

Ep93: Issues To Consider at the Start of the Year

March 24, 2022

PATTI BRENNAN: Hi, everybody. Welcome to the Patti Brennan show. Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

As we record this episode today, it is March 21st. In today's show, we're going to be discussing military strategies and the history of the Russian Federation.

Joining me today is Kristopher Thompson. Kris is a Planning and Portfolio consultant with us at Key Financial, but, boy, do we have a unique privilege in having Kristopher with us. Because of his background as a former Army Ranger.

Is it former, Kris or you're always an Army Ranger?

KRISTOPHER THOMPSON:

Kind of once always situation, but in the past life, I was a little bit more active.

PATTI:

Why don't you tell the folks watching and listening a little bit about your background, what you did for the Army, and for all of us, as you fulfilled your role as a Ranger?

KRISTOPHER:

Sure. While I was in the military, I went through, as you said, Ranger training. I did Airborne school among a few other schools. I served as a platoon leader, and I was in charge of about 45 soldiers in a light infantry unit.

Then I moved up to be an executive officer of a company. I was second-in-command of a company of 140 soldiers, in charge of the logistics, supply, armament, and basically, facilitating whatever the commander needed.

PATTI:

Kris, you have a unique background in military strategy and operations. It's so interesting. In our conversations, as I was preparing for my quarterly letter, you brought up a few points that I didn't realize were really, really important as we were thinking about the Russian invasion of Ukraine.

For our listeners today, can you please explain what rope-a-dope was all about?



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KRISTOPHER: Yes, so boxing fans might be a fan of this analogy. Made famous by Muhammad Ali in a fight against George Foreman, the rope-a-dope was Ali putting his back against the ropes and taking a lot of shots from George Foreman. Really what he was doing was wearing down his opponent.

He was well-rested. He was in the defense the whole time. Then, when George Foreman was a little tired, he came out striking and famously won the fight, so the rope-a-dope was born.

In terms of military strategy, you and I were talking about it with regard to that 40-mile convoy. How we look at this 40-mile convoy from the perspective of watching it through CNN or Fox or MSNBC or all those, it's a little difficult to understand the full scope of what's going on. We're seeing it through a keyhole, a 40-mile convoy of supply and logistics, weapons.

PATTI: That's a big convoy. That's long, 40 miles.

KRISTOPHER: That could be the backbone of the Russian offensive, for all we know, but it's hard to say. I posed the idea that maybe it's not what it seems in terms of it being stalled the way it is.

For example, if you're a Ukrainian military strategist, that's your goal. That could make or break the Russian advance. If you're a Russian general, that could make or break your advance as well.

PATTI: Absolutely.

KRISTOPHER: You would want to dedicate every resource possible to either try to stall that convoy further or destroy it if you're Ukrainian. On the other hand, a Russian general, I don't see how they're allowing a 40-mile convoy to remain stagnant for so long.

I just pose the idea that maybe it's a tactical pause. Maybe, it is more intentional than we may know.

PATTI: It's interesting because you made the comparison of what the Americans did in World War II prior to the D-Day. Apparently – correct me if I'm wrong – we literally had inflatable tanks and fake soldiers, and we moved them into the North. Am I getting that right?

KRISTOPHER: Yeah. We posted basically an entire fake army in Scotland of tents full of nobody fake soldiers, just wood figures out there.

PATTI: They didn't have the equipment we have today – their radar and all of that. The cameras were not nearly as precise as they are today. Hitler freaked out and moved a portion of his army to the North of France to prepare for that invasion, which allowed us to go to the



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south.

Kristopher: He actually pushed entire divisions north. Obviously, they didn't have an easy road by any means on D-Day, but it definitely lightened some of the defenses up of the Germans.

PATTI: Wow, sweet. Fake them out.

Kristopher: Exactly had faked them.

PATTI: It was also interesting because when you and I were talking, you basically said, "Patti, there is no way any general in the entire world would allow a 40-mile convoy to run out of gas, especially if it's Russia. They've got plenty of gas, right?"

Kristopher: Yeah.

PATTI: 40 miles, I was thinking about that. That's a long way. That's further than West Chester, Pennsylvania to Philadelphia. Think about how long 40 miles is - that's a lot of tanks, equipment, etc. I can certainly understand why they would want to hyper-focus and invade in that way, but it's clearly either not working, which is the information that we're getting, or they are faking people out.

Kristopher: Trying to do a little bit of a head fake. It's nearly impossible to say it's hard to get into the mind of a foreign military, especially one that's so centralized on really one man.

