

# MAXIFI®

## A Conversation on our Global, National, and Personal Economies



with

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President, Economic Security Planning, Inc.  
November 23, 2020 | 2:00 EDT

# AGENDA

- **The Global Economic Outlook**
- **The National Economic Outlook**
- **The Personal Economic Outlook**
- **Group Discussion**

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# The Global Outlook

- **Coronavirus stalks the planet**
- **56 million infected globally**
- **1.3 million global deaths**
- **Three Plus Proven Vaccines Are On their Way**

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# Global GDP Growth

2010 - 2019 Average	+3.75%
2020 Projected	- 3.03%
2021 Projected	+ 5.80%

# Global Outlook – Huge Uncertainty

U.S., EU, and UK Are Experiencing a Major 2nd/3<sup>rd</sup> Wave

UK and EU Are Now Fully or Partially Locked Down

U.S. May See Winter Lockdowns, Already Seeing Pauses/Curfews

Contagion Also Raging in India, S. America, Middle East, Russia

# Global Outlook – Huge Uncertainty

Vaccinating Entire Planet May Take Several Years

This Means International Travel Restrictions for Several Years

Virus-Free Asia Will Grow Relative to the West

Difficulty Restoring International-Trade System

Trump is Dramatically Increasing Chinese High-Tech Trade Barriers

China Just Signed Trade Deal with 14 Countries Covering 1/3<sup>rd</sup> of World Pop

This Could Spell Major Turning Point in World Economic Order

U.S. Now Has 15% of World GDP. By 2100, It Will Likely have 10%.

Bright Spot – Rapid Home Tests

# Global Outlook – Massive Increase in Debt

World Debt-to-GDP Ratio is Now 331 Percent

World Debt Will Rise by Over \$15 Trillion in 2020

U.S. 2020 Deficit Projected at \$3.3 Trillion – 16% of U.S. GDP

U.S. States Have Borrowed Almost a \$0.5 Trillion – 2% of U.S. GDP

Bill for COVID-19 Being Left Largely to Our Children

# Global Outlook – Massive Increase in Money Printing

U.S. Base Money Supply Up 53% Since January

U.K. Base Money Supply Up 39% Since January

E.U. Base Money Supply Up 47% Since January

Japan's Base Money Supply Up 38% Since January



# Prospect for Significant Medium-Term Inflation

Central Banks Are Printing Money to Purchase Government and Private-Sector IOUs.

