

“Overcoming Inflation and How to Grow Wealthy!” **by John V. Kamin**

Fifty-five years ago, the year was 1953. USA was engaged in a bitter “police action” as North Korea had invaded South Korea. The previous year, President Truman had fired General MacArthur. The only thing that brought North Korea to the peace table was MacArthur’s incursion toward North Korean gold mines (financing) and his threat to bomb the Yalu River bridges connecting to China over which some 50,000 Chinese “volunteers” were pouring. Today, the 49th Parallel still divides the Koreas, with 40,000 American troops there, within artillery range of the North Koreans. USA wants to pull troops back toward Seoul. But diplomats warn that would create a “diplomatic crisis”, in 2008, as North Korea has been developing nuclear bomb technology and longer-range missiles.

Back in 1953 USA, gas was 17.9¢ per gallon regular, 18.9¢ premium and cigarettes were 25¢ a pack, \$1.75 a carton. Eisenhower saw the Consumer Price Index (CPI) rising to 2.8%, approaching 3% inflation, so he slapped on wage/price rent controls (which didn’t work) and negotiated an uneasy truce with North Korea.

New full size cars and pickup trucks ran \$1,600 in 1953. You could buy a nice ranch style new house in big city suburbs for \$7,000 to \$8,000 on a 5.25% mortgage. GIs got even better loans. The minimum wage was 50¢ per hour, a stamp was 3¢, a pay phone call 5¢, silver was 91¢ oz and gold was \$34 oz. Grocers advertised large cans of fruit at 27¢ to 29¢, the big #6 size. A burger at most diners was 15¢, coffee 5¢ a cup, free refills and doctor visits \$5 to \$7.50.

None of the public had cell phones, computers, calculators, color TVs. Few homes and cars had air conditioning. Transistors and microchips were yet to be discovered and widely used. There was nothing in outer space from earth. Cigarette filters were made of asbestos for “safer” smoking, and gasoline had lead added, as did paint. Seniors with heart trouble did not get stents, bypasses or transplants. All healthy young men were subject to the draft at age 18. Many employers were reluctant to hire them because managers knew the young men would be drafted.

What Does It All Mean?

This year, 55 years later, you’ve seen the long-term trends, checking hindsight on homes, cars, groceries, utilities, gold, silver, and other necessities like high-speed Internet, cell phones, \$2,500 laptops and electric, gas and water monopolies.

This year we celebrate our 46th year of publishing the weekly Forecaster Moneyletter (Feb. 1962). If you haven’t developed a plan for inflation for your golden years, at least develop some strategy for your children and grandchildren.

You’ve got the look-back experience, the 20th Century history, and they don’t. And they tend to believe the “politically correct” assurances of politicians, that one should not be concerned about inflation, unbacked currencies, future home prices, rising tuition,

insurance costs, and health care costs. Fifty-five years ago, most people weren't concerned about highest tax brackets because they were in the lowest tax brackets; no Alternative Minimum Tax had been invented.

Necessity for Success

Traditional hard asset accumulations to protect your purchasing power and grow your wealth are necessary in highly inflationary times, history verified, long term. If you do nothing, you will become a voluntary victim of inflation and political overspending (they never have enough money and want more of yours). If you don't accumulate hard assets while working, your golden years can slip into rust, constant cutbacks.

What Works

Traditional hard asset much-used hedges against obvious inflation, loss of purchasing power, are: a home, rental buildings for cash-flow income and capital gains, gold and silver usually in coin form, proven art and collectibles and rare coins, a sound but advanced education in some technical specialty, owning proprietary businesses, moneymaking tools and equipment that don't go obsolete, vehicles that don't depreciate and hopefully appreciate instead. Note that all these hedges are outside Wall Street, which many people also favor.

What Doesn't Work

Obvious losers are: long-term loans and the like and even short-term loans (you get paid back in cheapened dollars and then you have to pay taxes at the highest possible rates on any puny interest earnings).

The Truth?

There is no need for you to become a victim of long-term inflation, loss of purchasing power, bank and currency manipulation or political overspending. It is not unpatriotic to engage in financial self-defense.

Dr. Adam Smith, author of Wealth of Nations, in 1775, knew the truth. Let's hope political candidates for the nation's highest offices also know. You cannot assume leaders do know until proven otherwise, because it's dangerous to your financial health and debilitating to your plans to grow wealth for yourself, your family and their offspring.

