

## How to Increase Long Term Capital Gains by John V. Kamin

Dr. Ludwig Von Mises used to tell of what happened when he was a famous economist in Austria in 1923. At that time, Austria was experiencing huge inflation problems similar to neighboring Germany, where inflation had completely gotten out of hand.

Desperate Austrian officials came to Dr. Von Mises asking for a meeting, hoping he would give them recommendations on what to do. Von Mises had one unusual condition for the official meeting; he said he would come provided they met him in the Central Park at midnight in Vienna. He held fast to this condition while they complained and objected about the unusual meeting site and time. But eventually, the Austrian government officials agreed.

When they had all assembled at the park, Dr. Von Mises wondered aloud what that big building was doing, with all lights blazing and many people coming and going at midnight near the edge of the park.

Officials who had come to get advice about the current economic crisis said “Oh, that’s the government building where they print the money. They’re so far behind on printing currency and the demand for higher denominations of currency is so great that they’re working around the clock trying to satisfy the requests!”

When they asked him for economic advice, Von Mises quickly replied, “Shut it down.” Now they really objected. What did he mean, shut down the currency printing building? Yes, that was Von Mises’ advice. They had printed too much money already, exacerbating runaway inflation. The Austrian currency was rapidly becoming worthless losing purchasing power. But they didn’t take Von Mises’ advice.

Eventually, Austria’s currency and Germany’s currency were destroyed, as was the purchasing power of other currencies in Europe, leading to the rise of tyrants and dictators and the demise of democracy. Fascism rose in Germany with Hitler and in Italy with Mussolini.

Dr. Von Mises had to flee for his life to New York where he taught classes. Von Mises was one of the famous “laissez-faire” Austrian School of economists suggesting a Free Market economy, perhaps the opposite of what you had in 2009, an interventionist economy, become more interventionist all the time.

I had the privilege of meeting Dr. Von Mises, listening to his speeches and learning from him and his books. Without a doubt, Von Mises would be aghast at 21<sup>st</sup> Century debt-loading, fiat money printing, quadrupling the money supply, government controlled health plans, bailouts of banks, lenders, corporations and insurance companies.

He had been through it before Europe and none of it worked, with many harmful consequences unintended to the citizens – the population.

## **Lessons of History**

Nobelist Fritz Von Hayek was another famous Free Market economist who influenced many during the 1960s, 1970s and 1980s. I'm sure Hayek would be startled, as might the recently deceased Dr. Milton Friedman.

Sometimes (through my good luck) I would find myself scheduled to speak on the same speaker's platform or forum. The great Austrian school economists are no longer around to see the massive monetary interventions now taking place amidst the dismantling of Free Market choices.

My limited experience is that there is not much you can do to convince leaders to abandon interventionism on bailouts, health programs, quotas, rent controls, budget deficits, wildly increased money supplies, or subsidized mortgages by GSEs and DCOs.

There is also little you can do to convince debt-addicted young adults to move to pay-in-full individual economic strategy when debtors thrive on credit, more debt accumulation and over spending. About the only thing you can do is to take alternative Contrarian strategies on your finances, your own family and train them to avoid the highly speculative, immutable, debt-laden society to which they have become addicted.

I could go on with more predictions and forecasts of what's ahead (since the late economists mentioned had seen it all before) but I don't want to frighten you. You could become too startled and then paralyzed about making monetary decisions and using financial strategy. Then you won't even take counter-measures such as the accumulation of hard assets, cash flow real estate, proprietary businesses and other traditional methods of fighting inflation. E.G. – Businesses won't lower their monthly "nut" (overhead), will push expansion at any price and borrow rather than think of survival. Few or none of them will move toward a cash pay-as-you-go economic motif. Congress abandoned "paygo" in 2009.

What can you do as an individual is embrace a different strategy, a Contrarian strategy such as accumulation of gold and silver coins, resalable art and antiques.

## **Make Time Work for Heirs, Not Against Them**

One economic forecast we do have is that by 2062, the USA population will have doubled from 2000 to 600 million people – more or less. I could be wrong by 10% or so, but I don't think that forecast is far off the mark. And if I'm wrong, I could be wrong by being too conservative instead of being too high. Even though many of us won't be around when that happens, your children and grandchildren will be. There are alternatives to buying them costly new video games and paying outrageous tuition at costly liberal universities that teach "interventionism." Perhaps it would be a better idea to put a down payment on far out arterial blacktop highway frontage acreage on the far outskirts of today's major metro elitist job centers. My motto is "Buy by the acre, sell by the foot", then they can make time and population growth and other strong economic forces work for them, with your help.

### **Preparing to Increase Long Term Capital Gains**

One of the hardest jobs I have is to get people to prepare their minds to make money and reduce risks while they think long term; and also to prepare them to put powerful long term forces on their side, so that their money works for them, not against them.

Examples will clarify. When athletes are performing at their very best, they often say they are “in the zone” – focused.

Another example. When a teacher prepares to help students learn complex subjects, he/she has to find a way to get their full attention. If many students don't want to be there learning, are thinking about what they are going to do after school or on the weekend with the friend's latest tweet, or what they're going to wear, the students' minds are not properly focused to absorb complex ideas at a great speed. For greatest benefit in that class, the students first must be in the proper frame of mind to learn.

