Understanding INFLATION

- IT'S A -
MONEY THING®

WHAT'S INFLATION?

Simply put, inflation refers to the rate of change or increase in the average prices of goods and services typically purchased by consumers. When the price level rises, every dollar you have buys a smaller percentage of a good or a service.

While prices may seem to rise slowly, the effects of inflation really add up over time!

	1950s	TODAY
FAST-FOOD HAMBURGER	15¢	$2.18
GALLON OF GAS	27¢	$2.57
MOVIE TICKET	46¢	$7.96
OUNCE OF GOLD	$34.72	$1,474

While these dramatic examples span more than 60 years, there are things that you can do from year to year to keep up with inflation

To gain a better understanding of inflation, it's important to understand the consumer price index (CPI). The index tracks the percentage change in the prices of a basket of 80,000 goods and services. It is computed each month by the U.S. Bureau of Labor Statistics and is used to track the progress of inflation in the United States. Depending on the year, the CPI can vary from less than 1% to over 3%.

CONSUMER PRICE INDEX
0.7%
U.S. 2015

YOUR INCOME SHOULD KEEP UP WITH INFLATION

It's a smart idea to check on the CPI rate at least once a year. It's a good indicator of the total cost-of-living increase that you can expect in the current year. Whether you have an hourly or salaried job or you are self-employed, to keep pace with inflation, you should strive to increase your income by at least the annual CPI rate.

STRIVE FOR YOUR SAVINGS TO KEEP UP AS WELL

Investing can help you counteract the negative effects of inflation. Again, strive for your rate of return to be greater than the inflation rate.

Note: Be careful with investing your hard-earned money. All investments made in stocks, bonds and mutual funds carry the risk of losing some or all of your money, even when made through a financial advisor or financial institution.

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