ASK THE **ADVISERS**

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.

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High Inflation in Low Interest Rate Environment

Last week the Consumer Price Index showed a reading of 7.5% inflation over the last 12 months. This is the highest reading over the last 30 years, but it certainly isn't the only inflationary period we have ever endured.

In fact, in 1980 inflation was over 14%. In 1990 it was about 6%. However, in the past when we have had high inflation, interest rates were also high. For instance, in 1980, one-year treasuries were paying over 16% and in 1990 they were paying over 7%. In other words, whenever we have had high inflation in the past, our money market and savings accounts kept pace with or even exceeded inflation.

This past year has been an anomaly. Imagine if we could buy a one-year CD or even a five-year CD and safely collect 7.5% interest. That would be great as at least our cash would not be losing purchasing power. Unfortunately for those with cash in the bank, although their accounts have the same monetary value, they have lost 7.5% of their purchasing power. This is essentially the same result as losing 7.5% of your account value in a year where there was no inflation.

Upon researching historical inflation rates and interest rates, I noticed this combination of low interest rates and high inflation has never occurred in the United States since World War II. Currently, although bank accounts have no investment risk or interest rate risk, they are fraught with inflation risk. There are some strategies available to safely grow your money without interest rate risk or investment risk but you must educate yourself on the alternatives.

One of the strategies that we have been using as a cash alternative for the last seven years are no load insurance contracts. They are safe and liquid and they can help you keep up with inflation. For a free report on this strategy text the word NOLOAD to 954-462-3300.

*source: bls.gov/cpi