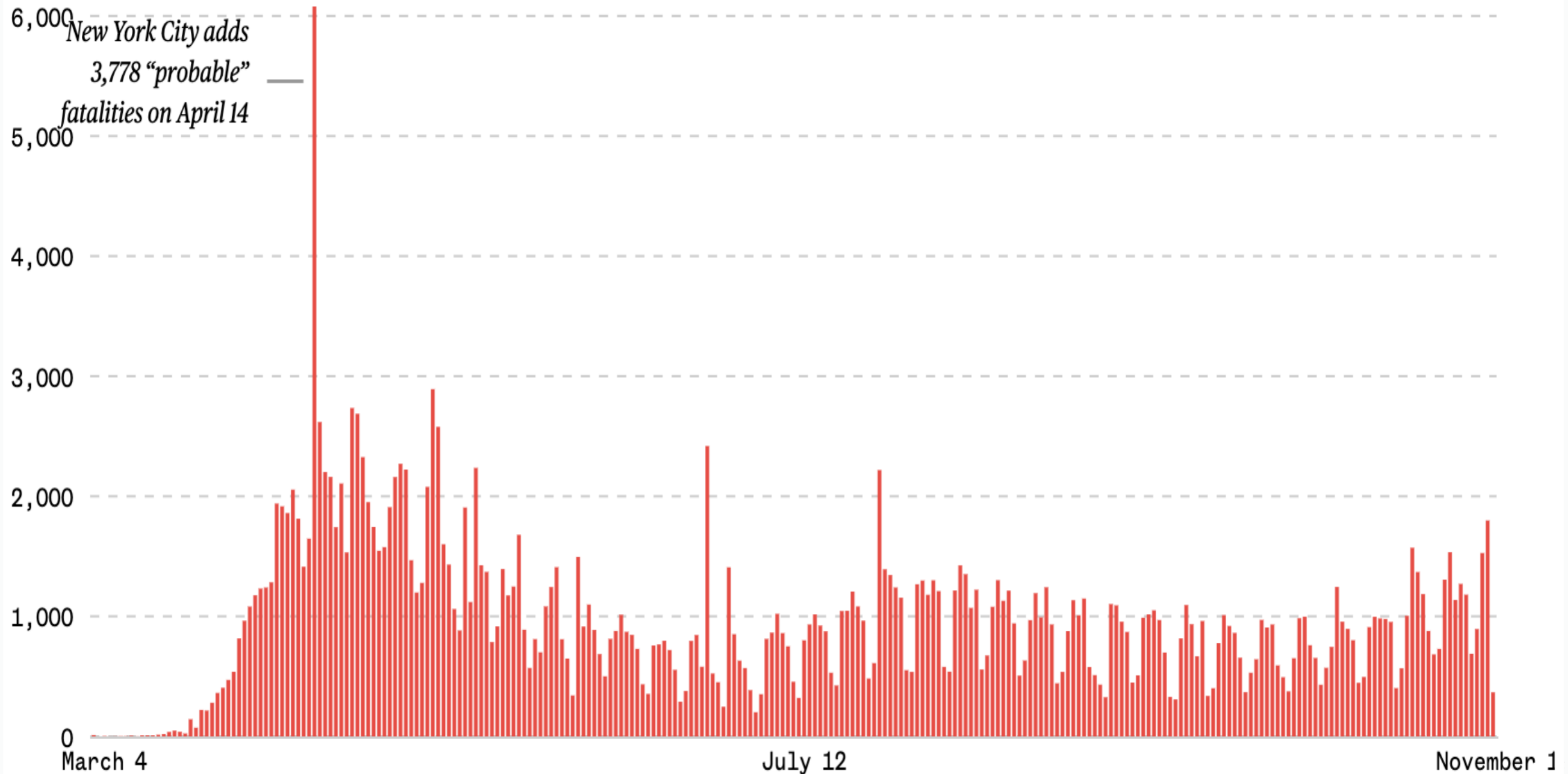
Governments Effectively Never Repay their IOUs. Hence, Purchase of Government IOUs Produces a Permanent Increase in Money Supply

If Private Sector Can't Repay Central Banks, Money Printed to Buy those IOUs Will Produce a Permanent Money Supply Increase

More Money Chasing Declining Supply of Goods Spells Inflation

# U.S. Outlook -- COVID Deaths Are Rising

## Reported coronavirus deaths, per day, in the U.S.



# U.S. Outlook – the Second COVID & Economic Wave

- COVID Spread and Faster and Broader than Ever
- 260,000 Dead Americans
- 12 Million Known Cases. Could Reflect 120 Mil Actual Cases
- U.S. Population is 330 Mil. Still Far From Herd Immunity
- Closing in on 200,000 Cases per Day
- Closing in on 2,000 Deaths per Day

