

March 2010

Dear Clients and Friends:

According to the Big Bang Theory, first there was absolutely nothing except for a microscopic point which suddenly blew up, and what followed is called “inflation.” Space expanded into non-space, allowing room for particles to race away from each other. Later on there were stars, planets, dinosaurs and finally humans.

As people became more and more intelligent, they managed to invent their own version of inflation, which is not nearly so useful. In this country, we employ a machine called a “printing press.” I’d like to tell you these presses are benign, like the ones where you add starch and they do a good job of finishing up your laundry.

However, and this is the scary part, without even coming close to your wallet, these machines can squeeze all the value out of your dollars. Einstein famously called this “spooky action at a distance.”

So where does that leave us? Our government is determined to pump out money. The more dollars it prints, the less they’re worth. Hyperinflation is a way governments can buy themselves out of debt, as the real value of currency decreases against inflation.

But it’s no fun for us. When we have money in the bank and the buying power of the dollar is cut in half, that’s a loss we’ll never recover. The lesson is to keep only as much cash as we reasonably need for reserves, and the rest should stay fully invested.

Regards,



Charles M. Shackelford