When the United States typically does something, there's a little bit of a process to it, and you would hope that it's a little bit more transparent, whereas whatever Putin decides is the way that we're going to go.

For that specific 40-mile convoy, it's just hard to believe that it's there on accident, either it is there on accident, and they have problems like you wouldn't believe, or they're paused for some specific reason, impossible to say which, but it's food for thought. Really, I think that the scope we see things through in this event is very small. It's worth second-guessing some of that information that seems obvious to us.

PATTI: It's interesting, I will never forget seeing Condoleezza Rice in person. She was describing Putin because she worked in Russia, in Moscow for 16 years and got to know him quite well. Apparently, he really liked her a lot, but she said he is crazy like a fox. I'll never forget she said, "We are never ever, ever to trust that man."

Kristopher: Actually, I saw a quote today this morning, Colin Powell said, during the Crimea invasion when things were a little bit heated, he said he knew Putin very well. He said, "Basically, he is KGB through and through." That's why I look at that convoy and take pause to think that maybe it's not what it seems because he's a master of asymmetric warfare.



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PATTI: Kris, can you give us some longer-term perspective regarding the Russian Federation? What has made them so aggressive? What makes them think they could just walk into another nation and take it over?

KRISTOPHER: There's a long history of entanglement between these two nations going back to the 17th century. Prior to that, prior to the 17th century, Ukraine had its own autonomy. They were not necessarily a unified nation, but they were a Ukrainian nation in and of themselves.

In the 17th century, the Russian Empire abolished its autonomy. Nice way of saying, they took them over, they divided Ukraine up into a bunch of Russian provinces.

Over time, in particular the 18th century, in that Donbas Region that's been talked about so much over the last few weeks, essentially, it was uninhabited. They called it the wild forest. In the 18th century, you had a bunch of Russian migrants moving in the area and actually named it New Russia. These people are very much of similar background and have a long history together.

If you look at the post-World War I Bolshevik Revolution, the communist revolution led by Lenin, then you had these nations, these ethnic groups, bidding for independence again. Ukraine is one of the bigger nations and saying, "We're off the Russian Empire. We want our own autonomy."

Between 1917 and 1922, after all this, they developed the USSR, and the Ukrainian Soviet Republic was born. Really what that meant was Moscow was in charge of the Ukrainian Soviet Republic, being the head of the Soviet Union.

PATTI: You think about the Soviet Union, the USSR, we haven't heard that term in so long. I remember growing up, that was something to be feared, as a result of the Cold War. You think about what the USSR represented and how big it was.

In doing the research for this letter, I didn't realize it was actually 100 different nations, under this umbrella called the USSR. It was the second-largest economy as well in the entire world. The problem is, it wasn't a well-functioning economy. There was a ton of hoarding. Stagflation was rampant. The value of the ruble was always in jeopardy.

I remember the fourth quarter of 1998. It's interesting because a lot of people think that the '90s were fantastic and the markets were going nuts, and they did. That fourth quarter, Russia was so very close to defaulting on their currency. It was our Federal Reserve that actually came to the rescue.

There were a couple of other things that were going on at the time, but Russia's economy has always been teetering. Gorbachev came in as President and very shortly after Gorbachev came in, Chernobyl happened.



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A lot of people look back and he himself looks back at Chernobyl because, initially, he was doing the USSR–Russian thing. He was not necessarily telling the whole truth about the impact of Chernobyl.

KRISTOPHER: Absolutely.

PATTI: That Chernobyl accident was a really big deal. Gorbachev was doing the Russian thing with the information and really tried to keep it on the DL, because he didn't want his people to be freaking out. What I didn't realize was the amount of radioactive material that was released was 400 times the amount of material released in Hiroshima. That is huge. It's amazing.

Gorbachev himself, actually in hindsight, says that it undermined his own credibility with his own people and led to the breakup of the USSR. He is blamed for that, by the way, but he's also received the Nobel Prize for the reunification of Germany and things of that nature. They've been through a lot, that's for sure.

KRISTOPHER: I think that the breakup of the USSR, it's pretty well known these days that Putin blames Gorbachev for all of that and that he wants to reunify the USSR. He actually cites communism, the Bolshevik Revolution, with the creation of the state of Ukraine well prior to the USSR breakup.

He basically said that if we're going to do away with everything communist and that includes the state of Ukraine, which brings us back further than the USSR – it brings us back to the Russian Empire in the 17th century.

PATTI: This storyline keeps on changing, doesn't it? He keeps on moving the goalposts there.

KRISTOPHER: Absolutely.

