

Inflation Costs

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- Due to inflation, the real interest you earn is LOWER than the nominal interest

- The higher inflation is, the larger is the difference between your real interest and your nominal interest

- The higher inflation is, the larger is the difference between what you should pay in taxes (if charged on the real interest) and what you actually pay (because they are charged on the nominal interest)

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Inflation



Unfair Tax: lenders (lose) pay more taxes than they should, government (wins) lenders pay more taxes than they should

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Capital Gains