

From The Desk Of...

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Inflation Peaks?

Where will you be when..

Inflation:

A persistent increase in the level of consumer prices or a persistent decline in the purchasing power of money, caused by an increase in available currency and credit beyond the proportion of available goods and services.

As I prepared for family and friends to arrive for a barbecue in early June, I was aware that the food would be on the grill for over an hour, so I grabbed both near empty propane bottles and headed to get them filled. As the attendant fixed me up we enjoyed conversation and some laughter, but that all ended when he asked me for just over \$26 dollars for 9.6 gallons of propane! What? How much is propane a gallon? He replied: \$2.69. Unbelievable, 1-year ago it was \$1.59, that's a 69% increase.

At the end of May each year Inland Power & Light evaluates my power usage for the previous 12 months to adjust my budget billing amount due for the coming year to start in June as they have for the past 20-year's that I've lived there. This year when I received my bill it caught me off guard, my budget billing had increased from \$80 a month to \$151! I immediately retrieved the statement for the same billing period just one-year ago, the average temperature was warmer by two degrees this year and I used less kilowatts per hour but my bill was more. With further research I realized a 12.5% increase per kilowatt.

Inflation, though nowhere near double digits, is clearly rising. The government last week released the consumer price index (CPI) for May. It was up 4.2 percent from a year earlier. The comparable figures for the past three years were 3.4 percent (2005), 3.3 percent (2004) and 1.9 percent (2003). Even these comparisons may understate the reality. In the past three months, the increase in the CPI on an annualized basis (projected for a year) is 5.7 percent.

The obvious remedy is to slow the economy's growth -- make it harder for companies, workers and landlords to raise prices, wages and rents. But some economists contend that the Fed should discount the latest inflation reports and suspend any further interest rate increases. Inflation statistics are misleading and falsely alarming. Oil explains much of the surge. Gasoline prices are up 33.4 percent and home fuel prices 13.5 percent in the past year. Obviously the Fed can't change these.

Without them, so-called core inflation (all prices except energy and food) is fairly tame. For the past year, it's 2.4 percent.

The job of the Federal Reserve is "to take away the punch bowl just when the party gets going," William McChesney Martin Jr., the Fed chairman from 1951 to 1970, once famously said.

In a recent CNN report they stated that inflation would possibly reach an all-time high this coming year. There are many things that we do daily that we cannot control, but there are many that we can. What are you doing to plan ahead for this obvious inflation of products that will drastically change your budget? Two main ideas come to mind immediately when I think about inflation: 1) Watch very closely what you buy, how much it is and do we really need it? 2) Control your debt. Less debt frees-up more money in order to handle inflation of products that we have no control over.

Your credit union has created a fixed rate second mortgage program that will help you manage your debt and make you a financially strong consumer. Since January 2006 many members have taken advantage of this loan product to the amount of \$1,485,538.66 through June. Members have taken advantage of this great opportunity to finish their basement, build pole buildings, landscaping, and refinance variable rate loans. Most importantly to consolidate high interest credit card debt. Keep in mind that Federal Regulators are forcing large national credit card companies into increasing their minimum monthly-required payment amounts; you could see your payments increase from \$200 to \$400 in just one month. A number of members have already expressed increasing payment amounts.

Is it time to take care of your punch bowl? We have designed our second mortgage program with our member's financial well being in mind. Low fixed rates, possible 15-year repayment terms, up to 100% of the value of your home and NO FEE to our members! Check out our rate and terms below, then call or stop by the credit union and see what we can do for you and your family today.

Yours truly,

RATE	TERM
UP to 80% LTV – 6.99% apr	\$5000 to \$10,000 – 84 months
Up to 90% LTV – 7.99% apr	\$10,001 to \$15,000 – 120 months
Up to 100% LTV – 8.99% apr	\$15,001 and above - 180 months

For a limited time this will be a no-fee loan

LTV – Loan To Value. APR – Annual Percentage Rate

OAC - On Approved Credit