

Harry Dent - Dent Research

Millions will be devastated.

But if you know why and when it's destined to happen... you can sidestep the carnage... and secure a legacy of wealth in its wake.

Dear Reader:

Consider yourself warned.

We are on the precipice of the greatest stock market collapse since the great depression.

Make no mistake: a giant bubble is about to pop.

I've done the math and I've seen the signs.

There's no denying the evidence I've uncovered

What's more, I think you know it too. You can feel it in your bones. Something's not right, but maybe you're not sure just "what".

That's what this presentation is about.

I'm going to explain why that "uneasy feeling" you have about today's ever-rising market and propped up economy is dead on the money...

I'll tell you what's about to happen...

And what you need to do NOW to protect yourself.

To be more specific I'll tell you about four unavoidable economic cycles that are set to collide for the first time in such in horrific fashion since 1930 to 1933 – the start of the Great Depression.

This is not fun and games.

This is not fear mongering.

This is today's economic reality.

Hello. My name is Harry Dent.

Over the past 30 years, I've been using known economic and demographic trends to predict major economy and market shifts with uncanny accuracy.

If you know my work – and that of my firm, Dent Research– you know we've helped a lot of investors save money and become wealthy by accurately forecasting major economic events over the years.

We gained national attention for our work in warning investors of the 2008 credit crisis and subsequent stock market collapse, many months and years before it happened.

We also said a recovery rally would present a good, albeit “short lived,” buying opportunity in 2009, particularly when the government stepped in with a stimulus effort.

We said the housing market would take far longer to recover than most people imagine

But it’s not the first time we’ve been “on the money” with our big picture forecasts.

In 1989 we warned the economic boom in Japan would end and begin a 12- to 14-year downturn.

Around the same time, we predicted the U.S. economy would struggle with a “short but sharp” recession in 1990 to 1991, before embarking on one of the greatest economic and stock market booms in American history.

We not only called the top of the tech markets in early 2000, but also issued the strongest “buy signal” of our 30-year history in October 2002... then watched the DOW soar from 7,200 to 14,280 over the next five years. We also predicted the peak of the housing bubble in late 2005.

In other words, we accurately predicted most major economic and stock market events that could have made you substantially richer – or poorer, if you didn’t know what lay ahead – over the past 20 years.

These and other forecasts are all a matter of public record – either through the best-selling books we published or through Dent Research publications.

And as you’ll discover a little later in this presentation, they were easier to predict than you might ever imagine!

But I’m not talking to you today to brag about our past successes.

I reference our forecasting success because our research tells us we’re now in an economic cycle that will almost certainly greatly impact your life, your family, your business and your investments for the coming decade.

Much of the Main Street media and many Wall Street pundits want you to believe the worst is over... that, except for a few bumps in the road here and there, we’re well on the road to recovery.

Let me warn you: that’s NOT what my research says...

That’s why I’ve prepared this urgent presentation.

In short, there is a “perfect storm” of economic and demographic realities brewing that will likely make this decade one of the most trying times in U.S. economic history.

Here’s just some of what you can expect in the coming months, all based on the undeniable evidence that I've found through my research:

Between late 2015 and early 2017, the Dow will drop sharply to around 5,500 – 6,000, and could ultimately go as low as 3,300 – 3,800 before the next long-term bull market begins between early 2020 and late 2022.

Unemployment will soar to 15% or higher as the work pool continues to shrink and companies lean towards employing people with experience (something students entering the workforce obviously lack).

Housing prices will fall again, by as much as 40%... the so-called "recovery" of 2013/14 will diminish faster than an ice on a hot summer day as mortgage rates rise and the wrong group of investors – a.k.a. speculators - lose their taste for the market.

With continued demographic decline, economic hardship and their budgets in crisis, more state and municipal governments will be forced into default, especially at the city and county level. Detroit was only the first...

Faced with huge revenue shortages, the federal deficit will balloon from \$1.3 trillion to as much as \$3 trillion.

The crisis in Europe will only get worse as Greece threatens to default again, the Spanish real estate bubble continues to burst, more banks in Portugal collapse, and each of the European Union member countries slips inexorably over the demographic cliff with the rapid decline of Germany as the biggest surprise.

Despite the lessons learned in 2008, mortgage companies and financial institutions have resumed offering low interest, no principle "teaser" loans and increasingly risky investments, which will lead us straight back into a second financial crisis, with no bailout possible this time.

I know these are bold and grim predictions.

But this scenario was practically preordained - as far back as the mid-1990s when the bubble in stocks and real estate began and Baby Boomers were heading for their peak spending years into 2007.

I'll explain why and how all this will come to pass in a moment.

But please also understand that there's a tremendous upside to what will unfold over the this decade and beyond.

After all, when you're able to know what's coming – and position yourself accordingly – the years ahead could very prosperous times.

You'll have a once-in-a-lifetime opportunity to:

Protect yourself from financially devastating stock market losses by finding the right investment strategy before the carnage begins. The old set-it-and-forget-it style of investing is dead for the next several years.

Earn millions through specific "decline-related" investments year after year, over the next decade...

Create a "legacy of wealth" by snapping up the right investments at fire sale prices...

Set yourself up for the next long-term "boom cycle," which is set to begin between early 2020 and late 2022...

And retire in luxury, with enough money to live like a millionaire and leave a "legacy of wealth" to your children and heirs.

In short, you'll have an opportunity to transform your financial life faster and more radically than you can during any boom market.

But before I go any farther, let me set the record straight...

I take no pleasure in telling you what's in store for America and the stock markets late this year and beyond.

I'm not a "doom and gloomer" by nature, or in my professional work.

I have no political or economic axe to grind.

I'm not a doomsayer or perpetual bear.

In fact, I was one of the most bullish forecasters from the late 1980s into 2007. I'm simply an economic realist... A Harvard MBA graduate, Fortune 100 consultant and new venture investor who, with the help of the research foundation I created, discovered a powerful and incontrovertible link between the science of demographic and generational analysis and what the markets are about to do next. And I simply follow what I learn from our ongoing research, and the historical data behind it, to its logical conclusion. Believe me, it was much more "fun" when I correctly forecasted the greatest and longest "bull run" in stock market history in my late 1992 book *The Great Boom Ahead*.

In it I said the Dow would soar from 2,900 well into five figures over most of the coming decade... that cheap credit would spur one of the greatest real estate booms in decades... and that innovations, especially in information technology, would create more opportunity in the decade ahead than anything we'd seen since the Industrial revolution.

A lot of people thought I was crazy back then.

As you probably recall, 1993 was not a particularly rosy year. We were just emerging from a very rough two-year recession where unemployment had nearly doubled. Iraq's attack on Kuwait had sent oil prices soaring and the U.S. to war. The S&L (savings and loans) crisis was rocking the credit markets. Consumer confidence was severely shaken. It certainly wasn't the best time to be predicting the greatest bull market in history. Yet we did!

A Long Line of "On-the-Money" Forecasts

And anyone who listened and ventured full bore into the stock markets back then could have become millionaires many times over by the end of the decade... particularly those who invested in the technology sectors we said would drive the unprecedented economic expansion.

It wasn't the first time our research proved true.

In 1989, we predicted the very 1990 to '91 recession I just referred to – the one that would serve as the lifting point for the greatest bull market boom of the century. Back then we also predicted a 12- to 14-year slowdown in Japan's red-hot economy. Again, people said there was no way Japan's sizzling economy could fall that hard and that fast. Yet it did. In 1990, Japan's economy went into a much-documented free fall, as real estate prices tumbled 60% and the Nikkei plummeted from 39,000 to 7,800 – 80% – over a 19-year period! Incidentally, that's roughly the percentage drop our research tells us the DOW could face - from its soaring highs down to its ultimate lows around 3,300 - 3,800.

