You're being lied to!

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Recently I told you how the Dow has lost over 50% of its value since 2001, despite its recent gains. Put another way, if you bought all the stocks in the Dow Jones Industrials back in 2001, the purchasing power of your investment today would be less than half what it was back then.

I don't know about you, but I think losing 50% of your money's purchasing power is an outright disaster. Even worse, most investors fail to recognize this has happened. That's because the government is lying about inflation.

Today, I want to talk about the root of the problem — the terribly weak U.S. dollar. And I'll tell you what its consequence, rising inflation, means for your portfolio. Because if you don't grasp what's happening, your investments will get killed.

**The Dollar Continues
To Get Creamed …**

Since early March, in barely a month's time, the U.S. dollar has lost another 1.9% of its value against other major currencies. It's lost the same — in some cases even more — when compared to minor currencies, such as the Thai baht, Malaysian ringgit, and more. You can see the decline in the chart to the right. It's not a pretty picture. What's behind the dollar's fall? All the forces I've been warning you about:

The huge debt problems in this country, in both the public and private sectors … the terrible real estate market … political infighting that is making the U.S. look unstable to the rest of the world … and the fact that Washington is continually pulling the wool over the public's eyes.

I've been saying this repeatedly, but it's so important that I want to remind you again: Central bankers, when faced with a choice between deflation and inflation, will always opt for the latter, attempting to avoid recession and deflation at all costs.

They keep interest rates artificially low. They pump up the supply of money and credit by effectively printing money behind the scenes. And they let bubbles expand wherever they can.

In the process, the main instrument of the economy — the currency — is the first to suffer. That's why the dollar has plunged 17.5% in the last four years, and why it continues to be weak at the knees right now.

It's also why the Dow can rise, but you can actually be losing money all the while. It's simple … if the Dow goes up 10% but the value of the dollar falls 20%, you've lost 10% in terms of your money's purchasing power.

And the falling dollar has an important side effect …

**Inflation Goes
Through the Roof!**

Do you believe what Washington is telling you about inflation, that it's running at about a 3% annualized rate?

I sure hope not, because you're being lied to. By my estimates, inflation is rising at more like 10% a year. I'm not just talking about oil and gas prices, either. Just look at these national figures:

- According to the *Wall Street Journal*, health care costs rose 10% in 2006.
- The average property tax has jumped 27% since 2000.
- Tuition at private colleges has been rising at an annual average of more than 9%. The national *median* tuition for one year at a private school (including room and board) is now $33,533!
- Tuition at public universities is also rising sharply, up 6.2% in 2006.
- And in just the last three years, the average grocery bill for a family of four has skyrocketed from $280 to nearly $400 a month. That's a 42% increase, or an average annual inflation rate of 14%!

I could go on and on, but there's no need. I'm sure you're already acutely aware of how much prices are going up in your own life. All you have to do is look at your monthly bills and regular purchases.
So, enough said. Inflation is here. And, it's only going to get worse as the dollar continues to weaken against nearly all major — and most minor — currencies.

**What to Do About the
Falling Dollar and Inflation**

First, don't be deceived by Washington or the Federal Reserve. Their inflation figures are hocus-pocus. They are not giving anyone an accurate measure of *true* inflation.
Second, don't be fooled by the Dow Industrials. Your stock investments can be *losing* money, even when they're going up!

In fact, for the Dow to regain the purchasing power it had six years ago, it would have to double to more than 24,000!

And that's if the dollar were to stop declining! I don't think that's going to happen. Hence, I do not recommend investing in broad-based U.S. stock markets right now.

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