James Wealth Management

Inflation

Although we saw slightly better-than-expected inflation numbers this month, it looks like higher inflation will stick around for a while longer. Higher-income consumers may have been able to handle the increased prices for goods and services without making many changes to their financial choices. However, for many, it has resulted in looking for ways to make the dollar stretch as far as possible. Worrying if retirement needs to be delayed is very common for pre-retirees, especially when paired with such a volatile market and increasing interest rates. So, what should you consider during these times of high inflation, whether you are retired, close to retirement, or still in your working years?

1. Do you need to reassess your living expenses?
    - The cost of most goods and services have increased. For most people this means an increase in monthly living costs. Emergency savings may no longer be sufficient.
    - If possible, find ways to save money in discretionary areas to offset the increase in necessary expenses. You may also save money by buying in bulk, postponing purchases, or eating more meals at home.
2. Are you concerned your wages won't keep pace with inflation?
    - Consider ways you might increase your income. This may include asking for a raise, changing jobs, starting a side business, or pursuing additional credentials.
3. If retired, are you concerned about your portfolio's ability to keep up with inflation?
    - Consider what areas of your income will receive a cost-of-living adjustment, such as Social Security benefits and some pensions. It may be beneficial to delay starting Social Security benefits if possible.
    - Be aware of the increasing demand for portfolio withdrawals, especially during market lows. Consider ways to reduce distributions if possible. This might include reducing spending, downsizing, tapping into available cash savings or CDs, utilizing the cash value of life insurance or home equity line of credit for unavoidable significant expenses, or reducing travel frequency.
4. Do you need to review your asset allocation?
    - Have a professional help you determine if your allocation between stock market investments and cash and bonds is appropriate. There may be lower tax costs when changes are made to your allocation during times of decreased asset values. It may also be a great time to change the strategy of your bond investments in light of rising interest rates.
    - Additionally, if you have positions of stock that are highly appreciated, review with your financial planner to see if reducing the position size and offsetting the gain with tax loss harvesting would be advisable.
5. Are you concerned about inflation reducing the buying power of your cash savings?
    - Review the benefits and appropriateness of purchasing higher yielding vehicles such as Series I-bonds or CDs. These choices do not have volatility, but be aware of purchase limits, holding period requirements, and penalties if you need the funds earlier than allowed.

JAMES

INVESTMENT

- Consider laddering those investment options. This may allow you to reinvest funds at a higher interest rate if rates continue to increase as expected. It will also make cash more accessible if needed since different buckets will become available at different lengths of time.

The best way to ease the effects of inflation will be dependent on your specific set of factors. To explore this with one of our professionals, please call us at 937-426-7640 to start the conversation.

– The James Team

888-426-7640
info@jamesinvestment.com
www.jamesinvestment.com