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Martin Spring's private newsletter on global strategy

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The Basics of Sound Personal Financial Planning

Globalization has changed our personal financial circumstances dramatically in a way that was unthinkable for our grandparents. My own situation is not unusual – I am domiciled in one country, live much of the year in another, and holiday in a third, holding citizenships of two of them.

This globalization of our lives opens up business and investment opportunities. But it also increases the complexity of our moneycraft as we move beyond our familiar base to places with different modes of behaviour, tax and legal systems.

Getting appropriate guidance on dealing with these issues is not easy. Much of what passes for information about global personal financial planning is naïve and simplistic, depending too often on what suits fund managers pushing their own financial interests, rather than yours; their natural tendency to promote the assets they know best; what suits professional advisers to say to avoid attracting the hostile attention of the authorities.

There is the additional problem that much decisionmaking has to be influenced by not only where you live and work, but also by what citizenship you hold and the tax regimes to which you are subject.

In trying to chart your way through the complexities, it's important to keep in mind the basic principles of sound international personal financial planning.

Here are some of them…

Practicality. If you're going to do things the legal route, as most people prefer, it's important to structure your affairs for simplicity and convenience.

You cannot get much diversity or balance in a portfolio if you have only, say, $100,000 or the equivalent, to invest outside your own country.

Unless you are particularly keen and have a considerable amount of time to monitor and manage your affairs, you need a simple long-term structure that will work for you without frequent investment switches. In any case, lots of chopping and changing is a bad idea. The expenses mount up and depress your returns.

It usually pays to channel all or most of your business through a single intermediary or financial institution – one you know and trust that provides you with consistently good reporting, processing and advice.

Confine your investments to a very small number of funds or individual securities. They'll be easier to keep an eye on, and your expenses will be minimized.

In this issue: Moneycraft ▫ Gold ▫ Dishonest greenery ▫ Investments of passion ▫ China ▫ iPad-generation investing ▫ Mega-banks ▫ Oz dollar

One simple way to do this is to use a multi-manager fund that does the selecting and monitoring for you. Just make sure that it delivers reasonable performance for the fees it charges.

A better idea is to manage your assets yourself, as no professional can afford to devote the amount of attention to your investments as you can yourself. And you can develop the skill to take occasional contrarian bets of the kind that financial institutions, with their usually timid, consensus-driven strategies, and other limitations, hardly ever risk.

However, the do-it-yourself approach will only work if you keep things simple.

Investment returns. Intermediaries will tell you that most clients want high returns without risk. Those are contradictory requirements, as rate of return is always related to the level of risk.

You can expect to get higher returns by investing in equities rather than bonds, or in bonds rather than fixed deposits; in small companies rather than big ones; in corporate bonds rather than government-backed securities; in emerging markets rather than developed ones; with small financial groups rather than large entities – but the price will always be a higher level of risk.

However, diversification is a standard technique for reducing risk, and should always be applied in an international portfolio.

One way to ensure balanced diversification is to set guidelines for the composition of your portfolio, for example aiming to have one third of its assets in North America, a third in Europe (including the UK), and a third in the Asia-Pacific region.

An alternative approach to diversification is to focus on sector choices -- resources, technology, healthcare, and so on – instead of geographical location. Or on concepts such as Dividend Aristocrats (companies with consistent records of paying dividends over many years), or Autonomies (well-managed, financially strong multinationals geared to the growth of the global middle classes).

Don’t expect to get anything greater than average returns for the asset classes in which you invest. If you do better, you’ll be lucky. Most people do worse than average because of trend-following, excessive buying and selling, and expenses.

Currencies: do you think in dollars?

You need to select a base currency in which to denominate your offshore wealth and keep the summary of your investments.

That may be the currency of the country in which you live. On the other hand, if that currency is one of little international importance, such as the South African rand or the Thai baht, it makes more sense to use a major unit. The US dollar will usually be the most sensible choice.

Just remember that the moment you go into an asset not denominated in your base currency, you introduce both a risk and an opportunity, as the “external” currency may rise or fall in value in terms of your base unit. Too many investors (and their advisers) think about the risk – but forget the opportunity for gain.

And remember that what counts is the currency of the underlying asset, not of the fund holding it. For instance, a dollar-denominated fund investing in Japan will be driven by the yen value of its assets over time.

Asset allocation. It's wise to achieve some kind of balance among the various kinds of assets in which you invest.

