# Nagel on Finances: Keep eye on inflation

BY ROGER NAGEL
June 19, 2021


Roger Nagel

RIO RANCHO, N.M. — It is time to get serious about inflation.

It may even be past time to get serious about inflation.

The Treasury secretary and the Fed agree, finally.

Watch for interest to rise. Be alert for new economic “tools” to be deployed soon.

Will we soon have quantitative easing — the government putting more money in circulation to prop up the economy — in reverse?

If you attempted a Google search on “hedge against inflation” three months ago, your search results would have been quite lean. I know.

That is exactly what I did when asked by a client, “What shall we do?”

For over a year now, I have posed the thought that our government’s rush to spend COVID relief money at such a high rate would demand repayment.

I argued the form of repayment would include new taxes and/or inflation. Maybe both.

Then came the American Rescue Plan Act on March 11.

Starting July 15, the U.S. government will make direct monthly payments to taxpayers. The form will be an advanced payment of the child tax credit for households with children under age 18.

Since March of last year, the U.S. government has experimented with a variety of direct payments to taxpayers. It began with the CARES Act and the Paycheck Protection Program loans — disguised as “forgivable loans.”

Then came the Employee Retention Credit. And then we had increased unemployment benefits. Then retroactive tax relief on unemployment benefits.

There is more. See the trend? And more will come soon. Call it the “infrastructure bill.”

Please do not misunderstand. My commentary is not intended to be critical, objectionable or even dis- agreeable.

It simply states the fact that we are about to experience the consequences of such government spending.

Go ahead and Google “hedge against inflation.” You will now find many articles written in the last 30 days.

Shall we all buy gold? Rush to buy raw land? Won’t that jut cause a greater spiral of increasing prices? Is this déjà vu all over again?

Most of us over age 60 remember the inflationary years of ’78-81. Stagflation. The Misery Index

If you are curious, then Google those terms. It is hard to imagine a return to 18 percent mortgage rates.

Ask any construction contractor and they will confirm recent material price increases of 200 percent to 400 percent!

When you can get materials. Shortages and delivery delays are now common.

So, what shall we do?

Unfortunately, as is often the case, there are no easy answers. No silver bullets.

Before you fall for the temptation to buy crypto currency as an inflation hedge, stop and think. Remember if you buy nothing, rising prices mean very little in the short run.

Last time, most of us simply waited it out, as new federal economic policy took effect. And we endured, happily, as our certificates of deposits paid us 14 percent.

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