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BUILDING WEALTH SINCE 2004

IN THIS ISSUE

Holding too much cash can quietly erode wealth as inflation reduces purchasing power. Arin Ruttenberg argues cash should cover near-term needs, while wealth should be invested in assets that can preserve and grow purchasing power.

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CASH IS A LOSING GAME

ARIN RUTTENBERG | FINANCIAL ADVISOR, BRENTHURST SANDTON

Cash has an important job in your financial plan, but holding more than you need for near-term expenses can steadily erode your purchasing power.

Cash may look safe because its value does not fluctuate, but inflation quietly erodes what it can buy. Since 1994, R100 has lost about 81% of its purchasing power, highlighting the long-term cost of leaving too much money in cash.

The US government's debt crossed \$40 trillion for the first time in history in late August. It took less than five months to add the last trillion. If you're holding cash – local or offshore – that number is your problem, not theirs.

Let me start with something that sounds reckless and isn't.

Cash is not an investment. Cash is a tool, and it has exactly one job: funding the next 12-24 months of your life. The emergency fund. The tax bill. The deposit you're paying in March. The gap should your income stop.

That job matters enormously. Get it wrong and you become a forced seller at the worst possible moment, which is how most people permanently destroy wealth. So, hold the cash – hold enough of it.

But every rand beyond that job isn't being saved – it's slowly being taken. I'm going to walk through exactly how, because once you see the mechanism, you can't unsee it.

THREE DOORS, BUT THEY ALWAYS WALK THROUGH THE SAME ONE

A government carrying too much debt has three options.

It can default. Politically impossible – no treasury official has ever chosen to be the person who did that.

It can grow its way out. Beautiful in theory, but almost nobody manages it because growth tends to arrive alongside more spending, not less.

Or it can inflate the debt away. Quiet. Slow. Nobody has to vote for it. Nobody gets blamed. And it works. So, that's the door. Not because anyone is a villain – it's the only one that opens.

Here's what walking through that door looks like in practice. The US is now paying roughly \$1.1 trillion a year just to service its debt, slightly more than it spends on defence. Interest is now the second-largest line in the federal budget, behind Social Security.



DEBT SITS AT ABOUT 101% OF GDP AND IS PROJECTED TO REACH 120% WITHIN A DECADE – PAST THE RECORD SET AFTER THE SECOND WORLD WAR.

At those numbers, the yield matters more than the debt. Every extra percentage point of interest on forty trillion is real money, so there is enormous pressure to keep borrowing costs down – buying bonds, leaning on the long end of the curve, doing whatever it takes to stop yields running away. And the money used to do that has to come from somewhere.

It comes from the printer, which means it comes from you.

WHAT THAT ACTUALLY DOES TO YOUR MONEY

We talk about inflation as if it's a temperature reading. It isn't. It's a transfer.

The rand you're holding is being diluted so that the debt someone else owes becomes easier to repay. That transfer runs at 4%, 5%, 6% a year, and it never makes the news, because nothing dramatic ever happens on any given Tuesday.

Look at what it does over a working life: R100 in 1994 buys you about R19 worth of goods today.

That's 5.38% average inflation over 32 years. No crash. No headline. Four-fifths of the purchasing power gone, while the number in the bank account stayed reassuringly the same – or even went up.

This is why cash feels safe, but isn't. Cash never shows you a loss. It just quietly stops buying what it used to buy. Volatility is visible; debasement is invisible. We are wired to fear the first and ignore the second, and that wiring costs people their retirement.

NOT ALL CASH MELTS AT THE SAME SPEED

This is where most people think they've found the exit, and I understand why. If the rand is the problem, hold something else.

I want to be precise here, because it's the question I get asked most often, and it's easy to get wrong in either direction.

Every currency loses. The dollar has shed roughly 88% of its purchasing power since 1971 – the world's reserve currency, the safest cash on earth, giving up seven-eighths of its value in a single lifetime. Holding dollars is not the same as owning something.

But currencies do not lose at the same rate, and the rand loses faster. \$1 cost R3.55 in 1994. Today it costs R16.

