

What is Inflation?



Inflation

A measurement of the increase in prices over time using the Consumer Price Index (CPI). Normal inflation is between 1.5% and 4% each year.



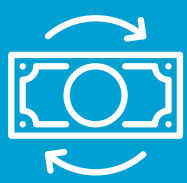
Deflation

Deflation occurs when the CPI decreases over time instead of increasing. It's the opposite of inflation.



Stagflation

Stagflation is a combination of slow economic growth and high inflation. While it's not always the case, stagflation can be a precursor to a recession.



BONUS DEFINITIONS:

Cost push inflation

is a type of inflation that happens when production costs increase and production decreases, leading to price increases due to high demand and low supply of consumer goods.

Demand pull inflation

is a type of inflation caused by increased government spending (such as economic stimulus payments), or by economic growth domestically or abroad.

Inflation + Your Savings Account

Savings may lose value if earnings don't keep pace with inflation.

Choose high-yield savings accounts or short-term CDs to protect your savings.

Use the Rule of 72 to determine how quickly high inflation will halve the buying power of your savings. (Take 72 and divide it by the rate of inflation.)

Review emergency savings and add to them if necessary, adjusting for higher gas, grocery and utility bills.

Inflation + Your House

Rising interest rates may depress home sales.

Inflation drives housing prices up for both rentals and purchases.

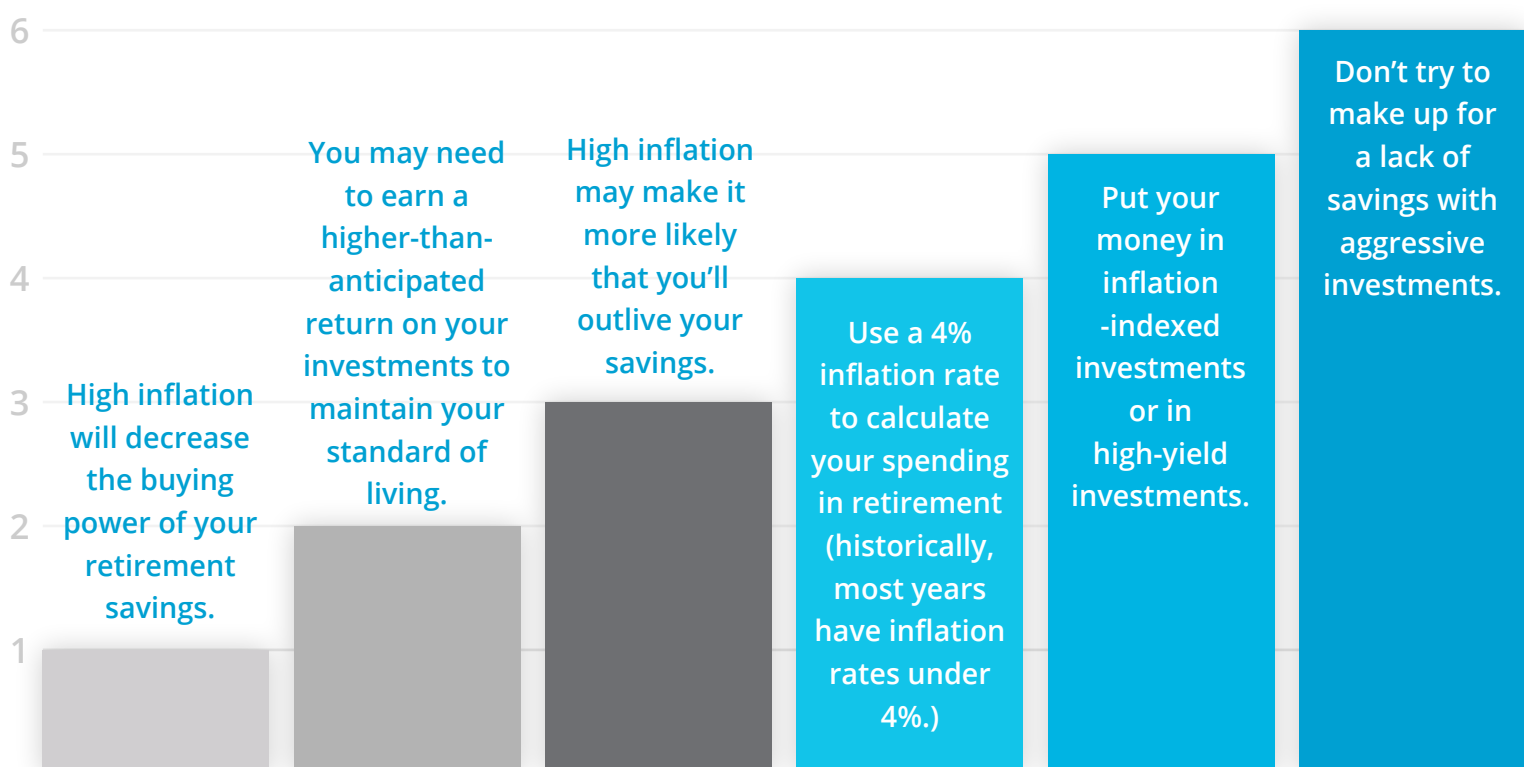
The Fed often raises interest rates to keep inflation under control.

Buyers may get priced out of the market.

High inflation increases home equity and can be beneficial to homeowners.

Conservative lending has reduced the risk that high inflation will lead to a housing crash.

Inflation + Your Retirement Account



Inflation + Your Investments

- ✓ High inflation erodes the value of investments that aren't indexed to inflation.
- ✓ Be wary of cryptocurrency due to its volatility.
- ✓ Keep cash on hand to pay for emergencies.
- ✓ Hedge against inflation by diversifying your portfolio
- ✓ Choose investments indexed to inflation
 - ✓ Treasury Inflation-Protected Securities (TIPS)
 - ✓ Real Estate Investment Trusts (REITs)
 - ✓ Commodities (Gold, grain, gas, etc.)
 - ✓ Invest in consumer staples (food, fuel, etc.)