

as seen in

profile
M A G A Z I N E

April 2012 issue of Profile
Magazine TNQ



Do you believe the ABS?

with Simon Lee (on behalf of John Milkota)

Every quarter, a horde of economists descend on the latest inflation figures from the Australian Bureau of Statistics (ABS) and make visionary and solemn pronouncements. The latest figures tell us that inflation is around 3 per cent, but how much of this can we really believe, and how does it effect our daily lives? Does Cairns City Council believe the latest figures as they ponder our rates? Does the Reserve Bank believe them, as they continue to choke us with interest rates that are around three times those of other Western economies?

The 3 per cent figure may resonate with those souls who buy a new car every six months or replace their flat screens every time bigger and fancier models appear. But what about those who struggle with a mortgage, car repayments, kids and all those other expenses that suddenly materialise from nowhere?

And heaven help the poor pensioners who don't buy TVs because they have just taken delivery of their state-of-the-stone-age set top box, who are being squeezed by rising costs and falling interest rates on meagre savings.

Regardless of whether or not we think there is a degree of deception or manipulation at work here, the official number has limited relevance for many people. Many commodity prices are back to near all-time highs and the US and European governments are trying to bury us under a mountain of paper. Asian wages are rising rapidly.

Cash has been a wonderful, safe haven since the global financial crisis, but in the medium to long-term, inflation is going to come back to haunt us and we will need to think again about protecting our savings from its pernicious effects.

Cash won't do it. Gold might. What else? We seem to have forgotten that many growth assets will help provide a buffer against inflation as well as providing some useful income. But these are tricky times, and some of the old rules about quality, diversification and proper advice are all the more relevant today.

Your best bet is to remain sceptical about the information you receive, get knowledgeable about current affairs in finance and get your advice from the people in the know. ■

Independent Capital Advisers, Cairns
4031 4575
www.incapital.com.au

*Simon Lee, research analyst and senior adviser for
Independent Capital Advisers AFSL 378693*

InCapital
ADVISERS