Get Real! On Interest Rates, That Is.

When we were young, some of us had a relative who advised us - perhaps repeatedly - to save for the future. (I would add that it is never too late to start.) This sage advice sounds simple to execute. However, it takes planning to save effectively.

To come out ahead in the long run, real interest rates need to be top of mind.

Consider this problem that we have all faced: a bank certificate of deposit is 3% for a year but inflation is 4%. The investment's yield is negative: at maturity, we "real"-ly have 1% less purchasing power. Not a good result, whether we are striving to build an emergency fund, grow wealth, save for a child or grandchild's education, or provide for our retirement.

How can we defend our money (and our futures) from the pernicious impact of real interest rates when inflation is high?

One possibility is to invest in real assets. Real assets are tangible - think real estate and commodities. Real asset investments can also be passions - think art, jewelry, and wine.

Why do real assets help us fight inflation? Because they often move up when inflation does. Rents and property values tend to rise with inflation. Commodities like metals, oil, and agriculture are inputs to finished products. When commodities prices go up, finished goods prices go up, inflation rises and we pay more to get the same amount of something. (Or we can have shrinkflation, where we pay the same and get less of something.)

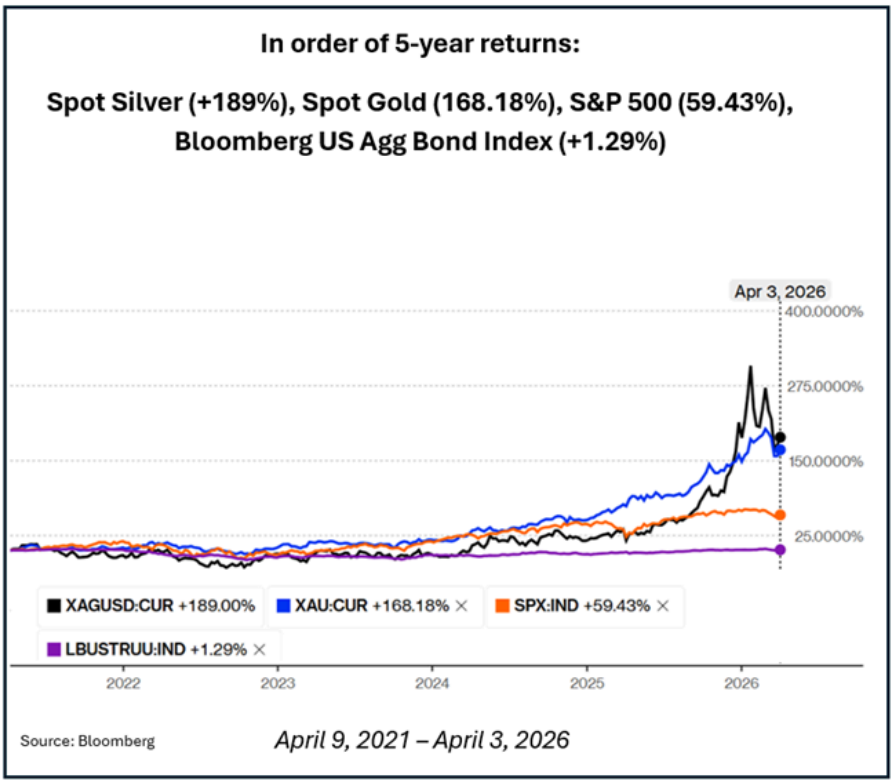
Because real asset prices can move differently than the prices of stocks and bonds, holding them can diversify portfolio returns. As a result, over the long term, owning real assets can help offset the impact of a decline in stock and bonds prices (particularly during inflationary periods). Very importantly, the more principal that we preserve in tough times, the easier it is to grow our portfolios over the long haul. Remember that real assets also have a scarcity factor (think gold or art), which over

time supports their value. Diversification by investing in real assets is an accepted strategy to protect portfolios.

As an aside, I can't speak to the diversification track record for sneakers, Pokémon cards, and Labubu toys, but I will say that during a recent tour of a well-known New York vault, I noticed them stored in a side room, well away from the gold and silver that I went to inspect.

Gold is a real asset that provides inflation protection and long-term returns. The price can do well over time whether equity markets are in a bull or bear phase. When times are good, people buy gold in the form of jewelry, and they also buy electronics (which contain gold). During difficult geopolitical and geoeconomic periods, investors buy it as a haven.

Silver, another real asset, has soared in popularity with investors in 2025 and 2026. Referred to as gold's little brother due to its cheaper price and smaller pool of liquidity, silver has large price swings and is not for the faint of heart. Silver is the best metal for conducting electricity. Consequently, industrial demand can impact the price. Silver, like gold, is readily available for purchase from FideliTrade.



Jennifer Ropiak is a precious metals market specialist with over 30 years' experience, including 20 years of trading (15 at Morgan Stanley). In 2014, Jennifer launched Trusted Partner Metals, an independent consultancy whose clients span the metals industry.

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