

# HAVE YOU FACTORED INFLATION INTO YOUR RETIREMENT?

*Your retirement portfolio might be up, but inflation is crushing your returns*

On January 12th 2023, the U.S. Bureau of Labor Statistics reported that the Consumer Price Index increased 6.5% over the past 12 months. Shockingly, media outlets ran with absurd headlines like these: “Annual Inflation Slowed to 6.5%” and “December CPI Report Shows Cooling Inflation” and even this one: “December’s ‘very favorable’ inflation read could signal the ‘final phase of the bear market’ and stave off a recession.”

Ok, maybe it's **technically** true that inflation declined 0.1% in December, but an annual inflation of more than 6% is still very high. Maybe this will hit home more: that 10% return on your portfolio is not 10% after 6.5% inflation. Not even close.



Maybe you don't worry about some of the underlying data in the most recent inflation numbers?

Maybe it doesn't bother you that over the past 12 months:

- Food is up over 10%;
- Fuel oil is up over 40%; and
- Transportation services are up over 14%.

**Well, you should remember this:** Inflation can do a number on retirees' incomes. Most people don't think about that, but with longer lifespans, we run a real risk of seeing our retirement savings eaten away. Curbing its impact takes planning.

## Inflation Lessons from a Paper Route

I learned that lesson early from my newspaper route when I was 10 years old, delivering the Patriot Ledger in Massachusetts. I had a Schwinn Stingray bike, with baseball cards in the spokes. Because I delivered every day without fail, the kickstand wore out. So my pedal constantly hit the stand. You heard me coming halfway up the block.



On Fridays, I collected the week's newspaper payment from the customers on my route. The weekly delivery cost was 90 cents, and several of my customers gave me a dollar, which meant a 10-cent tip. This was the 1970s, an era of rapid inflation. The newspaper then announced an increase in the delivery cost to \$1. And I didn't think much of it.



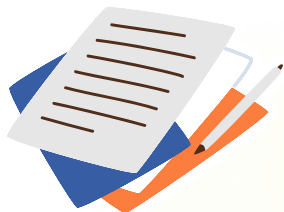
The next Friday, I arrived at my first stop, the home of a friendly elderly woman. Her expression was pained as I approached the door. She said she knew about the price increase, but she could not give me anything more than the \$1. She realized that there would be no tip for me. She informed me that the ever-increasing cost of everything was crushing her. She could not keep up with the inflation.

At several stops that Friday afternoon, I heard the same sad tale. I discussed the situation with my mom that night, telling her I never wanted to be in that position when I was older. She gave me the motherly advice of "study hard, so you can make a good living." Thanks mom.

## What You Can Do About Inflation

**It's actually quite simple: one must address the inflation issue early - when still a pre-retiree. Planning ahead and understanding the risks is paramount.**

**This issue is a big concern for today's retirees. They will likely experience a longer retirement than any other generation ever. They need to guard against the insidious damage done by regularly increasing costs over the decades.**



**On behalf of your 85-year-old self, plan ahead to create lifestyle-sustaining income. Your advisor can help.**

