

## Truth Be Told

It's Back to School time and class is in session! In the spirit of learning, I wanted to bring insight and answer some common questions I heard this summer.

### Question #1: Is the U.S. Dollar collapsing tomorrow?

The Dollar is not collapsing tomorrow. There's this idea floating around that the U.S. Dollar is at historic lows, courtesy of Stansberry Research, Ron Paul, and/or the 24 Hour News Networks. Though I do not disagree that government spending is an issue, the fact remains that the U.S. Dollar is at decade highs. The last time it was this strong was 2004. This strength is why multi-national corporations like P&G have struggled over the recent months. If history is any indicator, the U.S. Dollar will only strengthen as interest rates rise.

### Question #2: When will 5% CDs be available again?

The truth can be painful, but I would be lying if I didn't tell you that 5% CDs are a thing of the past, not the near future. Finding risk adjusted returns for producing reliable income has become more difficult. Within a year, Federal Reserve Chair

Janet Yellen will raise interest rates in slight increments of most likely 0.25%. Even if Chair Yellen raises interest rates 1% (which she won't do), what incentive would banks have for raising CD rates to 5%? The answer: None. Many people state that we are in a "low interest rate environment" as though this is temporary. In my research, these low interest rates are not temporary; rather this is the new interest rate environment, and we've been here for almost 8 years. The Government rebuilt our economy on these low interest rates. By doing so, our Government declared war on seniors and savers. These low rates will continue for a couple more years and so you have to be strategic in your income needs.

### Question #3: Is China overtaking the US Dollar?

China is not overtaking the U.S. Dollar despite what you hear from the 24 Hour News Networks. China is petitioning the International Monetary Fund (IMF) for reserve currency status at the October Meeting. This is the second time this decade. Assuming they achieve this, the Chinese Yuan would be included



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in a basket of already established currencies (USD, EUR, GBP, & JPY). As Mike Sorrentino, our Chief Investment Strategist for Aviance Capital, pointed out to our clients: "Currently, the Yuan accounts for just 2.2% of global payments versus 45% for the dollar. The IMF will then wait until late 2020 before deciding on changes to the weights of each currency in the basket." Hence, it's going to start quite small and stay there for some time.

I hope this helps. In my profession, there are many outlets that take advantage of perceived financial complexity. At Conservative Financial Solutions, we work to simplify the abundance of information that is out there. For instance, if the U.S. Dollar was truly in danger of an imminent collapse, why would Stansberry Research be willing to take payments in U.S. Dollars?

Next month, we'll take the time to address everyone's favorite financial topic: Gold.

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