# Combating Annuities With Gold, Silver and Oil

By The Mogambo Guru

07/05/10 Tampa, Florida – People are always writing me and asking questions, which can usually be divided into one of two categories. The first category is the one that I call “Is there something wrong with you that you sound/look/appear so stupid/ugly/weird?” (Answer: “Probably”), and the other, smaller category is the one I call “Other.”

Most of the questions this week were, as usual, in the first category, but there were a few “Other” emails, surprisingly asking me questions, as if a jerk like me would know anything about anything except that you should be buying gold, silver and oil with all your money, which is pretty much my answer to all questions.

The first question was “Dear Handsome And Wise Mogambo (HAWM), You are always yammering about how the Federal Reserve is still creating So Freaking Much (SFM) excess money and credit so that the federal government, in a nightmare coming horribly true, can borrow and spend us into bankruptcy which will destroy this country. My question is, ‘What about annuities?’”

This is an easy one for me: I think annuities are probably the worst investment one can make, and for a variety of reasons, all of them stemming from the Federal Reserve creating the aforementioned So Freaking Much (SFM) excess money.

Uh-oh. I can tell by looking at you that you have had it up-to-here with my Constant Mogambo Harangue (CMH) about how all of this new money from the Federal Reserve will create roaring inflation in consumer prices. So, in deference to your sudden sensitivity, I will not get into how all this new money will create blistering inflation in consumer prices and how that inflation will make bond prices fall as interest rates rise because bond buyers will require higher and higher interest rates to offset their losses of buying power.

So, with an annuity, what we have is a promised fixed stream of income (that must already be low as result of the abnormally, weirdly, manipulated low interest rates) coupled with a seeming lack of alternatives in the popular sense, although a portfolio of gold, silver and oil is not only AN alternative, it is THE alternative, and as such, is the exact opposite, the very antithesis, the polar extreme, and even the antonym of annuities.

The result is that the payout from an annuity to you is fixed, never going up, never going down, so that you will continue to lose buying power, more and more day after day, week after week, month after month, year after year, compounding and compounding your misery, as far as I can tell, until you die a horrible, painful death from starvation and other miserable privations caused by your fixed-income buying less and less until it is almost worthless, all thanks to the inflation caused by the Federal Reserve creating more and more money and the despicable federal government borrowing it and spending it, and with deficit-spending an amount that is already, as unbelievable that as it is, roughly equal to a tenth of GDP! Just the deficit! Gahhhh! We're freaking doomed!

The veins in my head suddenly throbbing at the horror of such an economic catastrophe, I was on the precipice of falling into the Zone Of Loud Mogambo Outrage (ZOLMO) when my frantic, protruding eyes flashed upon a piece in the Gold Newsletter by Brien Lundin of Jefferson Financial.

He notes that inflation is worse than commonly thought, and "the government has changed the CPI. People don't realize that in the 1980s and then again during the Clinton administration, the government jiggered the CPI to minimize reported inflation. Economists can argue whether these changes were justified, but the point is that they changed the unit of measurement."

If you are like me, then you already knew that, and are wondering "What's in this economic mumbo-jumbo for me, a guy who is just out to make a lot of money without working?"

Well, apparently he can read our thoughts, as he replied that gold is under-priced as a true hedge against inflation, and that "John Williams of Shadow Stats has gone back and recalculated what he calls the 'Alternate CPI,' which takes out the government's changes to the index. As it turns out, when you use the historical CPI that was actually in effect during the 1980s, that $850 gold price record in 1980 is equal to $7,576 in 2010 dollars."

So gold is grossly under-priced, and with the Federal Reserve still creating so much money, so that the federal government can borrow the money and spend it, you would have to be an idiot NOT to bet against such preposterous economic insanity by frantically, desperately, feverishly buying gold, silver and oil.

And remember; it's not for nothing that I say, "Whee! This investing stuff is easy!"