In 1992, we said that the unprecedented federal deficit – then at an unheard of \$450 billion (peanuts compared to today) – would turn into a surplus between 1998 and 2000. People laughed...

But in 1999 the Clinton administration announced a surplus of \$122 billion, followed by a \$230 billion surplus in 2000.

We warned on several occasions in February 2000 that the Internet bubble was "weeks away" from a serious correction... but also that the bigger boom was not over and would continue for the better part of the decade following the inevitable correction.

No doubt what happened there is still a painful memory for some early Internet investors...

Billions in stock market wealth vanished when the NASDAQ tumbled from its 5,050 highs down to 1,100 in late 2002 (78%)... before resuming its upward trend again in 2003.

This predictive success was not some fluke or “voodoo magic”.

We claim to have no crystal ball or special powers.

What we do have, however, is a firm grasp and understanding of the economic, demographic and historical trends that made these events virtually preordained.

When you know things like:

Every 500 years there’s a “mega innovation” – like the printing press or the computer – that forever changes the way we live and leads to decades and centuries of prosperity...

Every 250 years or so we see upheavals in nations and institutions – like the American Revolution and Industrial Revolution or what’s happening today in Eastern Europe, the Middle East and the emerging world – that lead to greater freedoms and human rights, and will expand our freedoms in the developed world as well .

Every generation has a known spending cycle that can impact markets in predictable ways: From the time we’re born... to when we buy everything from music and potato chips to cars and homes... to when we slow down our spending and start saving for retirement ...

That our economy has peaked every 40 years on generational cycles, almost like clockwork...

That commodity prices peak every 30 years ...

That the early parts of most decades start off weak, even in boom times...

That every four years, there’s a significant stock market correction; and every four months it happens on a minor scale...

When you know these things – and apply good science to it all – it really is amazing how clear the future becomes... and how wealthy you can become knowing it.

Once I show you some of the things going on concerning the latest demographic and socioeconomic trends – and how unstoppable their effects on the economy will prove to be...

I think you’ll be not only convinced, but amazed too.

I think you’ll be impressed at just how prophetic our timing has been – using as our basis, a powerful indicator that many economists and most investment experts still dismiss as “secondary” at best.

And while pundits today wonder where the economy’s heading... stewing over things like trillion dollar deficits... higher taxes... or what Obama will do next... you will know what most don’t understand...

That none of it matters!

Why?

Because, as our research suggests, what is about to happen in the markets and the economy was practically preordained back in the 1970s and 1980s....

You see, when Baby Boomers – the biggest generational tsunami in our history – descended on the workforce en masse between 1968 and 1978, they set in motion a series of economic events, like massive inflation, so predictable that anyone who followed them could have become millionaires many times over.

Why?

Because young people are expensive to raise and incorporate into the workforce.

Now these very people, whose earning and spending and innovation fueled the greatest economic boom in history, are about to trigger a second big economic recession... another long slowdown marked with deflation, as they save and retire.

It's practically inevitable for one simple reason...

Around 2008, without much fanfare, the last of the "Baby Boomers" moved out of their "peak spending years". They are no longer in the market for fancy cars, big homes, vacation properties, or all the appliances, furniture and "stuff" that fills them.

Instead, these people are "winding down" their lives. They're starting far fewer businesses... creating virtually zero jobs... and – here's a biggie – paying far less taxes in the coming years.

In short, they've essentially stopped spending all together on the things that drive economic growth: housing, cars, furniture and other "big ticket" items except for the top 20% that peak in their early 50s.

This last affluent group will peak in late 2014 and start saving for their retirement years, like the everyday household did predictably after 2007.

The economic impact this will have on the years ahead will not only be devastating...

It's known and predictable.
An Economic "Perfect Storm"

Of course when you combine this demographic-economic reality with everything else happening with the economy unprecedented debt levels, currency volatility, shifting economic power bases, and the fact that we're on the tail end of one of the greatest technological eras seen since the industrial revolution – it paints a troubling picture for the years ahead.

Now... our research suggests the effects of these events will come to a head around 2015...

Until then, the market will tend to keep edging up. Many investors will make the mistake of thinking the recession is over... that the markets will continue to roar with life.

But this time it won't happen.

Instead, when the final trigger fires, which we believe will happen in early 2015 forward, everything will unravel.

Week after week the markets will wind down... falling through the 15,000 mark...

Down past 11,000, then 8,000... all the way to 6,000 by late 2016 or early 2017, where it will likely rally for a year or a bit more... Ultimately it could drop as low as 3,300 - 3,800 by early 2020, or even as late as 2022.

Only then, when the next major generational trend cycle begins to unfold in 2023 forward, will the market make its next major move higher

As history has shown, these economic trends are virtually set in stone. They are as certain as the DNA with which we were born.

You see, all boom economies produce excesses, whether it be excessive homeowner spending and debt brought on by the misguided belief that housing prices will rise forever... or a manufacturer who over builds, over tools and over hires with the belief that his market will grow forever... or twenty and thirty-year olds making two, three and ten million dollars a year moving money on Wall Street...

The greater the boom, the greater the excesses tend to be and the longer it takes to shake them out of the system.

And at roughly 30 years, the latest boom has been the longest since the post-war economic revolution...

Frankly, it's going to take some time to shake the excesses from the system this time around...

Excesses from a housing boom that drove prices up 130% in six years...

Excesses from corporate growth built to fill the nearly insatiable demands of Baby Boomers' peak spending years – a demand that's no longer there...

Excesses from years of government over-spending – including the tens of trillions of dollars spent on wars, stimulus plans, corporate bailouts and quantitative easing.

Private debt that mushroomed from \$20 trillion to \$42 trillion from 2000 to 2008, dwarfing the massive government debt...

Entitlement promises that were \$66 trillion underfunded by the federal government at last count...

A government-induced infrastructure and real estate bubble in China that is greater than any bubble in world history...

You've got to admit, that's an enormous burden to shake out.

But remember why I'm here to tell you this...

Not only can you protect yourself from what's ahead... you can make fantastic profits too.

Some of the greatest fortunes in history were made not in boom times, but in down economies... by people who understood exactly what was going on.

The Kennedy fortune was made that way... by buying up cheap companies and assets during depression-era America.

Even Warren Buffet launched his career that way... buying stocks on the cheap in the 1970s when nobody else had the stomach for it.

The point is, when you can be confident about where the future is heading – when you know with certainty which markets and investments will be impacted – there's no limit to how much money you can make.

Consider, for instance, the investment success you could have enjoyed if you'd known, as certainly as we did, that Japan was about to enter the most difficult decade in its economic history back in 1989...

Had you shorted the Nikkei year after year since then, you could have made a small fortune.

What if, during the depths of the 1990 recession, you began dishing money into the stock market in anticipation of our predicted bull run, focusing on established players in information and communications technology... companies like Microsoft, Cisco and Dell?

A \$5,000 investment in upstart Cisco alone could have made you over \$2.6 million had you sold around the time we warned about the impending tech bubble burst...

Back then you could have bought Microsoft, already a household name, for 85 cents a share (after factoring in splits), and watched it rocket to over \$58 a share... that's more than a 67-to-1 windfall.

Dell Computers could have returned you a staggering 57,282% for those who bought and held until our warning... turning \$10,000 into more than \$5.7 million.