The primary asset classes are equities, property, bonds, fixed deposits and precious metals, although some important ones such as insurance policies, and often hedge funds, are a combination of several types of asset in their underlying funds. Others marketed under misleading names such as "bonds" are in fact equity investments as they're based on derivatives linked to stock market indexes.

Ideally your money should be where the best returns are being achieved, taking into account the risk involved. But in practice judging where that is at any time is very difficult even for the most highly-skilled fund managers.

The most sensible course is to hold a balanced mixture of several asset classes.

To what degree that balance emphasizes high-return assets such as equities, rather than low-return ones like fixed deposits, will depend on the level of risk you're willing to accept in your portfolio as a whole, how wealthy you are (the more capital you have, the better your capacity to absorb losses), and your age (the older you are, the lower your level of portfolio risk should be).

Some assets are difficult to accommodate in a small portfolio because they are "lumpy" – some funds, for example, require a minimum initial investment of $100,000. You would need at least that to buy a small investment property, even in a developing country such as Thailand.

Liquidity: an oft-forgotten trap

You need to plan for cashing in some or all of your investments, either for a predictable expense such as financing a child's university education, or an unpredictable one such as bringing money back into your country to finance a business.

Accessing the proceeds of foreign assets inevitably involves additional delay because of currency conversion, banking processes, and sometimes legal formalities.

Liquidity should not be a problem if you arrange to keep a reasonable amount readily accessible in bank accounts or a money market fund, in the currencies you're likely to need, for planned and unplanned cash expenses.

Expenses. You can't avoid paying for the facilities you get from banks, brokers and investment funds, but it's important to know what they charge, and to know that their fees are reasonable.

Insurance companies are notorious for their high charges, often hidden, which is why policies nearly always give mediocre returns.

However, they are not alone in this. Mutual fund managers, for example, usually have hidden expenses in addition to those they disclose.

A study by Fitzrovia International showed that although 300-odd actively-managed equity funds investing in the Far East disclosed annual management fees

averaging 1.29 per cent, their total expense ratios – taking into account extra charges not normally disclosed – actually averaged 2.63 per cent.

Managers with high charges argue that you should expect to pay more for better performance, but the evidence is that this is rarely true. In fact on average high-expense funds underperform low-cost ones. Even where they have a margin of outperformance, it isn't enough to offset their higher costs.

Privacy. If you want to keep your affairs confidential, for whatever reason, that requires some careful planning.

Banking secrecy is under attack by governments. The usual reason given for this is the need to counter "laundering" of money – conversion of the proceeds of crime, in particular the drug traffic, into assets apparently of innocent origin.

But the principal reason governments are putting offshore financial centres under pressure to "improve" their regulation and transparency is that they want to make tax evasion, which is costing them billions in lost income every year, much more difficult.

When managing your affairs, it's important to know whether your bank, trust company, fund manager or attorney will report on your transactions to tax authorities, and how they deal with any requests for such information.

If they are based in a tax haven, they may have no choice but to reveal your affairs to your government if you are a citizen of the European Union member-nations or the United States. However, unless you're a money launderer, in all other cases the confidentiality of your affairs is likely to be preserved. Often there are tough laws to protect your privacy as a client.

As an additional safeguard, follow sensible practices such as not having sensitive paperwork sent through the mails to your residential or business addresses, and being careful about what you say on the telephone or in digitally-transferred messages.

Regularly clear sensitive material from your personal computer such as copies of e-mails – although the most sensitive should not even be processed by computer. Shred or burn sensitive paper records once you no longer need them.

As credit card statements give a complete picture of your whereabouts and activities, avoid using credit cards where they could leave an interesting trail. Better to use a debit card from a bank based in a tax haven, with the statements sent to an offshore address. Always try to avoid paper trails that lead straight back to you.

Say as little as possible about your finances to your spouse, partner, close relatives, friends or acquaintances. Even without having any bad intention, they can let loose sensitive information about you to strangers.

It's better that people think you are poor rather than wealthy. Nobody sues, robs or kidnaps a pauper. Smart people are also discreet people.

Escaping tax on income, wealth, capital gains

Although governments have become increasingly aggressive in attacking the use of international structures to reduce, avoid or evade tax, there are still ways of using global planning to this end.

If you are not tied to a particular country by personal or business commitments, you may consider becoming a tax exile.

Many countries only tax you on income you earn in it or bring in from abroad, so you can escape tax on income earned elsewhere that you don't need, as well as capital gains, wealth and inheritance taxes on assets held outside.

