Email #2 for Grossman & Associates Financial Services

By Craig Grossman

Subject Line: Taking Charge of Inflation's Sinister Effects

Hello (Client name). It's Stu Grossman from Grossman & Associates Financial Services. I hope you and your family are doing well.

Today I want to discuss a subject that's on everyone's mind now: Inflation.

On a personal level, inflation unquestionably affects how much your retirement dollars will be worth. Over time, it can seriously dwindle your nest egg, which is the opposite direction you want your savings to go.

With that in mind, I'm reaching out today with some helpful guidance regarding inflation's impact on your retirement. I also want to share some steps you can take to mitigate its effects.

You probably heard that the annual inflation rate for the United States was 9.1% in July – the highest rate since 1981! Now it has dropped just a bit to 8.5% this month. We've all seen the prices of many consumer goods rise in recent months, including food, gas, autos, homes, and nearly everything else. Text, whiteboard

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And if you are retired, you may spend more on health care, travel, and supporting your children or grandkids. Unfortunately, these expenses are becoming more costly, too.

Here's an area you may not have thought much about. If you have cash sitting in a checking or savings account (for example, $30,000), it's earning less than 1% interest per year. Suppose inflation gets somewhat tamed by the Fed in the next few months and drops to 6%. If the inflation rate stays at that level for 3 years, your $30,000 savings will be worth around $25,400 after those 3 years. This gives you a loss of $4,600 for allowing your savings to *just sit in cash*.

Here is a quick survey question for you. Just click on the answer that best describes how you feel. There are no wrong answers.

How is inflation affecting your lifestyle?

1. It’s not affecting it at all.

2. I’ve seen prices increase, but I buy what I want anyway.

3. I’m driving less, eating out less, and buying cheaper cuts of meat.

4. I’m scared. No new car or vacations in sight. We’re having staycations and watching Netflix.

**How To Mitigate Inflation's Impact**

Here are a few suggestions:

**Add Horsepower to your Safe Money.** It is no secret today that our stock market is seeing some turbulence. This has driven several of our clients into safer money as they weather the uncertain markets.

* According to the Wall Street Journal, safe money today (Checking/Savings/Money Markets) yields approximately 0.14% interest. Inflation is now north of 8%.
* Now is a great time to consider alternative, no-risk investments to help your safe money keep up with our country's inflation concerns.

**Index Annuities can be an inflation hedge too. Index** Annuities are one of the few ways to obtain a retirement income that *can't be outlived*.

* The most important advantage of owning an index annuity is the value of your annuity holdings will never go down, even in a down stock-market year. So, if you think the markets might "tank" soon, consider peeling off some of your investment gains and sheltering these funds in an index annuity.
* Since index annuities often go up in value and offer a predictable income year after year, these payments can help mitigate the loss of buying power caused by inflation.
* Periods of high inflation will cause the Fed to raise interest rates. And higher rates are good for insurance companies (who issue annuities). They will pass on increased profits with higher payouts on their annuity products.
* Some index annuity products can include inflation riders and other ways to increase your guaranteed annuity income. This will help your lifetime retirement income keep up with inflation, and you won't lose your purchasing power.

**Expand your investments**. Add stocks or index funds to your portfolio that are likely to increase in value as inflation rises. These include:

* + Real Estate Investment Trusts (REITs) – especially those that invest in commercial and retail properties.
  + Commodity and energy sector stocks, including oil, natural gas, and renewable energy companies
  + High dividend stocks are less likely to drop in price in a downturn, and the dividends help offset inflation.
  + Any stocks with consistent cash flows that make products consumers need to have, even if their price goes up.

**What about bonds?** I would not recommend most bonds and bond funds now, since we are also in a rising interest rate environment. Remember, as interest rates go up, bond values go down. But there are two inflation-fighting exceptions:

* **Treasury Inflation-Protected Securities (TIPS).** These are bonds issued by the U.S. government that offer protection against inflation and pay modest interest payments. How? Each year, the U.S. Treasury adjusts the par value of TIPS based on the Consumer Price Index (CPI). [According to Forbes](https://www.forbes.com/advisor/investing/treasury-inflation-protected-securities-tips/), indexing the bond's value to inflation helps protect investors from an erosion in purchasing power.
* **Then there are I bonds**, another government-issued security designed to beat inflation. I bonds simply change their interest rate paid every 6 months, based on the current inflation rate. The current rate is *9.62%* until at least October 2022. The downside is if you cash out before the end of 5 years, you'll lose the last 3 months of interest earned.

Contact us if you want to discuss the impacts inflation may have on your financial health. We'd be happy to review your current financial situation and discuss strategies for minimizing inflation's insidious effect on your retirement investments.

I'm here to help. Call anytime or follow the link below to schedule a one-hour appointment directly on my calendar:

[https://app.acuityscheduling.com/schedule.php?owner=17061917&appointmentType=9094977](https://nam12.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgo.levitate.ai%2Fschedule.php%3Ft%3D160493a1afee42249e82631a8638ec22&data=05%7C01%7C%7C48fd9d3f9f954697eddb08da7f0afce5%7C84df9e7fe9f640afb435aaaaaaaaaaaa%7C1%7C0%7C637961982413671401%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=GDj%2FWe9mLyAjOflubuBlz7FrVYKDe9KZpukQS64%2FK2g%3D&reserved=0)

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