What a lot of investors don't realize is you can make great fortunes in a down economy as well.
Knowing the Future Can Make You Wealthy

The secret is knowing what's coming and when it's coming... and then preparing yourself accordingly. That's the power of good research.

That's why I believe the message I'm sending you today is one of the most important you're likely to hear in your lifetime.

Because you'll not only understand why we're headed for another great crash... you'll also know what you can expect to see on virtually a month-by-month basis...

I'll show you concrete ways to profit, including a little "insurance investment" you can make right now that will cost you a few hundred dollars, but could make you wealthy as the markets fall to my predicted targets.

First though, let me tell you about "three driving truths" that will shape the coming decade...

Truth #1: The Largest Generation in History Has Peaked in Its Spending Cycle...

Economists, financial pundits, even government policy makers, rarely talk about the most important cycle driving modern economies like that of the United States and other developed nations.

That is...

New generations come along about every 40 years.

And members of these generations move along a predictable life cycle of earning, spending and productivity.

Although we're all different as individuals, as a group we do predictable things...

We tend to enter the work force at age 20...

We get married at around age 26 and have kids around the ages of 28 and 29.

At roughly age 31 we buy starter homes... then we trade up to larger homes between ages 37 and 41, as our families grow.

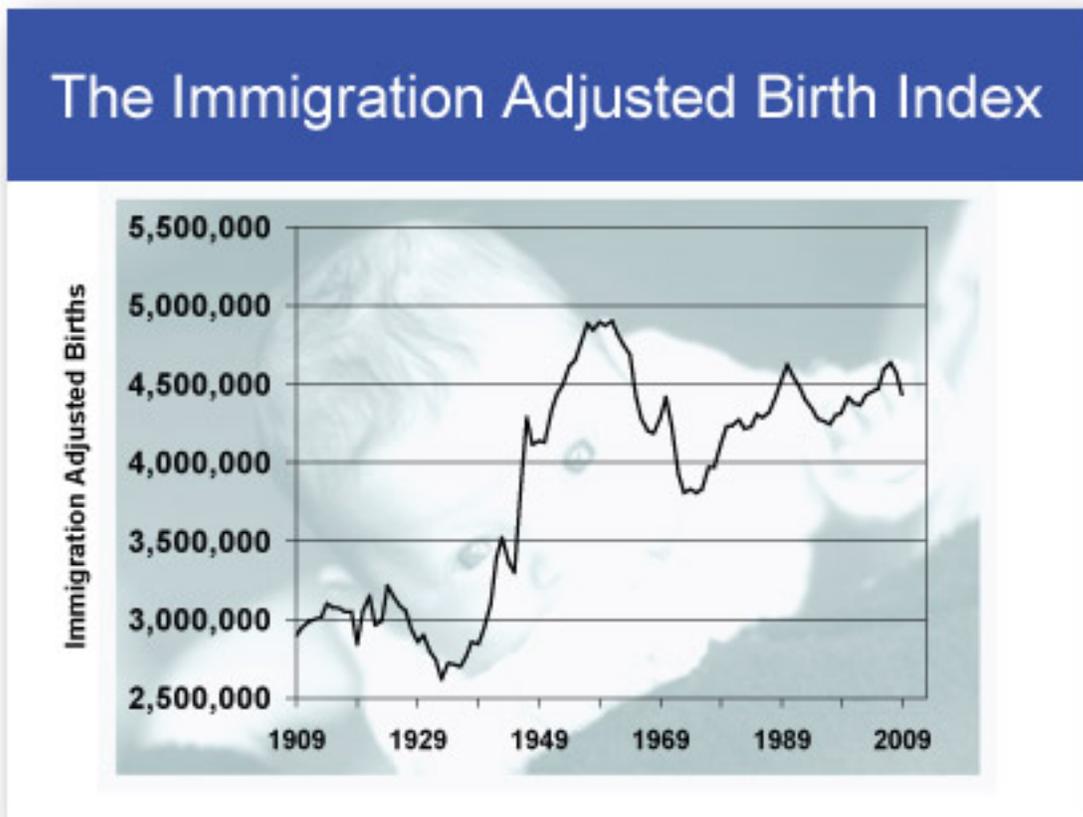
We enter our peak spending phase – the period in our lives when we tend to have the most disposable income and treat ourselves to cars, gadgets and so on – between 39 and age 46, but spending stays buoyant for the most affluent into age 53, especially on automobiles.

Between ages 46 and 53 our spending habits tend to change dramatically. We see retirement not far off and make a concerted effort to save, while our spending needs decline as our kids leave the nest.

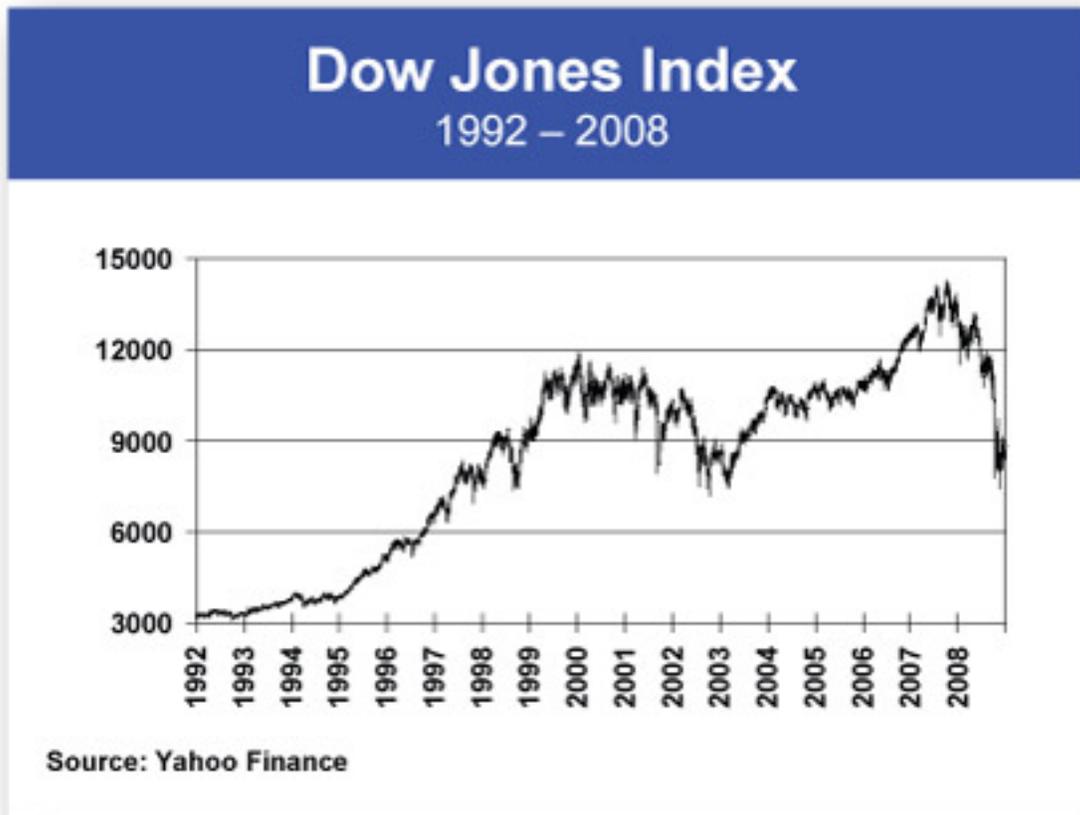
We retire at age 63 (on average) and tend to have our greatest net worth at age 64 – cash, investments and assets we've set aside to live on.

