Coping with Inflation

Protecting Ourselves from Inflation and Economic Uncertainty

Avoid the myths:

1. **Myth**: Buy Gold. **Fact:** Invest in Stocks and Bonds

2. **Myth:** My money is safer buried in the ground. **Fact:** It would take $1.67 today to buy the same amount of goods and services that your buried $1.00 bought in 2000.

Buy and Hold is the Best Strategy (regardless of inflation)

Highest rates of return:

- Invest in yourself: Human capital and Overall health
- Most homes appreciate in the long-run
- Diversify your portfolio of stocks and bonds "Buy low, sell high"

Build an Emergency Fund

- Make regular automatic deposits into a saving account.
- Save at least ten percent of any income you receive.
- Using a tax refund to build an emergency saving is a good strategy.
- Save "bonus" income
- Collect loose change
- Break a habit
- Save lunch money
- Have a "nothing week"

Best Strategies When Facing Economic Uncertainty: Keep Calm and…

- Be adaptable: think about what you can do without and find cheaper ways to entertain yourself. It won't be forever
- Find new income streams. Use your creativity to find ways to "monetize" your skills with what others would value
- Prioritize monthly bills and when they are due
- Build an emergency fund ***while*** you are paying down debt
- If one must, it is okay to use retirement funds (talk to a financial advisor) and to pay only the minimum on credit card bill
- Communicate with creditors before getting into trouble
- Only pay off large sums of money only if you have plenty of liquidity for emergencies

- Talking about one's estate shows love to those you care about: make sure wills and advance health care directives are in place

Where are we heading?
Two years after the beginning of the pandemic:

- Basics of the overall economy are strong
- Real GDP is growing
- Labor market is “tight”
- Biggest uncertainty factors
- Impact of Russian war on oil prices, commodity prices, fertilizer prices
- latest COVID wave; shut down in China impacting supply chains again
- Congress sets Fiscal Policy through direct spending and changes in tax rates
- Stimulus propped up demand through Expansionary Policy
- Supply shrank due to massive shutdowns. Had this been shorter, inflationary pressure wouldn’t have been nearly as bad
- Federal Reserve conducts Monetary Policy which influences interest rates and the money supply
- They want to get back to 2% inflation “neutral” rate, they need to use Contractionary Policy, but want a “soft landing,” so they don’t overcorrect us into a recession
- They don’t have tools to manage the supply side of the economy

https://www.federalreserve.gov/faqs/economy_14419.htm