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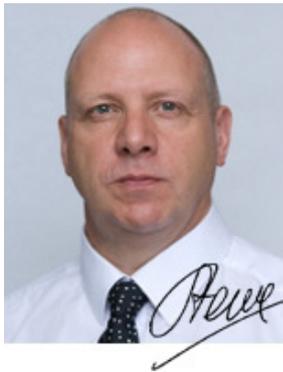
INVESTMENT SPECIALISTS

Risk & Return - Balanced Investing

Investment News

March, 2017

Introduction



Inflation - good and bad bits. Losing weight.

In this edition I look at inflation and how to cope with it. I go on to discuss our firstborn's ideas on profiting from inflation and finally touch on a new Swedish savings scheme.

Market Commentary

Inflation begins.

Inflation – good bits and bad bits

Vivian Nicholson was the "spend, spend, spend" lady. Her husband Keith won £152,319 on the pools in 1961; today's equivalent would be £3,167,827. In 2008 in Zimbabwe people had to use a wheelbarrow to carry enough currency to buy a loaf of bread when the daily inflation rate reached almost 100%.

Inflation may be defined as a 'general tendency for prices to rise' and is (best) measured by the RPI – the Retail Prices Index

The only value that money has rests in what you can buy with it - if prices go up the value of money goes down.

The problem with leaving money on deposit over the long term is that at current interest rates inflation means your money is standing still - or even going backwards. Leaving your money in the bank or building society therefore only guarantees the numbers - not the value.

Possible Solutions?

- Put your money into real asset backed investment; this fancy phrase means tangible assets – companies, property etc. Commodities – raw materials - can also work well. Of course the value of these assets can fall as well as rise but historically over the medium term they have all outperformed inflation.
- Borrow lots. See p.s. at end.
- Spend, spend, spend. Who cares if the value of your money is going down if you have none? Of course this option works particularly well if you know when you are going to die and you only run out of money the day before.
- The right six numbers on the lottery; this can work well but there is some risk to capital.

Having said all this some inflation is a good thing; inflation at a low and stable rate is good because it means increasing economic output and productivity which generates employment opportunities.

SUMMARY

Everything changes. Brexit and Trump are recent examples. It is always best to invest flexibly - in a way that allows you to change holdings quickly and cheaply so as to be able to react to market events.

Review & New Service

Our offer of a free review of your existing investments or a strategy report for new investments is open to recipients of this newsletter; call me if you would like a chat.

And finally...

Please continue the feedback – telephone us or send an email. In the next edition I look at demographic trends and alternatives to pensions to provide for retirement.

P.S.

Son number one (not the one who has just joined us, but his brother) has finally taken an interest in matters financial. He heard me mention the word inflation and asked when my diet started. After my explanation he asked if now would be a good time to get a car loan so that inflation would write it off over the next couple of years. I responded that at current rates of inflation it would take longer than a couple of years to reduce the value of debt but that if he took a mortgage over 25 years that should do it. Wonder if he will take the hint.....

P.P.S.

In Sweden individuals and businesses are over paying their taxes. This is because interest rates there are negative and many people consider it better to give their money to the taxman to look after - it's a strange world.



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