

The Insidious Effect of Inflation

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Consider two facts: (1) For a couple age 65, one of them has a 50% chance of living to age 92, roughly 30 years. (2) Inflation averages 3% annually. Blend these facts and you'll see that over thirty years of retirement, inflation will cause prices to rise 300%.

For proof, check the chart on the nearby page. The CPI in July 2006 was 203.5. In July 1976, 30 years earlier, it was 52.2. So, whatever costs \$203 now, cost \$52 then. Looking forward, the same item will cost \$812 in 2036 when half of today's 65-year-old couples have one spouse still living.

Consider this challenge: How can your investments keep up with this inflation rate? To do so they must produce 3% annually to cover inflation plus a reasonable amount for you to live on, say 4%. What portfolio can produce 7%? Not a bond portfolio and not a CD portfolio and not a Treasury bill portfolio. Stocks have to be part of the equation or you can't protect your purchasing power.

We create inflation-proof portfolios every day and we can help you with yours. Give us a call and see what we mean.