

# Adjust your investments to fight shrinking bucks

This is the fifth in a series of five articles by the Michigan Association of Certified Public Accountants

(MACPA) on "Living With Inflation."

"A penny saved is a penny earned" may have been solid advice to Benjamin Franklin's day, but in these infla-

tionary times it would have to be updated to: "A penny saved at less than 9 percent is a penny that's shrinking fast."

For the money we put aside is just as susceptible to inflation's shriveling effect as what we spend. If it doesn't grow as fast as inflation, it diminishes.

From the pool of experience of the money managers of the business world, some pointers are offered that industry follows and which might help families save and invest profitably in a period of heavy inflation.

A spokesman emphasized that business clients are frequently helped in weighing the myriad combinations of interest rates, appreciation, liquidity, safety and tax consequences that various investments offer and advised which type of package is most likely to suit a client's particular situation.

Business firms feel that in these times especially they must be relentless in pursuing advantageous ways of keeping otherwise idle cash busy producing income. Some companies even have staffs of people — cash managers — who spend most of their time on the telephone running down desirable places to "park" funds not immediately needed in the business. Some of these short-term investments, such as Euro-dollar certificates of deposit, may be too exotic, or risky, for the average individual, but they should be explored.

The important fact for the individual saver or investor to remember is that

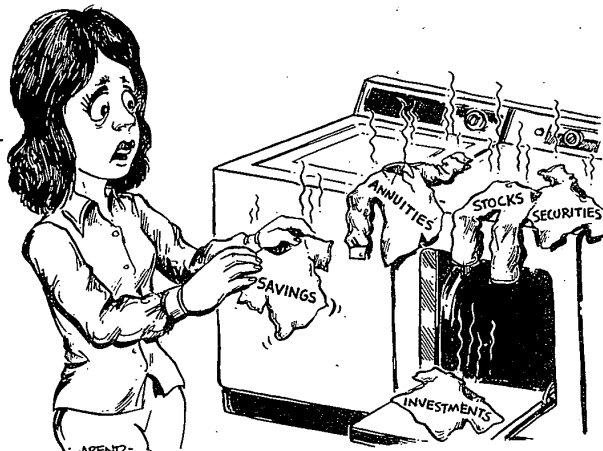
there are alternatives to Series E bonds and low-interest savings deposits, and if the individual wishes to emulate business investors he will devote time and effort to finding what his options are and examining their suitability for him. Even if you leave your money in a savings account, there are different types of accounts and different rates of return. Banks can be surprisingly flexible, so shop around.

Suitability is affected by the degree of risk an investment entails. Also by its liquidity; if, to earn high return, funds must be tied up in something that can't be quickly or easily sold, the investor may find himself unable to deal with a financial emergency or to take advantage of another, better investment opportunity that may come along.

In inflationary times, investments in physical things — commodities, real estate, or collectibles such as art

works, for example — and securities backed by physical things, such as mining stocks, often to keep pace with the inflation rate. But there's something to keep in mind about investments in jewelry, paintings, antiques and other collectibles: as a non-dealer you are likely to buy at retail and sell at wholesale.

For the average family, an investment in real estate — at least to the extent of owning its own home — may be the best inflation hedge. It forces you to save — to build equity. If it's well-constructed and located in a good neighborhood, it appreciates in value, especially in periods of inflation. When you sell, you can avoid capital gain tax on any profit by reinvesting in another home costing at least as much. And after you reach age 55 you can sell without reinvesting and take as much as \$100,000 profit without paying any tax.



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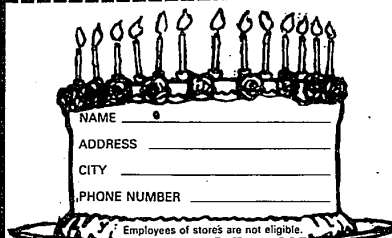
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