# Inflation, the Silent Killer of Retirement

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Inflation is the silent killer of retirement. Inflation is a topic that every one of us is familiar with. No matter what age group you are in. Now, you have two choices with inflation. You can ignore it and hope it will go away, or you can adapt to it. It is very much like air, whether you like it or not, you have to have it and it is around us all the time.

This report is going to talk about 4 Things Pertaining to Inflation:

#1) What is the stated inflation rate over history

#2) What is the real inflation rate

#3) Why is there a difference

#4) Things that you can do to protect yourself against it….if you don't protect yourself against it, you can run out of money before you run out of time. Inflation will eat it up. This is why it is the silent killer of retirement if you're not planning for it.

## Some staggering statistics

1) Couples that are 65 years of age have a 50% chance that one will live to age 92. Doctor's say that that if you have made it to age 65 and haven't had any major life threatening illness, the chances of you making it into your 80s and 90s statistically are very, very high. That being said, age 92 means that is almost 30 years in retirement. So, couples need to plan for a 30-year retirement.

Back in the early 1980's, just 3 ½ decades ago, things were different. Retirement didn't last as long. Today, we're looking at a 25-30 year retirement. This is thanks to modern medicine, but it is actually one of the things that hurt you in retirement – the rising costs of medicine and medication and hospitals.

2) Another for instance. Postage. In 1980 a postage stamp was 15 cents? Now a postage stamp is 60 cents. Price of a stamp has quadrupled over that time frame. And here is the issue…someone that retires today may need as much as 2-3 or 4 times the money at the end of retirement as the first day in retirement. And this is not even factoring in something like healthcare costs, Alzheimer's, nursing home costs.

Think about that when it comes to Social Security. Think about that when it comes to your pension. Think about that when it comes to income. If you're planning on a certain amount of money that by the time you are 65, you have to factor in the fact that is going to up and going to necessitate you having a higher income. If you don't plan for having more money at the end of retirement than at the beginning of the retirement, then you could have a plan that may not work

## Phases of Retirement

Retirement is an interesting thing. It's not just a big phase of 30-years that you go through that's all fun and games, and as they call them the Golden Years

Retirement comes in phases. First phase, if you are fortunate enough to retire at age 60, you are in the Go-Go years. This is when you travel, and stay on the move. That lasts til around age 75.

Then from about 75 on up to around 85, this is the Slow-Go years. You still want to go, but it just takes a little longer to get going, you don't want to go as far.

Then from 85 on, you go into the No-Go Years. What causes you to go from Go-Go to Slow-Go to No-Go? The one thing that changes is health and you can't help it.

## The 4 most important things about retirement

1) What is the stated inflation rate?
   Right now the government tells us it is 8%.
2) What is the real inflation rate?
3) And Why is there a difference.

Here is the Hoover Dam analogy. Have you ever been to the Hoover Dam. It is actually ominous. If you haven't seen it, it is worth seeing it. And then you take what is commonly referred to as The Dam Tour. As you go on the Dam Tour, you're going to find several interesting statistics. The facts show that 95 men died building the Hoover Dam. To be counted in that 95, you literally had to die on the dam. So in other words, if you fell and you cracked your head, they took you in to town and you died you were not counted in that 95.

There was actually an excess of 300 people that died building that dam. They kept that number low because they wanted to get the dam built. This was in the 1930s. People were hurting back then. So is it possible that the government may fib every once in a while? Yes. So when they tell you that inflation is at 8, inflation is higher than 8.

So what is the real inflation rate? Well, let's think about a retiree vs. a younger person, someone in their 30s. Someone in their 30s, what are they spending their money on? Half of their money is going to house, cars, basically long term loans that don't change. So, in other words, maybe half of their money is going to cost of food, cost of clothes, cost of medical care, cost of fuel. All of the things that inflate.

Now, how is that different for a retiree? Everything you spend your money on when you're 70 is inflating at a much higher rate than even standard inflation which is 3 or 4%.

Here's another true stat. #1 fear of retirees is today in retirement is the fear is the rising cost of healthcare and #2 is running out of money, probably due to the rising cost of healthcare. There is a big difference between the government's number and the real number.

There is Real world and then there is the Government's world. As you watch the politicians on television, let me ask you, do you think they are in Real world? It's important to understand how to avoid a problem in retirement where you didn't properly plan on inflation.

4) What are some things you can do to protect yourself?

If you want to hedge against inflation, you have to get investments that stay ahead of inflation. In other words, if inflation is at 3 or 4, you have to get something that's paying 5 or 6 and stays ahead of inflation.

Now, do you want to know why the government lives in Government world and we live in real world? The government bases inflation on a thing called CPI index. But CPI doesn't include fuel, it doesn't include the cost of food, it doesn't include basically anything that we use on a daily basis. Since we are all living in Real world, and not in the Government's CPI world, we have to protect ourselves against it. We have to protect ourselves against it in retirement.

So let's talk briefly about some things that DON'T stay ahead of inflation. Dispel some myths. Well, one of the absolute most popular things that people go to hedge against inflation is gold. Gold is pretty, but gold does not hedge against inflation. Matter of fact, it is one of the worst things you can do to hedge against inflation. Now, I will go back and tell you that it did hedge against inflation when the dollar was tied to the gold standard. But it has been a very long time since the dollar hasn't been tied to the gold standard.

Matter of fact, if you do some research on the hyper-inflationary times, the price of gold actually goes down during those times. I want you to think about something. What do we use gold for? Do we use gold in iPhones? No. Now, silver, may be a little bit of an argument there. You will find silver in an iPhone. Copper you will find that in your house and when you replace it with PEX you get rid of the copper. So we've thrown copper out.

But do we ever throw gold out? Heck no, we don't throw gold out. Matter of fact, when the dentist goes into your mouth and replace it, he wants to keep that gold filling. Well, here's my point, we look at gold as jewelry basically. When we go into a hyper-inflationary time, you have to understand, that's not a good time financially.

In summary, there are four items we are going to talk about pertaining to inflation: What is the stated inflation rate? The government is calling it around 3. What is the real inflation rate? Actually for retirees they say it is closer to 5-7. Why is there the difference? Because the things that retirees spend their money on all inflate. That younger person has half their money – 60, 70% – of their money, going to the house, going to the cars, things that don't inflate. Those loans don't go up. They stay steady for 30 years. So, What can you do to protect yourself? They say buy and hold will work. I say buy and hold plus time works but do you have time close to retirement?

**For a free consultation, call us at 1-800-277-0025. We would love to talk with you more about how we use the tools in our Wealth Toolkit, such as the Retirement Planning tool and the Risk Assessment Tool, to help our clients be ready for and stay in retirement.**