Knowing this, we're able to see, decades in advance, what impact up-and-coming generations will have on the economy, different consumer sectors and the markets. And when you have a generation the size of a pig in a python, you know that the inevitable booms and busts ahead will be monumental.

As you can see from the chart below, the Baby Boomers are no ordinary generation. It peaked at nearly five million births per year (when we adjust for immigrants) between 1957 and 1961.



To forecast the greatest boom years, as this generation moves through its predictable spending patterns, you



merely “skip ahead” 46 years for the predictable peak in spending of the Baby Boomers.

And you discover that the greatest economic boom in U.S. history was pretty much “preordained” to begin around 1983, right as the first of the Boomers entered their peak spending years (1937 plus 46 years)...and start to tail off after 2007, with the last of them moving onto their next spending phase (1961 plus 46 years).

Here’s how the Dow performed over that time:

It rocketed from 775 in late 1982 to 14,280 in late 2007. That’s a 17.4 times gain.

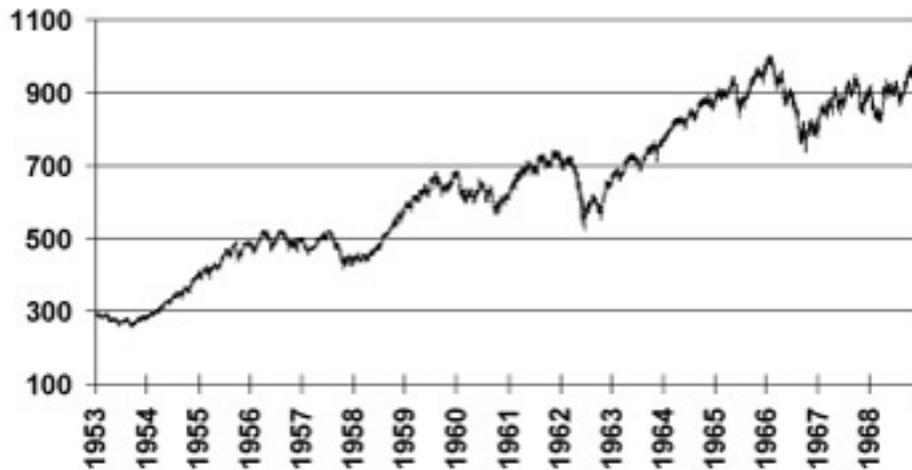
Again, it’s important to understand that we knew – as early as the late 1980s when we developed the Spending Wave – that Boomers would experience their peak spending years during this time.

All we had to do was trust the research and invest accordingly.

Was this an isolated event?

Dow Jones Index

1953 – 1968

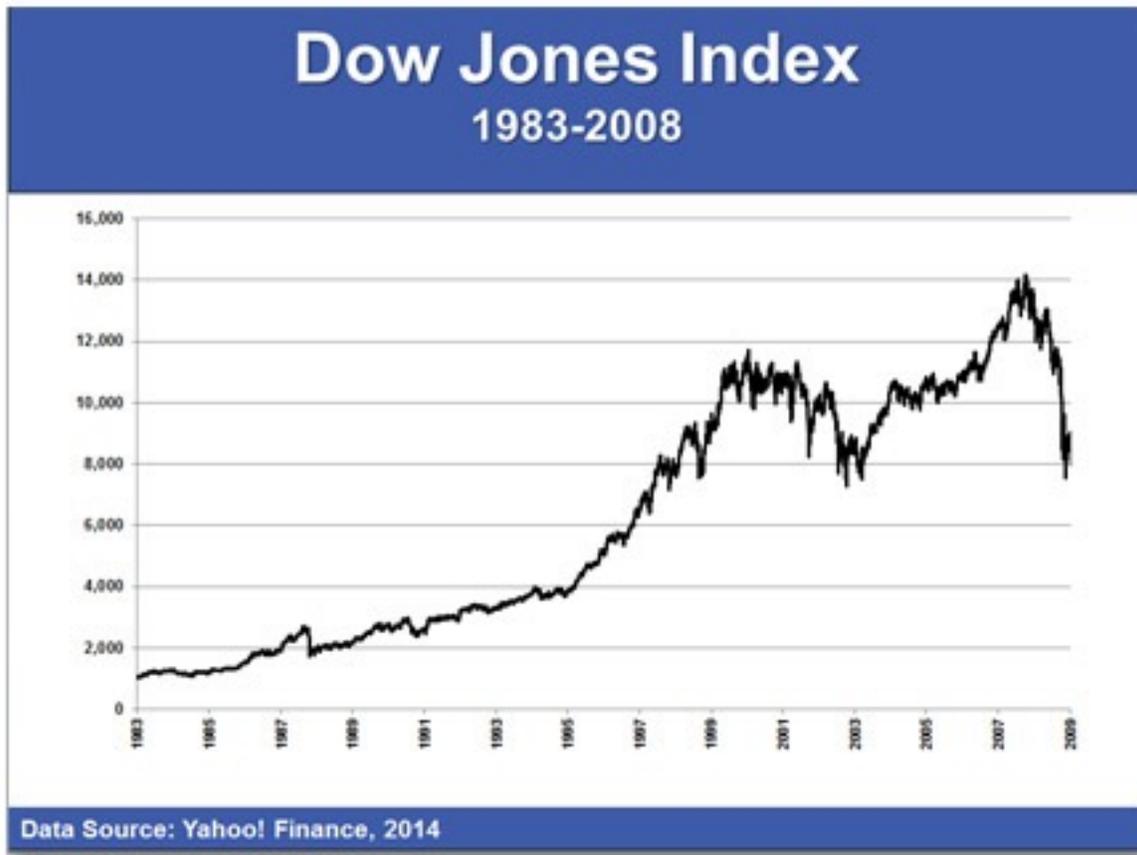


Source: Yahoo Finance

No. Look at the generation 40 years behind the Boomers, where the birthrate spiked from as far back as we can measure it in 1909 through 1921 to 1924 (they're known as the Bob Hope generation).

Skip ahead 44 years (when spending peaked back then) and look how the Dow performed. It soared from 280 in 1953 to 932 in 1968 – a 233% gain.

Of course the years following 1968 would be a different story for the Dow and the U.S. economy in general...



The Dow pretty much traded sideways over the next 14 years... actually losing 100 or so points between 1968 and 1982...

And this exact same scenario is what we see ahead for the next decade or so... only worse, with a greater demographic decline in spending and a much greater debt and financial bubble to burst and unwind. 2015 – 2019 will look more like 1930 – 1933!

The last time it happened, the market didn't start moving higher until after late 1982, when Baby Boomers started moving up their Spending Wave, earning and spending more.

But here's my point about all of this...

Based on the science of demographics, our economy was all but preordained to “turn” in late 2007, when the last of the Baby Boom generation passed their peak spending years. The economy will weaken further as the peak Baby Boomers pass age 53 and decline in spending even more rapidly (this is something we’re witnessing right now).

The bubble created by this generation’s unprecedented surge in spending as they aged past 46 could not be sustained because the people who first drove the spending are now saving. Even worse, they’re no longer borrowing for big ticket items, an activity that leverages spending the most.

Like all bubbles do, it had to burst!

We saw that happen with the credit crisis and the stock market fall of 2008.