PATTI: It is very, very interesting. He's accused the Ukrainian people of genocide. He seems to be doing whatever he needs to do to influence his own people, so they don't turn against them, because that's right now probably going to be his biggest risk. Until the sanctions really take hold with the Russian people, they are 100 percent behind him.

It's interesting, and I didn't write about this, but I was really wondering what is it about this guy? Why do these Russians trust him so much?

He's basically going to be their president, their leader for the rest of his life. How did he get away with that? I think ultimately, it comes down to the fact that when he took office in 2000, 38 percent of their population lived on the equivalent of \$5.50 a day.

Today, prior to all of this, that number has plummeted by 90 percent. It's just under 4



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percent are living in that kind of poverty with access to goods from all over the world. There was a very interesting article that talked about the fact that this invasion is probably going to take their economy back 30 years easily.

KRISTOPHER: The most are probably along with it, it seems.

PATTI: It is quite interesting. When you think about fast-forwarding to today and you think about the history, this seems to be a kleptocracy. He's a kleptomaniac, and he wants to do this land grab and take back what was really theirs, to begin with. It is going to be fascinating to see how long the Ukrainian people can withstand the pummeling that they've experienced.

What do you think about that part? I know that everybody – when I say everybody, people in the United States – are surprised at the level of defense and the fact that the Russians haven't advanced as quickly as even the Russian leadership thought.

What do you think about the information that we're getting? Is it credible? Is it something that we can rely on? I'm just playing devil's advocate.

KRISTOPHER: I totally agree with you. I think I take everything with a grain of salt until there's a little bit more verification. I'll give you one example, the Ghost of Kyiv.

We heard about this awesome Ukrainian fighter pilot who was taking down all these Russian aircraft very, very early on in the war. There's a video of it. It's a tremendous video of this airplane flying over. It takes down an enemy fighter jet and flies off. It turned out, after about a week or two of that video being out, turned out that that was from a video game.

Not the best look, whether the Ukrainians posted that. I'm not sure where the source was, but a lot of Americans really believed in those catching news headlines all across the world. Then it's obviously fizzled out. That type of information being disproven undermines the credibility of the Ukrainian efforts.

PATTI: It's interesting because I do agree that stuff like that can really supercharge people, "Yes, we've got a chance here. We can do this. Look at this. We are a great nation, and we are great people. We're going to get those Russians," right?

KRISTOPHER: Yeah.

PATTI: Just to spur some momentum, and at the same point to your point, it undermines the credibility of, what is really happening. Are we going to be able to defend ourselves and can we trust the information that we're getting?



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KRISTOPHER: I would say, if it's coming out of Russian sources right now, it's a lot until proven otherwise. Then if it's coming from United States Intelligence Community or the Ukrainian Intelligence Community, that information...

Let's take the United States Intelligence Community, for example. Any information that we receive, let's assume it's true every time. Not safe to do that, but you should assume it's true until proven otherwise.

At the same time, what are they not sharing? There's, obviously, information out there. There's just so much to be absorbed. I think it's very difficult.

A friend of my brothers who works in the Special Operations Community, basically said that Javelin and Stinger's missiles are the equivalent of giving Ukrainians snacks and gas money for the ride that they're on. I believe there's some truth to that. I believe what we have provided is maybe a force multiplier.

At the end of the day, the fight is not going to end anytime soon. In fact, the more that Ukrainians do well, the more aggressive and sporadic Russia will become. Desperation does a lot of things, especially when you're in a war zone, and I think the more desperate, not only the military will become, but Putin himself.

To say that they're winning the war, is a long stretch, a dangerous thing to say. I hope and pray that they're winning, and I think they're doing very well. I just think that it's not going to be as short as we would all love it to be. It's very interesting when you see that information, I just recommend highly we take a second look, consider the source.

PATTI: In a way, yes, we want it to be over quickly, but isn't it true that the longer it lasts, the more the Russian military is going to be depleted making them weaker?

I worry not just about the Ukrainian invasion, but then what's next? He's not going to stop here. He didn't stop with Crimea. He didn't stop with Donbas. He's going to take over this country, and then what? Go into Poland. Go into Slovakia.

I just worry about the longer-term, bigger plan. I also worry – this is not necessarily something that you and I were going to talk about – this whole Russian-China hookup, is really scary to me.

Ukraine, as we have learned, has a special kind of oil. Their special kind of oil is essential in making computer chips. Taiwan happens to be the world's dominant maker of computer chips.

This whole new relationship between the two really makes me nervous, because Ukraine has the oil that is necessary to make those chips. Taiwan makes the chips. Russia does



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this. China does that. Oh, my goodness, it is a new world for all of us.