Moneymaking Deja Vu

During the last several years, many homeowners whom I interviewed told me how much money they were making from the increase in home values. Between 2001 and 2006, homes had gone up 74%. But people were making a lot more money because they'd only put 5% or 10% or 20% down so many times they'd make 600% or 1,000% on their down payment! And since 69% of American families were homeowners, highest percentage in the world, they would often tell me, "Best investment I ever made" or something similar.

The Real Question

Point is, once you know how to make money successfully and have actually done it, then you can repeat the process and do it again and again. After all, you already "know the

drill”. My clear-cut economic advice to people who have already made money and know how to make money is to repeat what they know! Is this such a startling idea? Surprisingly, few people do it.

For example, when people ask me about retirement programs I tell them what not to do (tie up all their loose money in bank accounts or parked somewhere else earning 1% or 2%). But what to do is the same thing they’ve been doing with their own home: every several years, buy another house to rent out particularly when the real estate cycle is on the downswing, and when the cycle turns you’ll have cash flow plus a sizeable capital gain. Your golden years can be truly golden if you are collecting about five rental checks in addition to your Social Security/pension or other income!

Furthermore, the people who have taken my planning advice like it and have done very well. And it’s not so complex that they can’t understand it. It also puts them in control of their golden years, not dependent upon some third party company who may or may not go bankrupt on them!

Many Ways to Make Money!

Homeownership is one way to hedge inflation, use OPM (Other People’s Money) on a mortgage, and make great gains long term. The trouble is most people don’t repeat the drill (to own more than once).

Another moneymaker is distressed property. You buy during the bottom of the property cycle and resell for a substantial capital gain when the cycle turns up. From 2004 to 2006 it was a hot property market when almost anything could be sold and was in great demand. My advice to our clients during those super years was to “sell your worst properties now, but keep the best”. I wanted clients to have opportunity spending money for the inevitable downturn in the cycle when properties would be much cheaper and easier to negotiate.

PDL Zoning Bingo

Pre-Development Land (PDL) is an excellent long-term profitable way to make money.

- You go for the growth areas, where the population is increasing!
- You seek great buys on residential or agricultural zoned parcels, but in the path of growth, on the far outskirts of great population areas, but within jobs-commuting distance;
- You get frontage near the freeway exits, on the arterial highways, so that you can get that property rezoned to commercial once the hotels, gas stations, and shopping malls arrive. You need that blacktop frontage on the “main drag”, the noisy arterial road where traffic is increasing, super-busy;
- Negotiate. Buy from the Moms-and-Pops who want to relocate, who hate all the noise, who hate the tripled traffic, who want to relocate nearer the kids and grandkids;

Income Creation While Holding

- You buy the PDL land and either lease it out or, if it has buildings, rent those out, too.
- You can also rent billboard signage for \$1,200 to \$2,000 per month near major intersections on high-traffic highways to add to income. Vacant land can be rented out to nearby farmers for agricultural development or leased to public storage units; or leased to people who want to park heavy equipment there such as bulldozers, trucks, etc. generating cash-flow income.
- When development finally moves closer to you (it doesn't have to be adjacent to you) the rezoning potential will bump up prices even if you're a half mile or two miles down the street from the new hotels and shopping malls!
- I prefer to buy the third or fourth lot down the highway, rather than right on the crossroads intersection because I can get more square footage, more acreage, per dollar; it's not so expensive. And if a big development goes in, developers need acreage rather than 50 ft. wide corner lots.

Pedal That Cycle

Real estate usually moves in 7 to 10 year cycles so with outskirts, metro-job center PDL properties, you try to buy and negotiate near the bottom of the down cycle, usually slightly after the cycle turns up, and let the upward part of the property cycle make money for you and ... at the same time, inflation makes money for you! PDL land can be a great moneymaker. And if you've got any buildings at all: barns, cement block buildings, whatever, you can rent them out to someone. One of my clients, years ago, bought an old farm in Ohio on the highway. He rented out the farmhouse to a family with lots of kids, rented out the barn to a car collector who needed a place to store his vehicles and leased the land to a nearby farmer for crops. He made three cash-flow incomes while he waited for the growth to move toward him and prices to soar! Not bad. Good for him!

Help For Pro Practices

Those pros with practices or businesses can make lots of money owning their own commercial buildings. If you are a pro with a practice or business: doctor, lawyer, dentist, contractor, I've suggested many times to buy your own business building 5,000 to 10,000 sq. ft. on the highway in the suburbs. Why pay \$1,000s per month in rent to a landlord who gets all those tax deductions and capital gains profits, while you get nothing and have no equity? The only thing you get from paying rent is monthly overhead.