Of course, the government did what it thought it had to do. It intervened, pumping trillions into the economy... FIVE years later, it finally started tapering... But the government’s stimulus efforts have not worked in the places most needed. Despite the trillions in "free money," we've only managed to eke out less than 2% economic growth. The only thing that felt the effects of stimulus was the market, which has bubbled up again.

That’s why I’m here to tell you right now:

The worst is ahead of us...

Americans will experience what the Japanese experienced when they saw their Baby Boom population peak 11 to 19 years earlier than our own Boomer generation. Japan’s stock market, real estate and economy declined for 14 years... just as we predicted it would back in 1988 and 1989. It has continued to decline or falter in what we call a “coma economy” due to endless stimulus that doesn’t allow the debt bubble to re-balance and restructure. To make matters worse, many European countries experienced post war Baby Booms of their own. They too are experiencing the same generational shift in spending as we are, but peaking several years later. They will see their worst declines ahead. That reality has made this recession global in scope... and it will be the reason this recession lasts longer than any anticipate. In fact, all the evidence points to the next phase being a depression as the great financial bubbles burst more deeply and the great debts finally get restructured.

So there’s the next great bubble to burst...

China is ripe for a bubble bust, where government has been building cities designed for a million people, yet have zero inhabitants... they continue to build infrastructures they will not need for decades... they strive for excess industrial capacity... - all to keep unemployment from soaring after their exports collapsed in 2008 and 2009.

In a moment I’ll tell you how you should prepare for these events with regard to your investments, your business and your life...

And yes, there will be ways not only to shield your money from what’s to transpire in the coming months, but to profit handsomely too.

But first, there’s another truth to tell you about... something that will make this decade unlike any other we’ve ever seen.

Truth #2: The Greatest Credit Bubble In Modern History Will Continue to Deleverage... Deflation, Not Inflation, Is Ahead.

Inflation is on everyone's mind these days. You can't turn around without experiencing higher prices somewhere... at the grocery store... at the gas pump...

But don't let this fool you. Deflation is the greater threat ahead. And I believe it's crucial you understand this.

Because if you base your investments on the likelihood of consistent, increasing inflation (like buying gold or other inflation-friendly investments), I'm afraid you could be wiped out along with everyone else.

But if you know the real story, not only can you make a lot of money in the short term... you could have a rare opportunity to generate a family fortune by the time 2023 rolls around.

Here's why deflation – not inflation – will be the order of the day, likely from around 2015 through 2023... especially into 2016.

History tells us that most severe downturns and depressions have two phases.

A severe crash, like we saw in late 2007 to early 2009, when the Dow fell 55%, from 14,280 down to 6,440. A market rally, spurred by renewed economic activity from government stimulus. That's where we are now.

And a final crash, deeper depression, and a deflationary phase that lasts a several years.

Most of us have experienced some kind deflation over the last few years, particularly regarding wages. However, the last time there was substantial deflation was during the Great Depression, from around 1930 into 1933 and the economy didn't really recover until World War II.

So what is deflation and how does it impact the economy?

Deflation, as the name suggests, is the exact opposite of inflation.

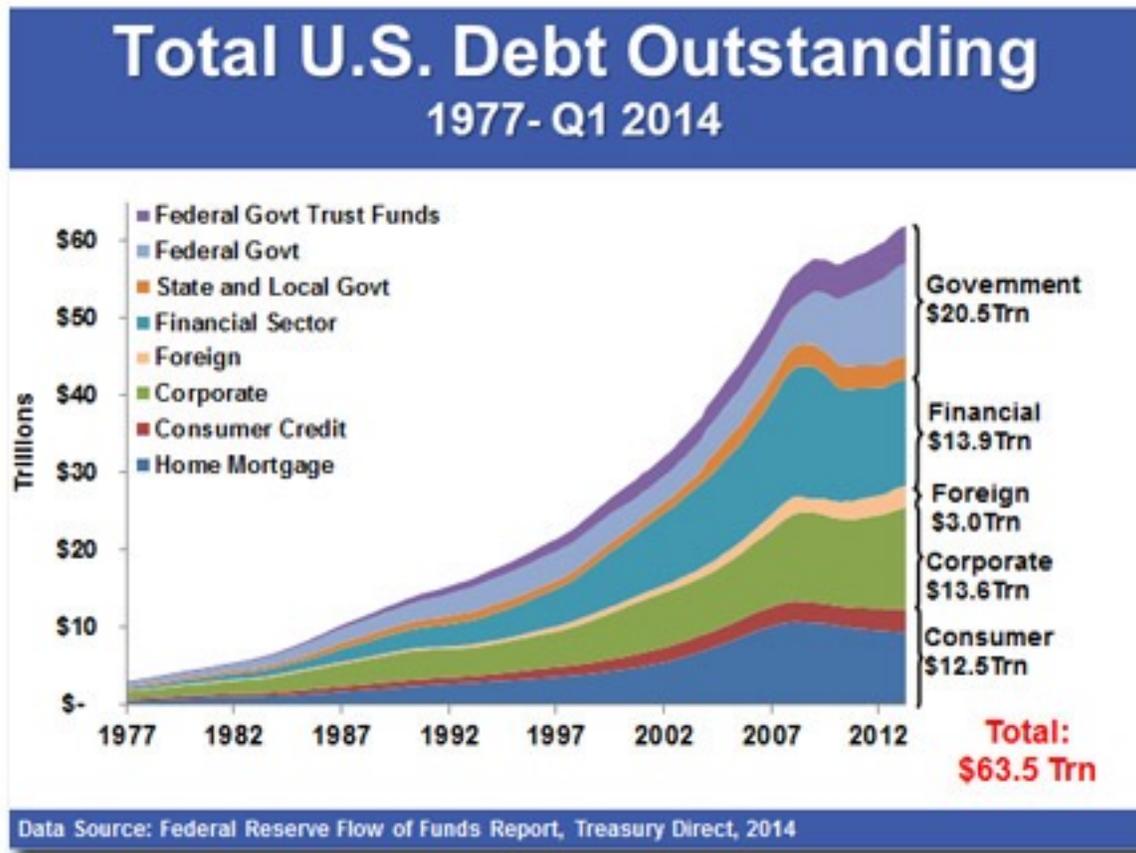
Inflation happens when there's strong demand for goods and services and limited supply due to low productivity and things like oil embargos – like the 1970s. When inflation falls due to a strong productivity revolution like the 1980s through the 2000s, interest rates fall, credit gets easy and people and businesses borrow more and more. They over-expand and overspend. They also speculate increasingly and that causes bubbles in financial assets from stocks to real estate. With deflation, the opposite occurs. There's too much supply of goods and services due to over-expansion. There's less money flowing because credit tightens up, causing money to become scarce. And because people have less money to spend, demand for goods and services go down. The aging of the Baby Boom generation will also cause demand to fall very substantially. And when demand goes down, so do prices.

Of course, prior to 2008 there was plenty of money to be had by all, thanks to all the cheap credit that was available. In the credit boom we extended large amounts of money to homebuyers and homeowners in the form of Home Equity Lines of Credit (HELOCs), subprime loans, No-Income-No-Job (NINJA) loans, Option ARMS, Alt-As, etc.

We lent money to anyone with a pulse, as long as the asset behind the loan was real estate. Why? Because the real estate moneylenders were lending against what was escalating in value... an asset that had seemed to go up for many decades without a major crash. (The Japanese did the same thing in their 1980s real estate bubble, by the way.)

And boy, did we borrow:

Thanks to fast rising housing prices, cheap home equity loans and banks willing to loan to anyone, Americans went on a spending spree like no other time in history:



\$18.2 trillion in government debt...

