

For Your Benefit



April 2011

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Approximately 9%,
or 10.5 million
people will be
millionaires in 2011.

"Inflation is when you pay \$15 for a \$10 haircut that you used to get for \$5 when you had hair."

Sam Ewing

"Inflation is taxation without legislation."

Milton Friedman

What Keeps You Up at Night?

- Retirement?
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Call us at
941.361.3057 or
e-mail

tobrien@firstbenefits.net

Dear Terry,

Happy Millionaire's Day!

Written by Terrance J. O'Brien

Today is May 20th, an unofficial holiday for "Be a Millionaire Day." I did some research and couldn't find any information on the year this holiday started.

I started to think "What if we were celebrating this holiday in 1975? How much was 1 million dollars worth in 1975 compared to 1 million dollars today?"

I did a little impulse buying at one of the chain restaurants a couple of weeks ago. The check out counter had "quick read" pamphlets for sale. One of the pamphlets illustrated the cost of goods and services in 1975.

I compared five items in 1975 prices compared with today's prices. The list included stamps, movie tickets, rents on lodging gasoline, and a new car.

The average inflation rate over this period, for these items, is about 5%. The Consumer Price Index (CPI), as determined by the Department of Labor Bureau of Labor Statistics, is 4.25% during that time. The CPI is the index the government uses to determine cost of living increases for social security recipients. I have always felt the CPI is stated below the true inflation levels.

What is the significance of the 5%?

The Buying Power of the 1 million dollars in 1975 would only be worth \$166,000 in today's dollars!

You would have to replace the 1 million dollars with \$5.5 million dollars today to keep pace with inflation!

Inflation will have a major impact on our lives, especially during our retirement years.

- A person with a lifestyle of \$100,000 annually will need to replace their income with \$163,000 in 10 years, and \$265,000 in 20 years. This amount is just to keep pace with present lifestyle.

- \$100,000 will only buy goods and services of \$60,000 in



"We are paid to see what other advisers don't see."

1975 vs. 2010

New Car
\$3,756 vs. \$25,000
4.8% inflation

Movie Ticket
\$1.75 vs. \$9.00
4.65% Inflation

Gasoline
\$.55/Gal. vs. \$3.00
4.57% Inflation

Postage Stamp: \$.10 vs.
\$.44
4.65% Inflation

Law of Inflation:

Whatever goes up will go up some more.

Unknown Author

10 years and \$36,000 in 20 years.

- Inflation is the silent killer of cash flow.
- Inflation has as much impact on your money as taxes.

Warren Buffet considers inflation a tax. He writes lengthy letters to his shareholders each year in his annual report. In one of his reports, he had this to say about inflation:

"The arithmetic makes it plain that inflation is a far more devastating tax than anything that has been enacted by legislature. The inflation tax has a fantastic ability to simply consume capital. It makes no difference to a widow with her savings in a 5 percent passbook account, whether she pays 100 percent income tax on her interest income during a period of zero inflation, or pays no income taxes during years of 5 percent inflation."

Higher inflation may be just around the corner. It could erode the million dollars you have in capital. Inflation could make this day an emotionally low day instead of an emotionally high day.

Good planning will make the difference on the type of day future May 20th's will have in store for you.

Happy Millionaire's Day!

Please let us know if you have any questions.

Sincerely,
Terry O'Brien



First Benefits Group, Inc.

Pioneers in Financial and Healthcare Strategies

941.361.3057