Usually, whether teaching or attending I prefer concentrated seminars, where experts expand the minds of attendees, where the attendees already have the money and valuable time at risk, such as paying hundreds of dollars to attend or perhaps flying in and staying at a hotel. They pay attention!

### **How Does Mind Prep Make Money, Cut Risks?**

Very simple. You are in one of the greatest potential moneymaking periods of the 21<sup>st</sup> Century; maybe even of the last 50 years. Foreclosures are at all-time highs, levels not seen in decades. Lenders are getting far too many REOs and are willing to provide seller financing if you will just buy some down-priced properties, developed, at bargain prices and take them off their hands. Even the FDIC is selling “packages” of confiscated properties – seeking bids.

### **Thinking Ahead for 2020, 2030 to 2050**

Forecast: I can predict what will likely happen. Most folks even if they've made money on property in the past, will do nothing during this period of bargains with willing sellers. Their minds are defocused, they are not thinking of what prices will be in 2020, 2030 and maybe even 2050.

Retiring business owners are sometimes shutting their doors and walking away from their recession-reduced businesses, giving up. Their local competitors could buy them out at low prices now, increase market share, but they're too scatterbrained with their own problems in their existing businesses. The point is, people who are not thinking long term and thinking instead of daily activities they have on their minds, often are cluttered with too many other things to make big money – six figure and seven figure capital gains, prospecting for profits. They are too de-focused on routine matters to use proven methods to chop risks.

This is very common. It is hard to get them to focus for hours on LTCCG and cutting risks. They'd much prefer to buy during booms and vegetate through the busts.

Contrarian thinking can help you in many ways right now. As stated earlier, this is a wonderful time to make money. This is a time when you can get bargains as never before, providing you're willing to prospect, concentrate and take action to push the deals through. You even have the government trying to help you with subsidies, \$8,000 rebates for first-time home buyers and other things! At taxpayers' expense! Sellers finance foreclosures!

A different example. Are you worried about your cars' reliability? Just get something better so you won't think about your car. Focusing on appliances and repairs that have to be replaced? Get the jobs done now and get them out of your mind. Now is an excellent time to get bargain repairs. The experts will indeed call you back because their business is at a low level.

Are you focused on trying to remodel or clean up junk on a property proving hard to sell? Hire workers, rent a truck and haul all of that old junk to the landfill. If the charities won't take it, bulldoze those junk structures so you can resell a clean desirable building lot instead of trying to resell that cluttered ugly structure to non-existent buyers during the recession.

When you do buy properties, buy modern structures up to code that you can resell when the recession ends at a substantial capital gain or rent it out for cash flow to people who will need a new place to live – tenants seeking a better place to live within commuting distance of their jobs!

### **The Truth**

The actions you take this day, this month, this year will determine how much money you make in 2011, 2012, 2015 and 2020. Get the junk out of your mind so your thinking is clear as a bell on long term capital gain. Take advantage of the powerful forces you can put to work for you and put time on your side. What powerful forces can work for you now?

1. The Bust-Boom Cycle. This is your time. It's bumping close to the bottom, but not there yet.
2. Population Growth. Even as the housing deteriorates and businesses shrink, the population is growing.
3. The currency is being cheapened; long term creeping inflation and deficits are growing at every level. If you borrow more, if you borrow now, say on FRM, you pay back in cheaper dollars, fixed payments over time, while values and cash flow rental income increase over time!
4. This is the time, the best time, to prospect and prepare for the next boom. But, it may take you three to nine months to acquire bargain-priced, need-to-sell properties near the major metro job markets within commuting distance.

**Prediction:** The next market to sag badly is the commercial real estate market. More business buildings, small buildings and modern buildings are going to come on the market during 2010 than most people can foresee right now! Expect it, profit from and put time on your side.

5. Lenders are so anxious to get rid of real estate owned upon which they are foreclosing that they will give you easy financing for it; maybe even as low and 4 ¼ percent on a fixed rate mortgage if you will just “please make a bid and I’ll even make repairs” just to get the property sold and off their books.

The first step is to de-clutter your mind of everyday worries and concerns so that you can concentrate on prospecting for long term capital gains and cut risks.

Learn to negotiate and get out there and get the job done, as long time folks we know are doing it right now. But first, you can’t be constantly thinking about your troubles and daily routine activities and the things you should have done last year; none of that is productive to making big gains. Just do what you need to do so you won’t be thinking about those things anymore and instead, concentrate on making long term capital gains. For example, why even bother yield-chasing for a quarter to one percent return on cash? Instead, shoot for 100% or higher long term capital gains!

*The first step is to de-*John Kamin is a Consulting Economist and publisher of The Forecaster, 19623 Ventura Blvd., Tarzana, CA 91356, (818) 345-4421. Subscription cost is \$180 per year. For more money-making ideas, order his latest book Active Money Strategies & Hidden Wealth Builder Secrets For Young Adults: What They Were Afraid To Teach You In School. If They Ever Knew! \$20 + \$4 shipping and handling plus \$1.65 tax. (95 pages.)

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