\$13.5 trillion in leveraged banking and financial services debt...

\$11.6 trillion in corporate debt...

And a whopping \$14 trillion, at the peak in 2008, in consumer debt – mortgages, car loans, credit cards...

In total \$57.8 trillion in total debt (which is now even higher, at \$63.5 trillion!). And that doesn't include the estimated official \$46 trillion in unfunded liabilities for Medicaid, Medicare and Social Security. At last count, the best experts outside of the government estimate those unfunded liabilities to be more like \$66 trillion. Add it all up and that's \$124 trillion to \$130 trillion in debt... Or about \$400,000 for every man, woman and child in America!

The thing is, we examined all of the great bubble and credit booms throughout history and there are no exceptions...

Once credit bubbles go to extremes, they always burst and deflate... resulting in a sudden tightening of money supply (credit)... followed by deflation as massive amounts of debt are written off and financial wealth disappears as markets crash.

It happened in the 1930s. It happened again in Japan.

And because no government can counteract that kind of overwhelming debt with any amount of stimulus without making its currency next to worthless, it's likely to happen as this economic cycle continues to unfold. We believe markets will peak around the end of 2014 (delayed a few years from our original estimates thanks to the greatest stimulus injections in history). Come mid-2015, we'll see the risk of a next great crash accelerate... with the increased chance that the Dow will begin its slide to 6,000 by late 2016 or early 2017... and then likely as low as 3,300 by 2020 - 2022. We'll see banks once again tighten up their purse strings and return to even more stringent loan policies than they implemented after the '08 collapse. Many will not lend at all. Instead they'll choose to hoard cash while it gains value (i.e., buying power) through deflation.

Less credit means less money in the economy.

Less money means less demand for goods and services.

Less demand means lower prices and less production.

Less production means more plant closings and more job losses.

More job losses means...

Well, I think you're getting the picture here. It's all a domino effect.

Again I'll say it...

For those who don't prepare now, the impact will be devastating.

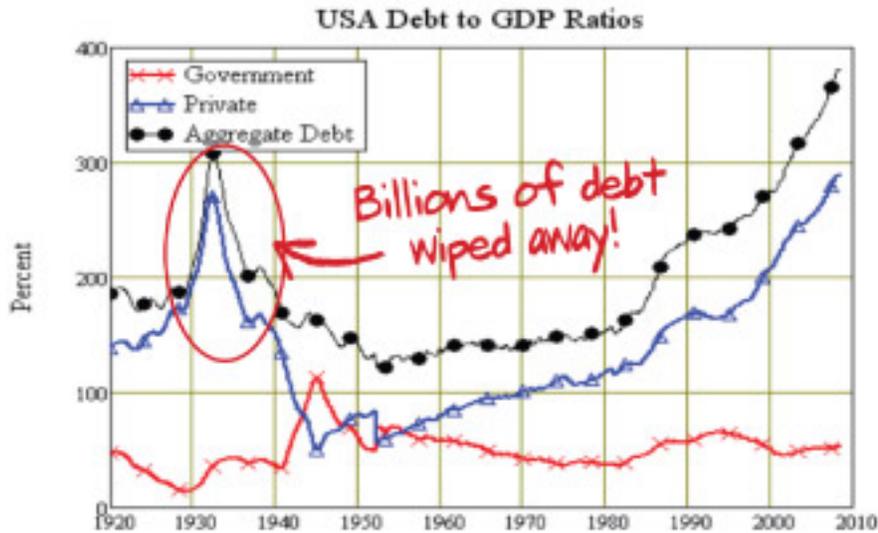
But if you see and trust that it's coming, it's an opportunity to make a lot of money... and we plan to tell you how to do that every step of the way, as I'll explain in a moment.

It's also a very positive thing for the economy as a whole in the longer term.

That's because deflation helps to "shake out the excesses" because it encourages a massive restructuring of debt, writing off of losses, trimming back of the supply chain, shifting of market share to the strongest and most efficient companies that can keep prices down in the future, and more.

This chart shows how much debt was eliminated during the last deflationary period of the '30s and '40s... thus paving the way for the greatest prosperity boom the country had ever seen post World War II:

Private and Public Debt a % of GDP



Source: Steve Keen's Debtwatch 2008

It's a little like personal bankruptcy... or what's called a Chapter 11 bankruptcy in business: painful while it's happening... but once it's done you're left with a nice clean slate, a lower cost of living, higher cash flow, and you're ready for your next phase of growth.

There's a third truth contributing to the "perfect economic storm" I'm warning you about...

Truth #3: The Greatest Real Estate Bubble in Modern History Happened between 2000 and 2005... Why Further Declines Are Inevitable

Most people don't know this, but the stock market crash of '29 wasn't solely responsible for the Great Depression of the 1930s and '40s.

It was the failure of real estate....

The failure of farms in particular, where most bank loans of the day were extended. That was back when farms were the place where many Americans lived and worked. The tractor revolution made those farms much more productive. As demand for farmland and easy credit grew, more and more money was available and "loaned" against the escalating value of property and equipment.

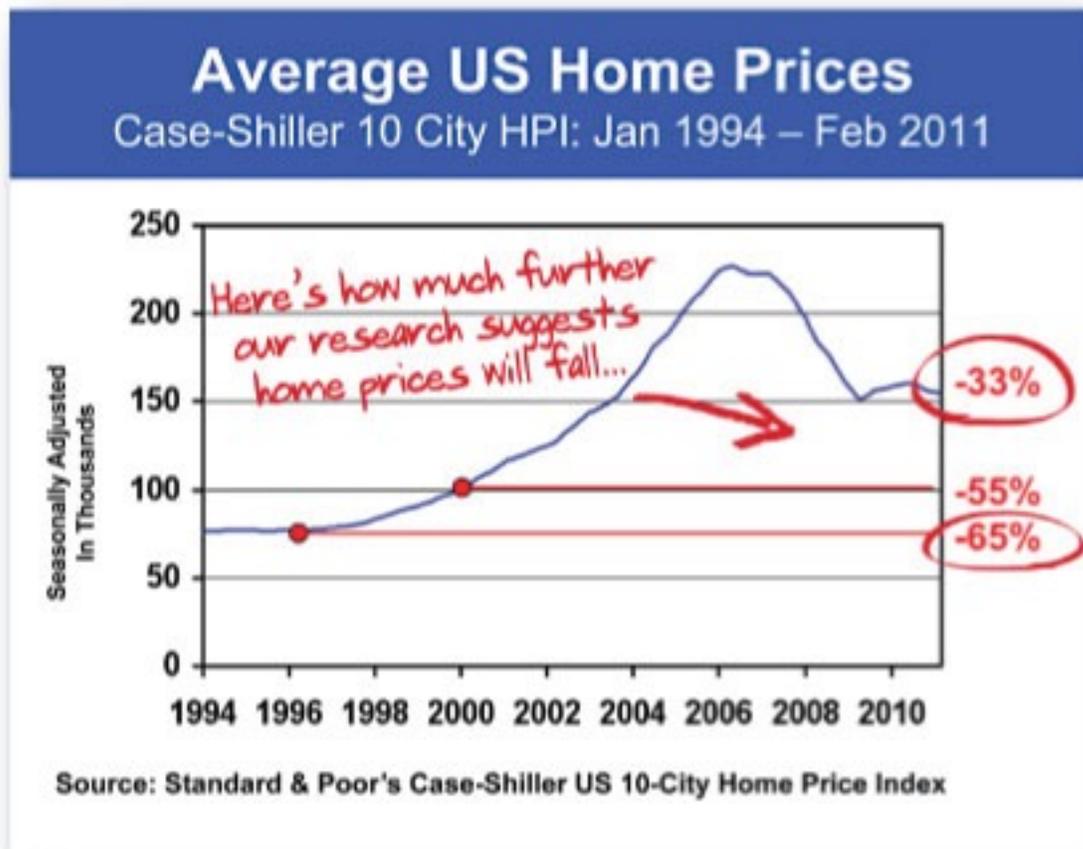
But when the bubble burst – as they always do – and farmers couldn't repay their loans, the banks failed right alongside them. That's what caused the "run on banks" the era is famous for.

