



THE BIG INVESTMENT DECISIONS ARE SIMPLE

A person with capital to invest has basically only two choices:

To Buy Assets Which Pay A Fixed Rate of Return

These include all forms of bonds, debentures and preferred shares. The current rate of return on high quality fixed income assets is between 3.1% and 4.1%. With tax rates of 40% and inflation running at approximately 3%, an investment in fixed income assets is certain to decline in real value over time.

To Buy Real Assets

This includes all forms of real estate and equity investments. Real Assets can pay an annual income by way of dividend or rent and they can also provide capital appreciation to offset the impact of inflation. Real assets will fluctuate in value, but over time they have provided an annual return of approximately 6% for real estate and 10% for equities.

If an investor has a long term time horizon the choice is simply a matter of buying an asset which will decrease in real value over time versus buying an asset which will provide an annual real return of 3%-7%.