You don't necessarily have to go live in some Third World backwater to take advantage of such opportunities. Britain, for example, offers such privileges to foreigners living in the country but not domiciled in it.

Another possibility is to become a "perpetual traveller." If you have access to accommodation in several countries, you may plan to spend only a few months of the year in each, thus avoiding being classed as being subject to taxes, except on income or gains arising within the country.

However, some governments such as the US seek to tax their citizens on their worldwide income – wherever it arises, irrespective of where they live. And every country has its own rules on tax status, according to residency, physical presence, domicile, citizenship, income source and marital status.

So you need expert advice on your particular circumstances before becoming a tax exile, to make sure that your planning is effective.

South African writer Jackie Cameron warns that you should include your spouse in all your planning as "your partner's residency, physical presence and domicile can play a role in your affairs. If you don't take your partner's situation into account, you could find that your tax planning has been in vain."

Putting space between yourself and your wealth

If your assets are sufficiently large, another route to tax efficiency is to set up a structure distancing you from ownership, for example by holding your assets in a trust, company or a nominee (or a combination of these) registered or based in a tax haven.

This is no longer a simple way of hiding income, gains and accumulated wealth from tax authorities than it used to be, because of registration and international reporting procedures forced on tax havens by the European Union and the US.

But there are still structures that remain effective using tax havens that have resisted forced co-operation with major-nation tax authorities, such as Singapore, Dubai and Hong Kong, and vehicles such as bearer-stock companies (no public record of who owns them), unregistered trusts and professional nominees.

Estate planning. Remember that when you pass on, any assets you own will be subject to the inheritance laws of the jurisdictions in which they are registered.

There are simple ways of dealing with potential problems such as joint accounts, local wills and testamentary trusts. It is best to get professional advice, which is often available cost-free from investment companies and intermediaries.

You should always have a will in a country where you have assets registered in your own name, such as a property.

Security. There are lots of crooks out there trying to steal your money, and lots of others trying to enrich themselves at your expense without doing anything criminal. So it's important to be careful about whom you deal with.

Never buy an investment that someone tries to sell you over the telephone.

Always deal either with a large and reputable financial institution, with a person or business that you are comfortable with from personal experience over a reasonable period, or with one that comes highly recommended by someone whose judgement you trust.

Remember that integrity, a clear concern for your interests, regular detailed reporting, honest disclosure of mistakes and a good personal relationship are more important than the prospect of wonderful returns. In fact, if the latter is what you're promised, that's a danger signal.

Gold: Building a Base for an Upsurge?

Gold has been a disappointing investment for its bulls over the past year, falling in value by about 17 per cent in dollar terms since it peaked last September. Does that mean a bubble in the precious metals is deflating, as the perma-bears argue, or have we just been experiencing a period of consolidation?

The traditionally anti-gold *FT* recently ran a sensational front-page story headlined *Gold Price Falls as Asia Purchases Dwindle*. It reported a "significant slowdown" in global demand in the second quarter driven by weaker buying by consumers in India and China and a collapse of inflows into exchange-traded funds.

It did not explain why the gold price actually stabilized in the second quarter, and is now slightly higher than it was at the beginning of that quarter.

Although they're not necessarily right, the markets seem to believe that the threat of inflation is what drives the gold price. Over the past year the markets have clearly moved to the view that inflation isn't a big risk, deflation is.

They have shown only mild interest in equities (which do best in periods of moderate inflation), which globally as a whole have shown little growth over the past year. What investors really like is bonds, the major beneficiary of deflation. My index of world sovereign bonds is up an amazing 22 per cent over the past year.

Where do we go from here?

The charts suggest that the gold price has been stabilizing in recent months, ranging between $1,530 and $1,630, with a slight rising tendency.

In his always-excellent annual study of the yellow metal*, Ronald-Peter Stoeferle of the Austrian bank Erste reckons that from this month onwards, as gold moves into its best season, the price should resume its uptrend, probably reaching $2,000 within the next 12 months.

Short-term technical indicators have turned favourable, suggesting that bearishness that predominated in the spring probably marked "the bottom of the corrective movement." Trading shows increasing interest by the "smart money." The "very, very low level of commercial net short positioning, most especially in silver, is intensely bullish."

Pessimists argue that gold is in a bubble. So why do they refuse to back their belief by opening short positions?