We've seen plenty of real estate bubbles in the past. In fact, research tells us real estate tends to run in 17 to 18 year cycles... virtually without exception.

We saw minor peaks in 1954, 1972 and 1989.

But nothing like we saw in 2005!

Take a look at the following chart:



Housing prices were already on the rise in the mid-1990s, thanks to an aggressive government-led "home ownership" policy that made it easier for people of all economic backgrounds to buy homes.

It was no accident that housing prices rose even faster following the 2000 stock market crash. Not only were Baby Boomers well into their peak house-buying years, but huge flows of investment funds suddenly shifted out of the technology stock bubble that was crashing and into housing.

Meanwhile with "Fed" easing and a slowing post 9/11 economy, interest rates plummeted to near-historic lows, making home affordability and speculation even more attractive.

On top of everything, mortgage companies took full advantage of further deregulation by offering liberal financing with little money down and low "teaser" interest rates that would ratchet up three, five and seven years later.

At the height of it all, it was entirely possible to walk into a mortgage broker with no job, lie about your income, sign a no-doc mortgage and be in a house you had no hope of ever affording!

Then it got even crazier...

As this artificial demand kept driving housing prices higher – an average of 15% per year compared to the historical 3% per year average – millions more people borrowed billions of dollars at the cheapest rates in history against the newfound equity in their homes.

And things were great until early 2006, when it all started to unravel. Triggered by low interest subprime mortgages "resetting" to much higher rates, in just four states - Arizona, California, Florida, and Nevada, homeowners who could barely afford their "teaser rate" mortgages had no chance of covering payments that doubled and tripled.

Thousands of subprime borrowers simply stopped paying.

Foreclosures spiked into the millions. People abandoned their homes. Others destroyed them maliciously. Housing tanked.

The problem is, while the real estate market has shown some signs of recovery over the last few years, we think it's an Indian Summer. People are simply looking at the numbers and cheering. They're not looking at what's driving those numbers and quacking because of the unsustainability of it all. Let's stop and look at the reality of the situation... Forget, for a moment, the over 6% unemployment rate that exists right now. Forget the estimated 10 million Americans who might have been in a position to buy a home five years ago but now can't...

The real problem rests with two predictable realities:

Baby Boomers, the very ones who drove much of the housing market over the past decade and a half, are now past their peak home-buying years. If anything, they're sellers looking to downsize. Next they will be dying in droves and dyers are total sellers...

Most people looking to buy a home must sell their own home first. With so many homes underwater thanks to declining real estate prices and the money owed through first, second and sometimes third mortgages, very few are in any position to sell... let alone buy.

And what about new homebuyers? Those 20-somethings entering the market?

They're too bogged down with unbearable student loan debts and extreme levels of job insecurity to have any significant effect on the market anytime soon.

It'll take years to absorb the millions of units in excess inventory – foreclosures, empty new construction and existing homes for sale.

Plus the new, younger generation is much more cautious about buying homes, and spending in general, after seeing phase one of this great bubble crash.

It all means we could be mere months away from the next wave of real estate collapse.

We believe we're about to see the final chapter of the biggest real estate shakeout in history.

You see, one of the classic rules of bubbles, history tells us, is that they typically deflate at least back to where they started... and often a bit lower.

That means housing prices will have to fall 55% to 65% from their 2006 highs. So far, they've only fallen 33% at worst into 2012. That leaves another 40% or more from the late 2014 highs still to disappear. Home values could fall back to the prices they were at the beginning of 2000, or possibly as low as 1996 levels. That would put as many as half of U.S. homes in "negative equity"... escalating default and foreclosure rates again.

What does this mean to you?

For one thing it means, if you're holding on to property with the sole expectation that it will go up by double digits - or if you're counting on gaining lost equity back over the next few years - sell now.

Together these three economic truths form the components of the perfect storm moving through our economy today:

The last of the largest generation of spenders in American history – the affluent Baby Boomers – are leaving their peak spending years behind...

Deflation will increasingly become the dominant trend as the economy slows and debts unravel...

And the greatest housing "recovery" will begin to unwind again, leaving everyday Americans wondering what hit them.

The impact of these three events all lead to one thing:

A severe tightening of credit... and the write-off of tens of trillions in loans and entitlements...

Which means less money in the system... which means less spending... less demand... falling prices... and ultimately:

Depression and deflation. Again, I want to remind you that I am merely reporting to you the realities of our current economy... and the likely path it will follow this decade based on historical and empirical data.

I am not someone who has made a career of preaching doom and gloom.

Had I prepared this presentation for you back in 1992 or '93, the last time our research forecasted an economic trend of this magnitude, I would have been telling you how wonderful and prosperous the next decade and a half would be.

Would you have listened?

Who knows?

At the time, we were one of a very few economists predicting sunny days ahead.

Back then the mood was very bearish. The markets had taken a beating with the crash of '87, the junk bond scandal and the S&L scandal.

Top economic forecasters of the day – Lord Rees Mogg, Ravi Bhadra, Robert Pretcher, Robert Figgie and much of Wall Street were successfully selling millions of books declaring the “End of America” as we knew it.

But we just knew it wouldn't be that way...

We had something the others didn't have: scientific knowledge of the profound role economic and demographic cycles play in understanding where the economy is going next...

Specifically, the enormous impact a spending force as vast and powerful as the Baby Boom generation would have on an economy... especially as they were entering their peak spending, earning and productivity years.

That's why I published *The Great Boom Ahead*. I went firmly on the record to say that it was NOT the “End of America” after all.

Rather I said that, except for a few bumps and dips along the way, we were on the cusp of one of the brightest and most prosperous periods in our economic history!

And I was right!

But now the next economic cycle is unfolding.

I refer to it as “The Economic Winter Season” – because it really is a time to hunker down and regroup... a time to “shake out” the excesses of the previous boom so that the “Economic Spring Season” can begin.

Nature has an order of things.

And as I've learned through my 30 years of researching economic cycles and demographic dynamics, so do markets and the economy.

Every cycle we have studied in history has four seasons, just like our weather. Think of inflation in “temperature” terms.

High inflation is like the summer season of 1968 to 1982. Falling inflation is like the fall season with great harvests and a bubble boom. Winter follows with deflation in prices to clear the decks for the next spring boom and so on...

That's why we're not worried about the years ahead.

In fact, we welcome them.

Because, as dire as all this sounds...

And as difficult as the years ahead will be for people who don't see this coming...

This is not “The End of America...” as some would have you believe.

In fact, the events I describe are not only inevitable and necessary... they're desirable.

Why?

Because with any major shift in economic direction comes enormous profit opportunities.

So what should you do?

Here's the first thing:

Forget the set-it-and-forget-it investment style. And get out of traditional stock investments by later this year if you don't have a good investing strategy in place. This is NOT a do-it-alone, novice-friendly market to be dabbling in.

