

**Inflation Induced Debt Destruction Example
Owner Occupied 1972 Home Purchase**

Median Priced Home:	18,270		
Mortgage Size (80% LTV):	14,614		
Annual Interest Rate (30-yr fixed):	7.37%		
<u>Nominal</u> Dollars Repaid:	36,318	Effective Rate:	7.37%
<u>Real</u> Dollars Repaid (pre-tax & after inflation):	16,393	Effective Rate:	1.06%
After-Tax <u>Real</u> Dollars Repaid (- mortgage interest deduct):	12,655	Effective Rate:	-1.16%

The average inflation during this period was slightly north of 5.1%
 The assumed tax rate for this example was 33%
 Numbers would be SIGNIFICANTLY better if this was an income producing property

*Today's ACTUAL inflation rate over
 the next 30-years will most certainly
 be much higher AND our current
 interest rates are currently much
 lower!*

*If this were an actual income
 producing property you can see that
 the numbers would look phenomenal!*

The takeaway? If you want to protect yourself in a high inflation/low interest environment – LEVERAGE using the longest term FIXED RATE products -- ESPECIALLY if it is an income producing asset that pays for itself!!!!

Credit to Jason Hartman for his terrific video's on the subject. He has an incredibly informative YouTube channel & Podcast that I highly recommend!

Types of Inflation

- Asset
- Consumer Price

30% of all US dollars ever printed in our history were printed last year. In case you haven't noticed inflation is already here....

Nominal – the name of something

Real – the actual value

Cantillion Effect

- Inflation effects are not proportional
- People closest to the \$\$\$ get the biggest benefits

Six options the government has to deal with inflation:

1. Default
2. Raise taxes
3. Yard Sale (sell assets)
4. US Military (steal assets)
5. Technological innovations
6. Inflate

According to usdebtclock.org the United States currently has nearly \$150 TRILLION in unfunded liabilities.

Which option do you think Governments & Central Banks around the world will take?

Why do CB's & Governments LIE about inflation?

1. Government represents approximately 20% of the US economy
2. Government programs and government salaries are based on the CPI benchmark
3. If people understood what Government & Central Bank collusion was doing to them they would revolt and eliminate them

How do we protect ourselves for what is coming?

Align ourselves with the actions of Government & the Central Banks!

We all know that inflation **DESTROYS** purchasing power, but did you know that it also **DESTROYS** debt? Jason Hartman calls this Inflation Induced Debt Destruction. Here is an example:

In 1972 the medium home price was \$18,500 and interest rates were 7.37% for a 30-year fixed rate loan with inflation averaging about 5.1%. Given an 80% LTV we can calculate that \$21,705 interest was paid over the term of the loan for a total Nominal amount paid of \$36,318. Taking into account inflation we calculate that the actual total loan payment at the end of the term was \$16,393. Now if you take into consideration the tax benefit of writing off the home mortgage interest you can see that the mortgage literally PAID the borrower to borrow money (ie a negative interest rate)!

In summary today we have the lowest interest rates in recorded history & high inflation making long term fixed rate loans EXTREMELY valuable and the key to wealth creation.