Instead, buy a small business building on an arterial street in the suburbs, nearer your home. Cut your commuting time; your time is valuable. Your suburban competitors are "eating your lunch" every day, while you continue to pay four figure and five figure monthly rents on some high-rise office far from home, and waste two hours every day commuting!

If you have a practice, you can buy a larger building and rent out the extra units to peers; let tenants pay down your mortgage with rents you collect. Maybe rent to an orthodontist, chiropractor, optometrist or an oral surgeon. You benefit, they benefit, and that warehouse you just bought may house five to six specialists and your conversion

expenses can be tax deductible; you'll get great tax benefits from depreciation and other legal deductions.

Meantime, over the years, rents will increase. If you bought it on a 15-year FRM (Fixed Rate Mortgage) or with fixed rate seller financing, your payments are relatively fixed but your rental inflow will increase year-by-year. Just do it. This can be a great moneymaker, and you and your employees won't have to ride an elevator to the sixth floor every day and commute downtown, pay parking fees, etc.

Parked Money Can Earn Double-Digit Interest

What happens when you sell a building for a huge capital gain, say, a rental home, or a business building? You can park your money short-term to medium-term in TLCs for 10% to 18% interest returns. TLC stands for Tax Lien Certificates. Some 43 states now allow you to pay up other people's delinquent property taxes and collect double-digit interest. You can park 50% to 70% of your "opportunity money" in TLCs, while you keep 20% or 30% handy for emergencies and "doing deals". This is a great way to make money and will put you ahead of inflation instead of behind it, collecting 1% or such on your bank account or some other poor-pay parking place for your money.

Forecast: Consumer inflation now exceeds 4% per year and is on the rise.

Key and Semi-Key Moneymakers

There are other easier ways to make money that do not require huge amounts to begin, \$100,000s. Instead, buy key and semi-key coins that collectors will need, that will go up over the years. Stick with the low mintage scarcer issues. Buy wholesale instead of retail. The Forecaster Moneyletter offers dozens of suggestions in every subscription with different suggestions in every issue.

That Which Glitters...Can Make You Money

Gold and silver holdings can help protect you against inflation risks and make you money, as the dollar devalues, devaluation over which you have no control. Among the easiest holdings are gold bullion coins. You can hold \$20,000 worth in your hand, not much bigger than a pack of cigarettes. Right now, we are recommending the 2008 American Gold Eagles (AGEs), 1/4 oz (\$10) and 1/2 oz (\$25) coins. These two sizes are usually the lowest mintage. For now, you can avoid the 1 oz (\$50) and the 1/10 oz (\$5) Gold Eagles, mintages too high year-by-year.

You might also buy a 500-coin box of 2008 Silver Eagles, which sell at a modest premium over their silver meltdown value.

The Forecaster Moneyletter will also help with the recommendations of gold and silver bullion coins selling close to their meltdown values. Hopefully, over the years they will become scarcer, many will be lost or damaged or melted, and the pristine examples you have will rise in value.

Proprietary Control

An excellent inflation hedge for those who wish to be in business is a proprietary business where you control 51% to 100% of the business. That way, you can act more quickly, decide faster and better about all business matters. You can adjust prices up or down, change advertising, hire or fire to enhance performance and manage efficiently. Proprietary businesses have proven to be an excellent inflation hedge over the years, longer term. You can also own your own business building and make some money on real estate, too. You'll get legal tax deductions for your proprietary business that individuals cannot legally claim. I advise clients who have been in business or have learned a trade, to stick with what they know.

A tool & die maker can run a machine shop but probably not a meet-and-greet restaurant. The food service manager and hotel clerk can do well with a combo restaurant/motel attached. You've got the idea. Repeat what you know, repeat the moneymaking drill. Summary: You'll find many suggestions, best bets, recommendations, on these repeat "know the drill" moneymakers with every article. Don't miss. Have we got some hot news for you!

John Kamin is a Consulting Economist and publisher of The Forecaster, 19623 Ventura Blvd., Tarzana, CA 91356, (818) 345-4421. \$180 per year. For more money-making ideas, order his latest book Active Money Strategies & Hidden Wealth Builder Secrets For Young Adults: What They Were Afraid To Teach You In School. If They Ever Knew! \$20 + \$4 s & h Add \$1.65 tax. 95 pages.

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