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INFLATION MYTHS That Are Robbing You Blind

By Rachel Mills Sept 24, 2018

#1 Inflation Myth: There is no inflation

Of course, the #1 myth about inflation is that it really isn't there, or that it's at a very low, manageable level and is all under control.

Your bills keep going up. Money is tighter, and yet the government keeps denying any of this is happening. The latest official inflation rate is at a very reasonable 2.7%. Supposedly everything is fine and getting better. It must be just you, right? The numbers don't lie.

Except that they do. Mark Twain famously said there are three kinds of lies—lies, damned lies and statistics. John Williams of Shadow Government Statistics has been tracking the changing methodology that allows the government to paint a much rosier economic picture than the one you face every day. He explains in a report on the Consumer Price Index here that:

- The Consumer Price Index (CPI) has been reconfigured since early 1980s so as to understate inflation versus common experience.
- CPI no longer measures the cost of maintaining a constant standard of living.
- CPI no longer measures full inflation for out-of-pocket expenditure.
- With the misused cover of academic theory, politicians forced significant underreporting of official inflation, so as to cut annual cost-of-living adjustments to Social Security, etc.
- Use of the CPI to adjust retirement benefits, private income or to set investment goals impairs the ability of retirees, income earners and investors to stay ahead of inflation.

- Understated inflation used in estimating inflation-adjusted growth has created the illusion of recovery in reported GDP.

Why does Washington want official numbers to show that inflation is low? One big reason is social security. These entitlement payments are already unsustainable for the long term. The last thing the government can afford is for those obligations to go up. Yet by law they have to give out adjustments for inflation every year.

The Cost of Living Adjustment (COLA) must compensate social security recipients for price inflation—as determined by the Bureau of Labor Statistics. Therein lies the rub. If the government admits there is inflation, they must pay for it. The latest COLA is expected to be 2.8%—the biggest raise seniors have gotten in years. But can you imagine if 1980s methodology was still used? ShadowStats shows that the COLA rightly should be more than twice that at over 6%! That would be fair to seniors, but “fair” is too expensive.

#2 Inflation Myth: It's not a big deal

The truth is many Americans probably don't even notice how much they lose over time to inflation, or how demoralizing it is to those trying to save for the future.

Let's look at inflation over a 40 year span—20 years in the past and extrapolate to 20 years in the future. If price and wage increases just remain constant from the last 20 year change, 20 years from now an average car will be \$48,750, a average home will be \$808,350 and median income will not keep up. Incomes go up by the

least amount, just 35% and an average American will have just \$67,500 a year with which to afford all that! The devastating effects of inflation are robbing us blind.

	CAR	HOUSE	INCOME
1997	\$16,900	\$124,100	\$37,000
2017	\$25,000	\$317,400	\$50,000
Change	47.90%	155.80%	35%
2037	\$48,750	\$808,350	\$67,500

#3 Inflation Myth: It's just a fact of life

Ah, the wistful days of yesteryear, when ice cream at the local soda fountain was a nickel, and so was a gallon of gasoline. You smile at the innocence of times gone by, and how hard work could earn you a dollar and that dollar could buy you a living. Not just a living—a life style! On one salary! Low prices are a thing of nostalgia, but we rightfully should get a little angry as well. Inflation is not just the natural course of money and time, but the price we pay, and pay, and pay for the profligate spending of our government.

The truth is Washington loves inflation. Inflating the money supply is one way to pay down public debt with cheaper dollars. It is a source of money that doesn't have to be explicitly taxed, which typically angers the voting public. Printing money is an easy, but insidious fix for spendthrift governments. But every dollar they add subtracts purchasing power from dollars already in existence. It's ROBBERY!

#4 Inflation Myth: There's just not much you can do about it

Clearly the deck is stacked against us. With wages not keeping pace with the prices of all the things we buy, the future looks incredibly bleak. How can you possibly save enough of today's dollars to pay for tomorrow's

inflation? And the Wall Street casino is a terrifying proposition as well. You can beat inflation like a drum one year and lose it all the next. How can you win?

We have good news. Precious metals have historically retained their purchasing power remarkably well over time. There are 8,000 years of recorded history showing this. Though its value fluctuates in the short term, gold has NEVER been worth zero. If you simply save some gold, you could come out WAY ahead of the game in the long run, without the dizzying roller coaster of the markets.

Let's look again at a hypothetical 40-year example. Consider if you had saved gold in 1997.

	CAR	HOUSE	INCOME	GOLD
1997	\$16,900	\$124,100	\$37,000	\$287
2017	\$25,000	\$317,400	\$50,000	\$1,260
Change	47.90%	155.80%	35%	339%
2037	\$48,750	\$808,350	\$67,500	\$5,531

In 1997, it would have taken you 59 ounces of gold at \$287 an ounce to buy a \$16,900 car. If you had instead saved up 59 ounces of gold, you would have something like \$74,000 worth of gold today, possibly \$326,329 in 20 years! The same calculations for a new house (432 ounces of gold for a \$124,100 house in 1997) give you nearly \$550,000 today and \$2,389,392 in 20 years! Where do you think your money is best invested? In stocks bolstered by printed money and last-ditch corporate efforts to maintain the illusion of value—or—in gold and silver that are proven winners in good times or in bad and currently trading at a huge discount to production cost?

If you don't own gold or silver, now may be the time to do so as time may be running out. The process is simple and fast. Call or visit us at the site below to receive your Precious Metals Investor kit.



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