The pound has gone from roughly R5.45 to R21.81. The euro from under R7 at launch to R18.67. Against the dollar, that's the rand surrendering around 78% of its value – close to 5% a year, every year, for three decades.



AND HERE'S THE PART THAT MATTERS MOST IF YOU EARN AND SPEND IN RANDS: THAT 5% DOESN'T REPLACE LOCAL INFLATION. IT STACKS ON TOP OF IT.

We import what we consume. Fuel, machinery, electronics, pharmaceuticals, and a large share of what ends up in a supermarket trolley in one form or another – all of it priced in dollars.

A weakening rand isn't only a problem when you travel or pay fees abroad. It is one of the mechanisms feeding the local inflation number in the first place. These aren't two separate forces. It's the same force, arriving twice.

So, when someone points out that the rand has actually strengthened over the past twelve months, it has, that's true, but it changes nothing. Twelve months is weather. Thirty-two years is climate, and the climate has been one-directional: R3.55 to R16.

Which brings me to the conclusion I want to be very clear on, because it cuts both ways.

OFFSHORE CASH BEATS LOCAL CASH

Structurally, over long periods for a South African, it isn't close. If the only options in front of you is rands in a money market account or hard-currency cash for the next 20 years, take the hard currency. Externalising currency risk is a real and necessary thing to do.

But that isn't the option, because it's still cash. You've exchanged a fast-melting ice block for a slower-melting one, and you have not left the freezer. Getting your money offshore and getting your money into assets are two different things. Do both, and don't mistake the first for the second.

SO, WHAT CAN'T BE PRINTED?

The whole argument reduces to one question: what do you own that a policy decision cannot dilute?

Gold. Above \$4 400 an ounce, up about a third over the past year, at record highs. Worth noticing *who* has been buying: central banks. The institutions running the printing presses are the ones quietly accumulating the thing that can't be printed. That tells you something.

Bitcoin. Twenty-one million coins – ever. No committee can vote for a twenty-second million.

And now the honest part, because this is where people selling this story usually go quiet: Bitcoin is down around 32% over the past year and sits well below its October 2025 high. If you bought it 18 months ago expecting a straight line, you've had a rough time.

That's not a footnote; it's the whole discipline. Hard assets are not safe. They are volatile, sometimes brutally. What they are is *unprintable*.

**THOSE ARE DIFFERENT PROPERTIES, AND CONFUSING THEM
IS HOW PEOPLE END UP BUYING AT THE TOP AND SELLING
AT THE BOTTOM.**

Anything with a fixed supply and a free float will swing hard in the short run. Which is precisely why it's the wrong place for money you need next year – and, over a long enough horizon, the right place for money you don't.

And it isn't only gold and Bitcoin. Owning businesses does the same job, arguably better. A globally diversified equity portfolio – developed markets and emerging markets, not just the local index and not just the S&P – holds companies that raise their prices when money is debased.

That's what a company is: a machine that converts inputs into output at a margin, and repricing is built in. You don't need a doomsday view to want that. You just need to not want to be the person holding the paper.

THE CRASH NOBODY NOTICED

One last thought, and it's contrary to what logic defines as a crash.

Everyone is waiting for the crash. Sitting in cash, being sensible, watching for the entry point. And I don't think a crash down is what's happening right now.

I THINK WE'RE LIVING THROUGH A CRASH UP.



If you own assets, your net worth keeps hitting record highs – equity markets at records, gold at records, Western Cape or offshore property holding.

If you don't own assets, the house you wanted got more expensive, the market you were waiting to enter got more expensive, and your salary did not keep up. You are further from ownership than you were a year ago, having done nothing wrong.

Nothing crashed. You quietly just got poorer while doing the responsible thing.

That is the crash. It already happened. It happened to the people standing on the sidelines, and it will keep happening to them for as long as they're waiting for permission to start.

Can a real crash down still come? Of course. And if you own assets, that's exactly when the cash you sensibly kept becomes the most valuable thing you have. The two ideas aren't in conflict. That's the entire argument.

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Arin's passion for financial planning drives him to continuously expand his knowledge, ensuring he can assist clients in achieving their financial goals. He has successfully completed the First Level Regulatory Examination for Representatives, enabling him to provide comprehensive investment advice.

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