Kristopher: In terms of the length of time and depleting the Russian military, you also have the factor of we look at NATO, we look at the United States. Right now, NATO has galvanized not necessarily never before, but not since the early '90s at the very least.

In fact, the French President just said that this is providing electroshock to the NATO organization. Whereas three years ago, he said that NATO was brain dead. It was obsolete effectively. Now, he's changing his tune. You see all these nations coming together under one goal. The more that this drags on, then the more oil is, obviously, a huge concern.

Germany is close to splintering off in some parts there but, right now, still very galvanized. As more time goes on, the more likely that those connections get splintered and potentially broken. You hope that doesn't happen and you hope that it's over before anything even like that happens. It's just as dangerous for NATO, obviously, Ukraine and Russia across the board for it to go on much longer.

With the Russia-China relations, China's watching very closely. This is only time will tell the type of situation. They've seen the sanctions that we came down very hard, very quick. They realized that maybe they backed the wrong horse.

They're going to continue to sit on the sideline until either Russia makes a strong enough advance to prove worthy of Chinese backing, or NATO European nations, all 146 nations that have condemned this invasion, if they make greater headway and Russia gets pulled back, then China's decision is going to be made for them there, I would hope.

PATTI: It is very interesting, to me also, how heartless Putin seems to be. He's heartless. As one person said over the weekend, he's literally feeding his own soldiers into the equivalent of wood chippers. These poor guys are going in there defending something based on information that is not accurate. Whether it be Nazism or the threat of anthrax and biological weapons, it's just not true.

It's just a shame that these poor young men are going to be sacrificed for a cause that really isn't legitimate, from what we're getting.

Kristopher, thank you so much for this history. Is there anything else that you want to add?

KRISTOPHER: Just keep an eye out. Obviously, this is going to change every single day. Tomorrow, this conversation could be obsolete. Frankly, I hope it's over and it is obsolete. There are plenty of different things.

I would keep an eye out for the conscriptions to come due in April, Russian conscriptions.



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A lot of their military is a conscript army drafted. They turn over every April and every October. Very soon, there are a lot of Russian soldiers in Ukraine that are supposed to go home. They're either going to be staying put. They're going to be upset about it.

I've been in the military. I've been in the field before. You're never happy to stay out longer than you intended to. Or, the Russians are going to have a very difficult logistical issue on their hands. Something to keep in mind.

PATTI: This is a question I should probably know. Are the Russian soldiers drafted?

KRISTOPHER: Not all of them. They do have active and reserve components just like the United States, but there is a fair portion of their services that are conscripted mostly for support roles. That's, here, a volunteer army, whether you're reserve or active duty there, it's piecemealed into active and reserve, volunteers, and then conscripts.

PATTI: Very interesting. Time will tell.

KRISTOPHER: Yes, absolutely.

PATTI: Time will tell. Kristopher, thank you so much for your perspective. Thank you for your research. Thanks also for giving us a little bit of the history of this. It's easy to say, "What is this person thinking?" Then you get into the history of this and say, "Well, he's just going back to the old patriotic..." I wouldn't say it, but it's a four-letter word.

The patriotic BS and trying to appeal to the masses that way. A lot of people are dying. There's so much destruction. It's just so unnecessary. I will tell you that the unintended consequences of all this are unbelievable.

Here's a sidebar piece of information that I didn't realize. Ukraine also has some of the most fertile soil in the world. They talk about our Great Plains being the breadbasket of the world. Guess what? So is Ukraine's. It's not just bread. It is feed for cattle and livestock. They're talking about famine and hunger being a likely outcome from all of this all over the world.

KRISTOPHER: True. As nations get developed, they want more cows, and cows need grass and wheat just as much as we do. Ukraine used to be known as the breadbasket of Eastern Europe. It fed the Russian Empire for a couple of hundred years. Something that's tragic.

PATTI: Very tragic. That's it for today's show. Thank you so much for spending some time with us.

If you'd like to learn more, please go onto our website at keyfinancialinc.com. There's going to be a transcript from this podcast. In addition, we're going to be doing a follow-up



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podcast with John Emerson, former Ambassador to Germany when Russia invaded Crimea. Stay tuned.

Between the background and the history that we've talked about with Kristopher and then the podcast with John Emerson, you're going to get a much more insightful overview of the impact of all of this, not only from an international tragedy perspective but also from an economic one as well.

Please join us for that podcast. Thank you so much for tuning in. Again, keyfinancialinc.com. All the transcripts will be there, as well as other podcasts. Take care. Bye-bye.



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