# U.S. Outlook – the Second COVID & Economic Wave

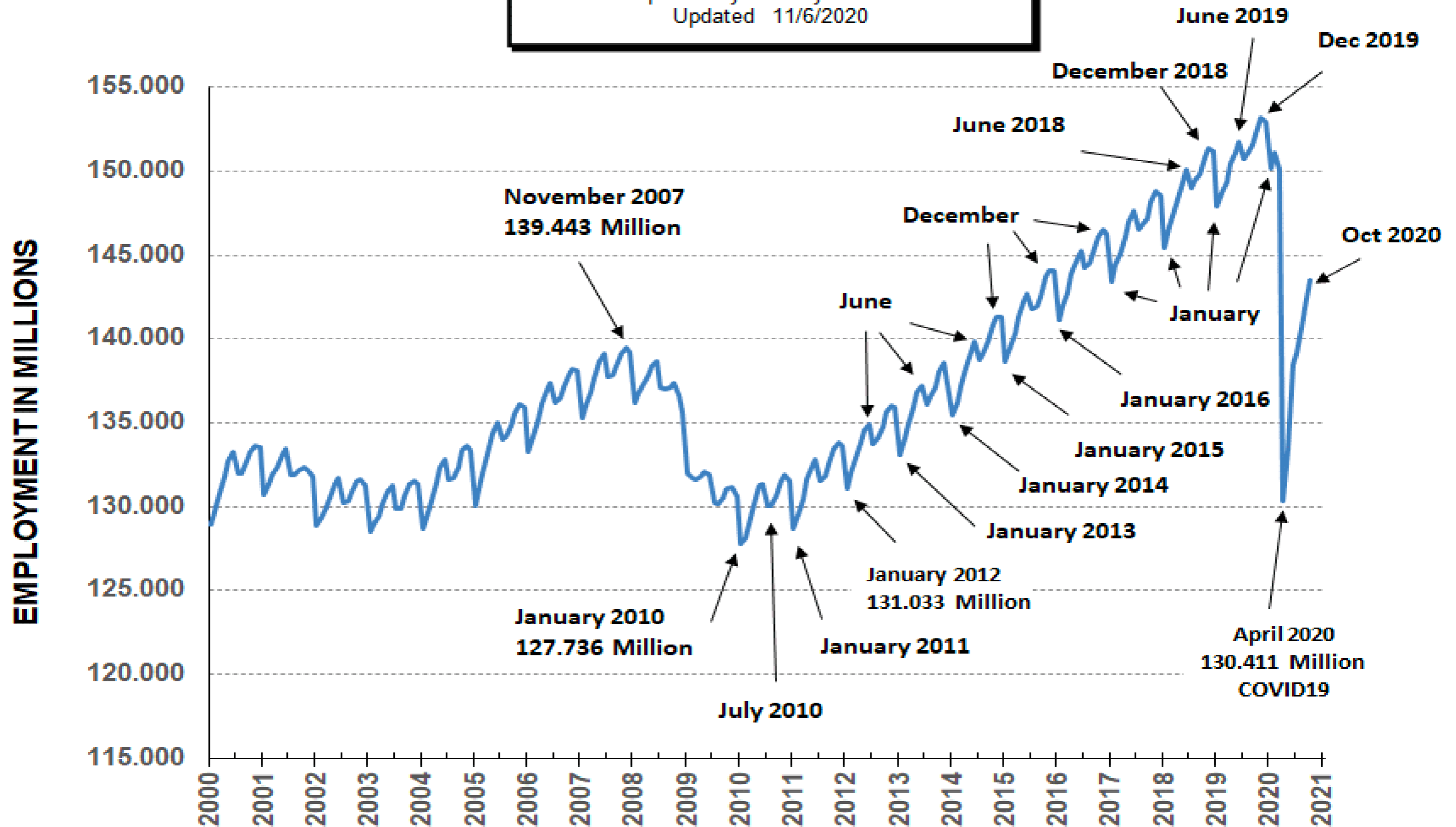
- LA is Locking Down
- RI is Pausing
- Boston and NY Have Shut Down Schools
- \$400 Billion in Un-recoverable Student Debt – Size of Subprime Losses

# U.S. Outlook – Employment Still Down by 11 Million

Source: U.S. Bureau of Labor Statistics-  
Total Non-Farm Employment  
Not Seasonally Adjusted  
Series CEU00000000001

## Current U.S. Employment 2000 - Present

© 2020 [www.UnemploymentData.com](http://www.UnemploymentData.com)  
Prepared By Timothy McMahon  
Updated 11/6/2020



# U.S. Outlook – Bankruptcies Are Coming

- Bankruptcies of Large Companies Have Tripled
- Bankruptcies of Small Companies Delayed by PPP
- Bankruptcies of Households Delayed by CARES ACT
- 12 Million Americans Will Lose Unemployment Benefits on Dec. 26<sup>th</sup>
- State and Local Governments Are In Very Tough Shape
- CA, Ill, NY, and MI Could Go Bankrupt

# U.S. Outlook – Bankruptcies Are Coming

- Mortgage Forbearance Ends in the Spring
- Foreclosures will Begin January 1<sup>st</sup>
- Student Loan Forbearance Ends January 1<sup>st</sup>
- State and Local Government May Never Get Help
- Senate May Stay Republican, Meaning ? No More Bailouts
- Trump Admin Just Stopped Fed from Lending an Extra \$455 Billion
- Fed Was Lending to State/Local Gov, Large and Medium Businesses, Students, ...