Stoeferle says we are now in a period of "imminent transition to an accelerated trend phase."

Longer-term fundamentals are also favourable:

► There is a renaissance of gold in international finance. It's "becoming politically correct again." Central banks sold gold for 20 years, now they are buying the stuff for their reserves – 455 tons in 2011. Recent proposals for regulatory capital requirements for the banking sector for the first time set the risk weighting for gold at zero.

► Negative interest rates constitute a perfect environment for the gold price. Real interest rates are now at about minus 3 per cent. Past experience is that gold prices generally only turn negative when real rates rise to a positive 3 to 4 per cent.

That isn't going to happen soon. The US Fed's commitment to a zero-interest policy till 2014 "should result in prolonged negative real interest rates, and thus create a positive foundation for further increases in the gold price."

► Rising personal incomes in Asia are the principal driver of global demand for gold and set to deliver further growth. Incomes will continue to rise. And gold is "still amazingly cheap" in purchasing-power terms for Asian investors. Because their incomes have risen so strongly, gold is only 20 per cent of its relative cost in 1980 in China and India.

Gold "is often called the investment of… chronic pessimists," but its driving factor on the demand side is the great news of continuing strong economic growth in Asia, where there is a "traditionally high affinity for gold" as an investment.

Why the mining stocks now look a buy

In his annual report Stoeferle addresses the issue of the very poor performance of gold mining shares, especially in recent months, relative to the metal itself and its paper proxies.

He blames this on major increases in the costs of mining because of more expensive energy, shortages of skilled operators, engineers and geologists, and a big rise in the cost of capital.

Although golds are one of the few equity sectors that are negatively correlated with the broad market in the long run, they can suffer like other shares when there is a general "risk-off" shift.

Golds are out of favour because there seems to be little prospect of organic growth for major players due to past neglect of greenfield exploration, and the greater difficulty in making new lodes. In the Sixties the industry was finding $105 of gold for every dollar spent on exploration; by the Noughties the ratio had fallen to $11.

Investors were burned by the hugely-expensive unwinding of hedging programmes and know mining companies tend to use higher gold prices to extend their lives by moving into recovery of marginal lower-grade (and less profitable) ore, rather than increasing their earnings and payouts to shareholders.

One of "the most striking features of the mining sector" is poor dividends. Currently only 15 per cent of earnings are distributed. Only the technology sector has worse payout ratios.

Nevertheless, Stoeferle argues that this could now be a good time to buy the shares of companies mining gold in politically stable regions.

They “currently represent a high-leverage bet on the gold price, with an extremely attractive risk/return profile.

“Strong balance sheets, high free cash flows, a substantial increase in margins, low debt levels and rising dividends all speak in favour of the sector,” as do low valuations and underweighting by investors.

Here are a few of the many other interesting points made in the Erste bank study:

Preferences: There has been a gradual shift from paper gold to physical purchases. This year physical investment demand will probably exceed exchange-traded fund demand by a factor of five. A few years ago the situation was exactly the reverse. There has been a “gradual loss of confidence in paper gold.”

Stoerfele doesn’t explain why. But presumably because there is least risk in ownership of physical metal, as against a certificate of ownership of the metal or of a mining company. It is more difficult for governments to tax, confiscate or freeze, and may even be completely hidden from them.

Deflation: Gold doesn’t need inflation to outperform. It can also be a good defensive investment in times of deflation, as it proved to be in 1814-30, 1864-97 and 1929-33.

In a period of profound deflation investment focus shifts from capital growth to capital preservation. Gold gains attraction in an environment of depreciating currencies, declining creditworthiness of companies and states, and falling values of many assets.

“Gold is liquid, divisible, indestructible and easily transportable. It also has a worldwide market and there is no default risk. It is thus cash of the highest quality.”

Investment qualities: Gold is an excellent hedge against “black swan” events such as the bursting of the credit bubble in 2008. In that “disastrous year… the performance of gold was positive both in relative and in absolute terms (behind US Treasuries).

It reduces risk in a portfolio. In the US, for example, since 1971 gold outperformed equities in the six worst years, not only in relative terms, but also posting increases in absolute terms.

More than 300 research studies have shown that at least a small allocation of gold is always advisable in a portfolio to improve performance.

“The gold sector is liquid, transparent, and comes with low transaction costs.”

Price determinants: The rate of change in mine production is of minimal importance because new supply is so small relative to potential supply from the world’s accumulated stock of 170,000 tons. Those holdings “are gradually moving from weak to strong hands.” Also: “The decision *not* to sell at current prices is as important as the decision to buy gold.”

