

# *Delta Paradigm.....changing Visions, for changing Times!*

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A personal opinion newsletter.  
By Ernest 'Rus' Chisena

*"If you put the federal government in charge of the Sahara Desert, in five years there'd be a shortage of sand."* ~ Milton Friedman

There is nothing wrong with debt when used properly, the same as can be said with fire. If you borrow money with a set term for repayment and compare the cost of borrowing with your expected return from that investment, then debt can be a useful form of capital. But when debt is used as a way to "manufacture" money as in the case of misleading accounting standards, then debt becomes the nemesis to a society.

As an example: an excerpt from the SocialSecurity.gov website.

<http://www.ssa.gov/oact/progdata/fundFAQ.html>

The Social Security Trust Funds are the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) Trust Funds. These funds are accounts managed by the Department of the Treasury. They serve two purposes: (1) they provide an accounting mechanism for tracking all income to and disbursements from the trust funds, and (2) they hold the accumulated assets. These accumulated assets provide automatic spending authority to pay benefits. The Social Security Act limits trust fund expenditures to benefits and administrative costs.

By law, income to the trust funds must be invested, on a daily basis, in securities guaranteed as to both principal and interest by the Federal government. All securities held by the trust funds are "special issues" of the United States Treasury. Such securities are available only to the trust funds.

In the past, the trust funds have held marketable Treasury securities, which are available to the general public. Unlike marketable securities, special issues can be redeemed at any time at face value. Marketable securities are subject to the forces of the open market and may suffer a loss, or enjoy a gain, if sold before maturity. Investment in special issues gives the trust funds the same flexibility as holding cash.

Tax income is deposited on a daily basis and is invested in "special-issue" securities. **The cash exchanged for the securities goes into the general fund of the Treasury and is indistinguishable from other cash in the general fund.** (emphasis added)

The OASI taxes are deducted from the paychecks or made in quarterly estimates to the Trust, the trust exchanges them with the US Treasury for “special-issue” bonds and then the congress spends the proceeds as part of the general revenues of the government. There are no savings here. There is no set aside funds for anything. The US Treasury promises to pay the money back upon presentation of the bonds.

Think about this:

There is a shortfall in OASI receipts to pay current year benefits. That means the treasury has less tax revenue to use. It also means that the treasury has to go out and borrow that money to pay to the trust fund when they present the bonds. How safe does this guarantee sound in light of national debt of \$14.5 trillion dollars and annual deficits of \$1.5 trillion, representing approximately 100% and 10% of our GDP respectively.

According to CNN Money, August 10, 2010,

[http://money.cnn.com/2010/08/09/news/economy/social\\_security\\_value.fortune/index.htm](http://money.cnn.com/2010/08/09/news/economy/social_security_value.fortune/index.htm) The trust fund matters now, because Social Security revealed last week that it plans to tap it for \$41 billion this year, and will begin tapping it on a regular basis in less than five years.

The receipts for Social Security were \$41.0 Billion short of making the benefit payments. Blame it on the recession that ended June 2009, or a result of higher unemployment as to the reason this issue has reached critical mass, but the bottom line is that the shell game of taxing for one purpose and spending on another is coming to an end.

When the US Federal debt is growing at 10% of gross income (GDP) and the growth of our income is 4-5% before adjustments for inflation, it will take only 2-3 years before our financial predicament represents that of Greece.

*Rus*

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