

# Debt: The Future Cannot Afford the Past

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‘Election Poll Latest: Theresa May’s lead slashed to a record low of three points as Labour closes in on Tories’

*The Independent*, 1 June 2017

Prior to the UK election being called a few weeks ago, the Conservative Party held a comfortable 20-point lead over Jeremy Corbyn.

What’s changed?

Prime Minister May said she would not call a general election...and then she did just that. The punters are not happy about the back

On top of this, the Conservatives plan to offset rising healthcare costs by implementing a ‘social care’ contribution scheme.

*‘The [Conservative] manifesto had promised a “floor” of £100,000 on social care contributions, meaning pensioners could pass o*

*The Independent*, 31 May 2017

The manifesto has gone down like a lead balloon with the elderly and their baby-boomer children.

If an elderly parent dies suddenly, the ‘social care’ cost for the family is minimal. However, if they linger in ill-health for years, the co

In principle, the social care contribution is a logical step to address the spiralling cost of healthcare.

Voter backlash was swift, forcing Theresa May to make a U-turn on the proposed policy.

Long gone are the days of there being five people of working age (15 to 64) to one person aged over 65.

According to Australian government forecasts, by 2043, the ratio will reduce to 2.5 to 1.

Clearly, this diminishing base of taxpayers is insufficient to support a larger apex of tax receivers.

When are people going to acknowledge what’s so blatantly obvious?

The BBC conducted interviews with voters in a number of electorates about what matters they wanted addressed in the upcoming e

But, alas, the grievances are the same no matter which country you live in. Government must...

- Do something to generate higher wages;
- Create more jobs; and
- Provide more funding for (please insert your agenda of self-interest).

There was no mention of anything about debt reduction. No great surprise.

Labour leader Jeremy Corbyn is a highly-qualified socialist.

Sky News provides this detail on his background (emphasis mine):

**‘Real world experience: In terms of jobs, not so much, but has been a committed campaigner and a politician who passio**



He's never been in business or even held a job — other than as a politician or committed campaigner.

Anti-austerity is left-wing speak for 'living within your means'.

Jeremy Corbyn lives in cloud-cuckoo land.

His resume reads like a number of the no-hopers we have sitting in Parliament in Australia. Professional parasites who lack the aptitude and experience to hold the Treasurer position of a staff Christmas club.

Yet these 'honourable' persons hold sway on how to spend billions of dollars. Little wonder we are doomed.

In a nutshell, Corbyn's platform is: tax, borrow, and spend. *How original.*

The UK electorate appears to be warming to the idea of the tried-and-failed socialist policy.

And why wouldn't they? This is the way it's been for decades. The mere suggestion of tightening the belt and being financially responsible evokes the response of 'How could you be so cruel and heartless?'

Living within our means....forget it. That was so 1930s.

Whether it's the UK, Australia, US, Japan or Europe, the debt and entitlement story is the same.

Too much debt. Too many promises. Too few workers to support an ageing population. Too little desire to change course.

The legacy of the past four decades is the creation of three massive bubbles: debt, social promises, and asset values.

Global debt exceeds US\$220 trillion. In itself, the repayment of this debt is a task that borders on the impossible. All previous debt bubbles (of far less magnitude) have ended in crisis. What makes people think this time will be any different?

Blissful ignorance is the answer.

In addition to the unrepayable debt pile, governments have promised so much to so many.

These vote-buying giveaways are rarely costed.

Unfunded promises — the world over — are estimated to be in the many hundreds of trillions of dollars.

There is absolutely no way we can afford to honour them. It is just not possible. There isn't enough money and real growth (the growth you have when you don't include borrowed money in the data) to go even close to funding these promises.

Asset bubbles — property and stocks — have created the illusion of wealth.

With markets doing all the heavy lifting on boosting portfolio values, savings rates have fallen.

The biggest bubbles ever created in history are all in search of a pin.

When the first one pops — probably the debt bubble — the others will follow.

Murphy's Law all but ensures the bursting of these bubbles will coincide with an increased uptake of automation. It's predicted that tens of millions of jobs are going to be made extinct. Will there be enough taxpayers in the future?

Increased longevity is adding to the financial strain on household and government budgets.

If something cannot continue, it won't.

The cosy little world of make-believe we've created since the 1980s is ed for a period of massive upheaval.

Yet, in spite of all these 'known knowns', the political Neros keep fiddling.

Perhaps it's because they cannot see past the duration of an election cycle.

Perhaps they're thinking the day of reckoning is going to happen on someone else's watch.

Or, in some cases, I actually think they believe money grows on trees.

Whatever the reasons for their lack of foresight, the facts do not change.

We are careening towards a fortified wall of economic reality.

When these powerful forces collide is anyone's guess.

The debt and asset bubbles could meet their fate any day.

That day could be next week, next year, or in a few years' time.

My guess is that, at the outside, we may have five years before reality dawns.

The future cannot afford the past.

We need to take personal responsibility for our financial welfare.

Develop a lifelong interest in learning and developing new skills...to make yourself relevant in the rapidly-changing workforce.

Prepare to work longer.

Pay down debt as quickly as possible.

Save more.

Adopt a more conservative investment profile.

Expect a reduction in future government contributions (welfare and healthcare) to households.

And, to lessen the force of impact to your personal situation, act contrary to the crowd and adopt the brace position early.

**Cheers,**

**Vern Gowdie,**  
**Editor, *Markets %26 Money***

**Editor's Note:** As Vern writes above, when the bubbles pop, it won't be pretty. The question is, when will things come crashing down? If you had a way of knowing the timing, you wouldn't need to sit on the sidelines as stock markets climb ever higher. Nor would you sink your life savings into a mortgage just months before the Australian housing sector implodes. That's where Phil Anderson's 'Grand Cycle' theory can make the difference between growing and securing your wealth...or helplessly watching it dribble away. Phil's research is based on centuries of data. And he's just put together a new video to share his Grand Cycle theory with you. [You can watch that here.](#)

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Vern Gowdie has been involved in financial planning in Australia since 1986. In 1999, *Personal Investor* magazine ranked Vern as one of the top 100 financial planners in Australia.



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