Long-term value: The purchasing power of gold in terms of loaves of bread is approximately the same in Europe now as it was Babylon around 600BC.

**Gold Report 2012*. www.erstebank.at.

What's Driving China's Explosive Growth

China's development model will not be sustainable over the mid- to longer-terms, because of factors such as global scarcity of natural resources and a fast-ageing population, retired Swiss expert Erwin Schurtenberger told the Lanna Swiss Society in Chiangmai last month. China is getting older before it gets wealthy, with the dependency ratio about to worsen in a few years from 1:2.6 to 1:1.5.

Nevertheless, "the Chinese locomotive" will not significantly lower its speed any time soon. Economic growth rates of around 8 per cent a year will remain a realistic target.

The explosive growth that has taken China to the world's No.2 economy in such a short time is rooted in the paradigm shift in the ruling elite that began in December 1978. Consequently, a "dream/myth" has taken over.

Its elements include a belief that economic progress can solve any problem, that anyone who works hard can be successful, that everyone will in time get his own apartment or house, and a car.

Growing self-confidence and assertiveness motivate people continuously to do, and get, more. The mantra "always faster, better, cheaper, more innovative" is fuelling cutthroat competition.

The dominating mind-set is pursuit of personal wealth and happiness focused on the core value of "coined liberty" – money. This strongly favours continued growth and accumulation of capital.

A strongly hierarchical, competition-driven, education-minded and powerful ruling elite controls politics at all level. There is strong demand for party membership, but only 10 per cent of those who apply are accepted.

Although coercion is sometimes applied, compliance of ordinary people with the party-imposed system is largely voluntary.

Although private enterprises are encouraged, the conditions in which they operate are so difficult that only the toughest ones survive, and highly successful ones are often taken over by government at local/provincial levels.

Dishonesty and Incompetence in the Greenery

The US administration's multi-billion plan to create "green" jobs – President Obama offered the rosy prospect of five million new jobs -- "has failed to produce any of the benefits initially claimed," says energy expert Allen Brooks.

Although some of the failures are obvious, such as the bankruptcy of solar energy companies after they hoovered up massive government subsidies, others are harder to pin down because of "lack of a consistent and accurate measurement" of claimed benefits.

Conveniently, the administration has avoided releasing estimates of job creation due to "inconsistencies" in the self-reported statistics.

However we do know that a half-billion-dollar Labor Department programme to train people for 79,854 green jobs has been condemned as a "dismal failure" by its Inspector General as it created only 8,035 jobs.

A clear defect of depending on self-reporting by public authorities is that they conveniently classify as “green,” many jobs that average folk wouldn’t think to be such. For example, when independent consultants investigated the reported increase in “green” jobs in Michigan, they found the largest number of positions created was for garbage collectors. Next most numerous came water and sewage treatment workers, then office clerks.

In New York and Washington DC, 56 per cent of all jobs classified as “green” are in fact researchers, lawyers, consultants and similar who constitute the bloated bureaucratic infrastructure for promoting greenery rather than people actually doing green jobs.

According to a report in the *New York Times*, 19 factories in the developing world are making huge profits from “an unlikely business” – producing coolant gases said to worsen global warming, so they can earn carbon credits from destroying their waste product.

They realized that under the United Nations scheme to combat generation of greenhouse gases they could earn one carbon credit from eliminating one ton of carbon dioxide – but more than 11,000 credits for destroying a ton of an obscure waste gas normally released in the manufacture of a widely-used coolant gas, HFC-22.

Carbon credits earned can be sold on the international market for anything from $9 to nearly $40 apiece, probably earning each plant an average of $20-40 million a year. This incentive has driven plants in countries such as India and China to keep high, production of the coolant gas blamed for worsening global warming… even boost output.

The UN and the European Union have known about this unintended consequence for several years, but struggles to end it because of the vested interest of companies that have come to depend on earnings from carbon credits that they are essentially “printing.”

Some Chinese producers have warned that if they stop getting paid for such credits, they will vent waste gas into the sky – which is not illegal in China or India.

Value in Artistry and Rarity

“Investments of Passion,” such as works of art, jewellery and memorabilia, although not strictly speaking alternatives to financial assets, are now viewed by many wealthy people as an important component of their overall investment strategy, Capgemini and RBC Wealth Management say in their latest *World Wealth Report*.