# U.S. Outlook – Bankruptcies Are Coming

- One in Five U.S. Companies Are Zombies
- Zombie Firms Don't Make Enough Income to Cover Debt Repayment
- Zombie Firms Must Keep Borrowing to Live Another Day
- Federal Reserve Is Lending to the Zombies
- If Fed Stops Lending to Zombies, Rates will Rise, Causing Recession



# Biden Tax and Social Security Reforms and Spending Agenda

- Much Higher Taxes, Primarily FICA Taxes, for the Super Rich
- Social Security Progressive Benefit Increase for those Over Age 78
- Significant Rise in the Corporate Income Tax
- Carbon Tax Likely
- Much Will Depend on Composition and Disposition of Senate

# U.S. Debt – Explicit and Implicit

- By End of 2020, U.S. Debt/GDP Will Be 136%. It Was 106% in 2019
- Major Increase in Spending Under Biden Depending on Senate
- Will Likely Raise Debt/GDP Further
- Italy's 2020 Ratio will Be 155%. So U.S. Is Closing In on Italy
- U.S. Has Much More Implicit Debt Relative to GDP than Italy
- U.S. Fiscal Gap Is Roughly \$180 Trillion or Nine Years of GDP
- Combination of Debt and Money Printing and China's Ascendancy Could Auger the Slow Demise of the Dollar as the Global Currency

# Our National Economy Post COVID

- The Economy May Never Be the Same
- Likely Permanent Increase in Remote Work
- Likely Permanent Reduction in Business Travel
- Likely Permanent Hollowing Out of Cities
- Likely Permanent Increase in Personal Saving Rate
- Likely Permanent Reduction in Number of Universities/Colleges
- Likely Permanent Change in Delivery of Medical Care
- Likely Permanently Less Business Travel, Fewers Hotels/Restaurants
- Likely COVID-ERA Spending Mentality

# Our Personal Economies

- We All Need to Plan/Try to Retire Later
- BLS (Bureau of Labor Statistics) Online Handbook of Occupations
- Low Real (Inflation-Adjusted) Interest Rates Here for a While
- Decent Chance of High to Very High Inflation in Five Years
- Remote Work Lets Us Move Where It's Cheaper
- May Be the Right Time to Downsize

# Our Personal Economies

- Best Investment – Pay Off Credit Cards, Student Loans, Mortgages
- Stock Mkt P/E Ratio Now 26, Average is 15. Highest Since 2008
- May Be the Right Time to Roth Convert Given Higher Future Tax Rates
- More Important than Ever to Maximize Lifetime Social Security Benefits
- Cashing Out 401(k) Assets to Pay off Mortgage May Be Smart
- Service Sector Will Be In Very Bad Shape for at Least Six Months
- Once Safe, There Will Be Pent-Up Demand for Tourism, Restaurants
- Book Your Trips Now!

Audio



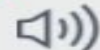
Computer audio

Phone call

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MacBook Pro Microphone



MacBook Pro Speakers

**Talking:** Economic Security Planning, Inc.

Questions

Presented by Larry Kotlikoff

Q: yep

Q: the welcome notice said i was an attendee in listen only mode

Q: still muted

Type question here.

Send

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The image features a laptop screen displaying a financial software interface. The interface includes a navigation bar with the 'MAXIFI' logo and menu items like 'Client > Your Family', 'Profile > Base Profile', and 'Reports'. Below the navigation bar, there are sections for 'Maximization Profile' and 'Base Plan'. A line chart is visible on the screen, with a y-axis ranging from \$25,000 to \$150,000 and an x-axis representing years from 2017 to 2030. The chart compares 'Base Plan Fixed Spending' and 'Maximized Plan Fixed Spending'. The 'MAXIFI' logo is prominently displayed in large white letters across the center of the screen, with a registered trademark symbol (®) to its upper right.

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**Thank you for participating!**