIN ENERGY CORP	WEC	A
XCEL ENERGY INC	XEL	A
XILINX INC	XLNX	A
ABM INDUSTRIES INC	ABM	A-
ACCENTURE PLC	ACN	A-
ADTRAN INC	ADTN	A-
ADVANCE AUTO PARTS INC	AAP	A-
ALLIANCE HOLDINGS GP LP	AHGP	A-
ALLIANCE RESOURCE PTNRS -LP	ARLP	A-
AMERIGROUP CORP	AGP	A-
AMERISOURCEBERGEN CORP	ABC	A-
ANAREN INC	ANEN	A-
ANSYS INC	ANSS	A-
APPLE INC	AAPL	A-
APTARGROUP INC	ATR	A-
ARCH CAPITAL GROUP LTD	ACGL	A-

Company	Ticker Symbol	Rating
ARROW FINANCIAL CORP	AROW	A-
ASTRAZENECA PLC	AZN	A-
ATRION CORP	ATRI	A-
AUTOMATIC DATA PROCESSING	ADP	A-
AVISTA CORP	AVA	A-
BARD (C.R.) INC	BCR	A-
BED BATH & BEYOND INC	BBBY	A-
BEMIS CO INC	BMS	A-
BIO REFERENCE LABS	BRLI	A-
BMC SOFTWARE INC	BMC	A-
BOSTON BEER INC	SAM	A-

TheStreet.com Ratings scale: A = excellent, B = good, C = fair, D = weak, E = very weak, plus sign = upper third of grade range, minus sign = lower third.
Data Date: January 25, 2011

Section 11:
About the Author

Mike Larson
Interest Rate and Real Estate Analyst , Weiss Research

Mike Larson joined the company in 2001, and has more than 10 years of experience researching and writing about personal finance, investing, and the housing and mortgage industry. In 2003, Mr. Larson was named associate editor of the company's monthly *Safe Money Report*, and he recently took over as editor. In this role, he is responsible for writing and editing as well as analyzing trading opportunities for clients. Mr. Larson is also a regular contributor to the company's daily e-letter, *Money and Markets* and editor of three of its premium trading services.

Before joining Weiss Research, Mr. Larson was a personal finance reporter for Bankrate.com, where he wrote extensively on mortgage lending, banking, residential real estate, and Federal Reserve Board policy. His responsibilities included analyzing economic data and interest rate trends for a weekly column and developing rate forecasts for a regular index feature. Previously, Mr. Larson held positions at Bloomberg News and the *Boston Herald*.

Recognized as an interest rate and mortgage market expert, Mr. Larson's views have been quoted in numerous publications nationwide, including *The Washington Post*, *Chicago Tribune*, Dow Jones Newswires, Associated Press, Reuters, CNNMoney.com, *Sun-Sentinel*, *Tampa Tribune* and the *Palm Beach Post*. His in-depth analysis of the housing and mortgage market and accurate forecast of the subprime crisis has lead to frequent appearances on CNBC, CNN, Fox Business News, and Bloomberg Television, as well as many nationally syndicated radio shows.

Among the first analysts to call the housing slide, Mr. Larson's policy paper, *"How Federal Regulators, Lenders and Wall Street Created America's Housing Crisis: Nine Proposals for a Long-Term Recovery,"* received broad media coverage following its July 2007 submission to the Federal Reserve and FDIC. In the paper, Mr. Larson accurately predicted the long-term impact of the deepening subprime mortgage crisis on the broader economy that the nation faces today.

Mr. Larson holds B.A. and B.S. degrees from Boston University.