It’s all about the rich, the HNWIs – High Net Worth Individuals with a million dollars or more available for investing. There are reckoned to be 11 million of them, with investible assets totalling $42 trillion.

Young HNWIs from emerging economies are showing themselves to be an especially powerful force in markets for many classes of IoP, “especially those that are seen as solid investments likely to appreciate in value over time, and/or offer a low correlation to mainstream financial instruments,” says the report.

China, together with Hong Kong, has overtaken the US to become the world's largest market for art and antiques. Globally, specialized funds now invest $700-750 million a year in works of art.

IoP… specialist collectables… encompasses a wide range including coins, diamonds, rare automobiles, fine wine, antiques, sports memorabilia, even soccer clubs.

New-style Investing

Californian start-ups are pioneering access to stocks for the younger generation with little to invest but a big thirst to learn.

One new example is Motif Investing, which offers an online marketplace for small investors to buy into baskets of up to 30 shares based on their chosen "motif" or concept such as mobile technology, senior care, pets… or even perceived "vices" such as fast food providers, gun makers.

Customers can put as little as $250 into each motif and the website offers comparative information on relative risk and performance. Users can add or delete an individual stock from their motif baskets at very low cost – less than five dollars. They can invite friends to offer advice and opinions on their holdings.

Arthur Levitt, former Securities & Exchange Commission chairman who advises the company, says the service appeals to a new breed of tech-savvy investors "who grew up with iPhones and BlackBerrys and might be very comfortable with making investments and sharing them on social media."

Bust the Mega-banks!

Equity investors are increasingly coming round to the view that breaking up the big banks would make more sense than forcing them to hold more capital, Sebastian Mallaby argues in the *FT*.

"The promises of synergies trotted out by empire-building bosses in the 1990s have proved largely empty; clients don't necessarily want to buy underwriting or wealth management services from the same supermarket that provides their ordinary loans.

"Meanwhile, the risks in empire building are evident. If even the respected JPMorgan Chase can lose billions on a sloppy trade in one wayward outpost, then imperial overstretch is everywhere."

Investors would gain from the break-up of the banks in which they hold stock. Mallaby offers this example…

Shares of Citigroup "languish" at half book value. "Liquidating Citi could hand shareholders a gain of 100 per cent. Indeed, because banks' assets include infrastructure that could be sold for much more than book value, the bonanza might be even bigger."

Tailpieces

Currencies: The Australian dollar is now "very expensive," reports CLSA Asia-Pacific strategist Christopher Wood, as its real effective exchange rate is at its

highest level since 1976. One reason: capital inflows as central banks such as Switzerland's seek to limit their holdings in euros without adding to those in US dollars by switching into well-regarded second-tier currencies such as the Aussie dollar and the Swedish kroner.

Shares: Boring companies deliver better returns on average than exciting ones. A new study of 21 countries covering the period 1990 to 2001 showed that the least volatile stocks gave an average return of 8.7 per cent a year, in contrast to the most volatile that showed a negative 8.8 per cent.

Jobs: Unemployment in the US is actually much worse than the official figures of around 8 per cent suggest, as they conveniently fail to record those who are so discouraged by their inability to find a job that they stop looking. If the methodology by government statisticians until 1994 is applied, which includes long-term discouraged workers and those who do work part-time, but only because they can't get a full-time job, the unemployment rate is 22.8 per cent.

Corporate payouts: The amount paid out by America's 500 biggest listed companies in dividends is expected to grow by 14 per cent to $275 billion this year, above the previous high in 2008. There will also be an all-time high in companies paying dividends, forecast to reach 402 of the 500 companies in the S&P 500 index.

Global competition: According to the International Labour Organization, here's what it costs on average to employ an electronic engineering technician for a week in various countries: The UK $732, the Czech Republic $276, Romania $180, Mexico $101… India $11.

Soft sovereigns: To call Gilts – British government bonds – as "riskless," says investment adviser Tim Price, "is like describing the last section of the sinking *Titanic* that remains above the waves, 'safe.'"

Who's right? A friend offers this "lesson in irony" from the US…

The Food Stamp Program, administered by the federal government's Department of Agriculture, is proud to be distributing the greatest amount of free meals and food stamps ever, to 46 million people.

However the Department of the Interior asks visitors to national parks: "Please do not feed the animals," as it doesn't want them to grow dependent on handouts and fail to learn to take care of themselves.

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