Remember, the first order of business is to protect yourself and the assets you have. That means finding and sticking to a proven investment strategy that can work in up and down volatile markets.

Given the demographic cliff and the Fed's intended exit from the market, the stock market, commodities and real estate are all going to tumble again

Don't be fooled.

I'm talking gold hitting \$700 an ounce by late 2016 or 2017, and likely \$250 - \$400 by 2020 - 2022.

Real estate down by another 30% to 40%.

The Dow down to 6,000 by early 2017... and likely 3,300 by 2020 - 2022.

That's why we also recommend increasing your cash holdings.

Why?

Because in deflationary times, cash is king.

Because unlike what happens during inflation, money actually gains value when there's deflation. It's simple supply and demand. Money supply shrinks when there's less lending and as debts are paid down and written off.

As this happens, the demand for dollars will actually go up. That's why, as strange as it might sound right now, and contrary to everything you might be hearing, the U.S. dollar (and dollar-based assets) will be the very best currency to own in the years ahead.

You see, we actually devalued and debased the dollar during the great boom and credit bubble from 1983 through early 2008. The dollar fell 60%!

Reversing this unprecedented credit bubble will destroy many loans and credit... it will destroy dollars, making them more scarce and valuable!

Also, be ready to sell your gold, silver and other precious metal investments in the not too distant future.

Gold and silver perform in inflationary times because they act as a hedge against currency devaluation. But when there's deflation – and a strengthening currency – gold and silver prices will fall along with most other assets as they did in late 2008 when the crisis fully hit.

If you happen to be holding any foreign currencies, convert them to dollars. Dollars are “cheap” right now compared to many currencies. But that won’t be the case a year or two from now. By converting back to dollars now, it’ll be like buying a sure-fire investment at 10-year lows.

Next thing is something I have already alluded to...

If you have any real estate, if the interest rate on your mortgage is higher than 6% and you have more than 20% equity remaining in your home, refinance now and lock in a low three or five year ARM rate (depending on the time left on your current mortgage). Do this before long-term rates spike. They're moving already, so you don't have much time to act.

I recommend you do this now for two reasons...

Number one, with housing prices destined to fall again, you may not have the equity to qualify in the future. And number two, there’ll be a time where any home loan will be very difficult to get.

Also, take this opportunity to downsize your life.

If you’ve accumulated a lot of “stuff” you don’t really need or use – cars, furniture, boats and other toys – sell it now while there’s still something of a market for it.

Not only will it give you more cash, you’ll be amazed at how liberated you’ll feel. (Plus, if you really want it – you’ll be able to buy it back cheaper two or three years from now).

And look at the money you’re paying out every month. See if there’s a way to reduce any of it. Maybe there’s a storage unit holding a lot of furniture you’re saving and it’s costing you a few hundred dollars a month. Sell the stuff and cancel the unit.

Cut unnecessary expenses. You’ll be surprised how the money adds up.

Keep in mind this is all about dollar accumulation and keeping more of the money you make.

What about bigger purchases, like cars?

If you have a reliable car, keep it for at least the next two years. If you need one, try to avoid buying this year. Buying now will only result in significant depreciation. Instead, lease it for two years – then buy new in late 2016 or early 2017, when the economy will be at its weakest and you’ll get the best rates and deals.

Now I know I’m covering a lot here. And I realize not all of it applies to everyone.

My advice to you is to do as much as you can to prepare.

Just remember though...

This isn’t just about penny-pinching or budgeting or necessarily preparing for some sort of global Armageddon. It’s about being more self-sufficient and financially secure. So shed inflated assets and high-cost debt... move stealthily into safer and more strategic investments and cash – cash you’ll later be able to parlay into outstanding profits after the next great crash. But how can you take advantage of the myriad of opportunities that will arise from the next crash? Here at my organization, Dent Research, we have a team of economists, demographers, researchers and investment analysts working diligently to prepare our members for what lies ahead.

Many of our clients are financial advisors who count on our forecasts and guidance to help them steer their customers in the right direction.

They're people like Michael Robertson of Robertson and Associates:

"Harry Dent has been our chief strategist for over 15 years. Without him my clients and I would have gone down the wrong path many years ago. His research and leadership has added many millions to our bottom line." And Erin Botsford, who's a Certified Financial Planner for the Botsford Group, wrote us after the 2008 meltdown to say:

"Working with affluent households in my financial practice, I found Harry Dent in 1995 and built an entire financial planning company around his predictions. The recent financial crisis came as no surprise to me or my clients; we were forewarned and therefore, forearmed."

Many more who follow our research are regular investors who use our research to determine their investment decisions....

Like Virginia from Naples Florida, who credits the timely sale of her home to our warnings about the real estate market in October of 2005... she also got out of the stock market in late 2008 after we warned about the troubles there. "Your newsletters are the first thing I read every month," she told us, "and I have found your research has been crucial to helping us keep our financial situation under control."

Even important economists and policy makers acknowledge just how on-target our research has been over the years. One such gentleman is Robert D. McTeer, Distinguished Fellow for Policy and Analysis and former President of the Federal Reserve Bank of Dallas, who wrote this after reading *The Great Depression Ahead* in 2008:

"Harry Dent is the reigning expert in applying sophisticated demographic analysis to economic forecasting. His past record of getting it right speaks for itself. I hope he's wrong this time... but given his track record, I wouldn't be betting against him."

Believe me... it's very rewarding to see the important research we do recognized so positively by so many respected people.

But our goal, first and foremost, is that our research be used to avert financial disaster and empower investors to profit from the many opportunities that arise during periods of profound economic change.

I've already told you about many of the things you can do right now.

But if you'd like us to be with you through this entire period – so we can point you to the best profit opportunities as events unfold – the best thing to do now is sign up for my monthly letter, which my team and I put together specifically to help regular investors like you prepare for this unavoidable collapse. It's called *Boom & Bust* and I'll send it to you each month so you know everything that's happening in real time... so you can see what's coming next (and when)... so you can know where you should be moving your investments as events start to unfold... and so you can see some of the very best (and specific) ways to profit. I hope you sign on to get it because, frankly, our research suggests that the events of 2008 were just the first rumblings of a very real and profound economic cycle shift.

And as I've been telling you in this presentation, the opportunity will be huge if you're prepared. Not only to get rich from certain strategic investments and the right strategy ... but, as wages and prices fall again and more debt gets erased, the U.S. dollar will strengthen and people with cash and streams of income will be richly rewarded.

Our newsletter, Boom & Bust, will guide you in all of these areas.

You'll know what's coming next... where the immediate opportunities are... and where to park your money for the longer term.

We'll tell you when assets such as real estate have finally - and truly - bottomed out, in case you want to snap up bargains or ride the next real estate boom higher.

In short, you'll have everything you need at your disposal to survive and prosper from the volatile times ahead.

Best of all, you can look at our research, commentary and recommendations at absolutely no risk or obligation.

Take a full year if you prefer – then, if you don't think we've done our job, even on the 364th day of your subscription, and you'd like a refund, let us know and we will refund you the remaining portion of your subscription.

And speaking of what you'll pay...

Please know that I'm not going to charge you an arm and a leg to see the work we do.

I believe regular folks trying to protect their families and their life savings are the people who need our research the most right now.

That's why the regular subscription price for a year of Boom & Bust is cheap – just \$98.

But if you sign up now, I'll see to it you only pay half the regular price... just \$49 for the full year.

Plus, when you sign up I have a number of research reports waiting for you, so you can know exactly what to expect in the days and months ahead and where the best profit opportunities will be.