



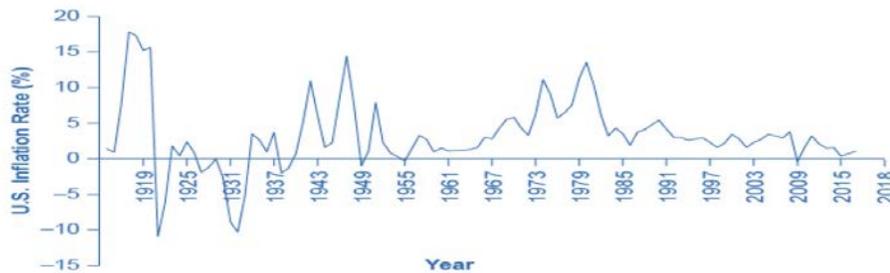
RETIREMENT & FINANCIAL PLANNING CORNER

Brought to you by: Dave Hojlo, Accredited Investment Fiduciary ("AIF")

JUNE 2021 - WHAT IS INFLATION

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HOW DOES IT AFFECT YOUR INVESTMENTS?



(b) U.S. inflation rate 1913-2016

WHAT IS

INFLATION?

Inflation is a rise in the average cost of goods and services over time. It's measured by the Bureau of Labor Statistics, which compiles data to determine the Consumer Price Index (CPI). The CPI tracks the cost of goods such as gasoline, food, clothing and automobiles over time to gauge the overall rise in the price of consumer goods and services.

In January 2020, the CPI was 2.3.¹ That means overall prices increased by 2.3 percent over the last 12 months. In theory, this means a car that cost \$20,000 in 2019 would cost \$20,460 in 2020.



Supply and demand play an important role in inflation. Prices tend to rise when demand for a good or service rises or supply for that same good or service falls. Many factors affect supply and demand nationally and internationally, including costs of goods and labor, taxes on income and goods, and availability of loans.

<https://www.usbank.com/financialiq/invest-your-money/investment-strategies/effects-of-inflation-on-investments.html>

<https://en.wikipedia.org/wiki/Inflation>

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WHAT IS INFLATION AND HOW SHOULD IT AFFECT MY INVESTING?

Inflation is an economy-wide, sustained trend of increasing prices from one year to the next. An economic concept, the rate of inflation is important as it represents the rate at which the real value of an investment is eroded and the loss in spending or purchasing power over time. Inflation also tells investors exactly how much of a return (in percentage terms) their investments need to make for them to maintain their standard of living.



[Inflation and How It Affects Investing](https://www.nerdwallet.com/article/investing/inflation)

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HOW INFLATION CAN IMPLACT YOUR INVESTMENTS?

How can inflation affect investments? Assets with fixed, long-term cash flows tend to perform poorly when inflation is rising, since the purchasing power of those future cash flows falls over time. Conversely, commodities and assets with adjustable cash flows (e.g., property rental income) tend to perform better with rising inflation.

<https://macro-investing.com/education/inflation-impact-investments/>

<https://www.cnn.com/2021/05/13/heres-why-stock-investors-are-watching-inflation-so-closely.html>

INFLATION AND INVESTING STRATEGIES

Inflation is said to be an investor's nemesis. However, it can also be said that a lack of understanding of inflation can be detrimental to an investor's investment portfolio. The factors that lead to an inflationary environment are complex; however, you can learn how to invest for inflation if you understand a few basic concepts. There are some methods you can use to invest and hedge (reduce risk) against inflationary economic environments. (*see below links*)



<https://www.thebalance.com/inflation-definition-examples-and-investing-strategies-2466838>

<https://smartasset.com/investing/how-should-inflation-affect-my-investment-strategy>

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Comparison Of Prices Over 90 Years

Average Cost Of New Home

1930 \$3,845.00	1960 \$12,700.00	1990 \$123,000.00	2013 \$289,500
1940 \$3,920.00	1970 \$23,450.00	2000 \$119,600	2018 \$385,880
1950 \$8,450.00	1980 \$68,700.00	2008 \$238,880	2021 Forecast increase 8%



Average Cost of New Car



1930 \$600.00	1960 \$2,600.00	1990 \$16,950.00	2013 \$31,352
1940 \$850.00	1970 \$3,450.00	2000 \$21,850	2018 \$35,742
1950 \$1,510.00	1980 \$7,200.00	2008 \$27,958	2021 Forecast increase 5.4%

Average Cost Gallon Of Gas

1930 10 cents	1960 25 cents	1990 \$1.34	2013 \$3.80
1940 11 cents	1970 36 cents	2000 \$1.26	2018 \$2.82
1950 18 cents	1980 \$1.19	2009 \$2.051	2021 Current (April) \$2.87



Average Cost Loaf of Bread



1930 9 cents	1960 22 cents	1990 70 cents	2013 \$3.80
1940 10 cents	1970 25 cents	2000 \$1.26	2018 \$1.98
1950 12 cents	1980 50 cents	2008 \$2.79	2021 \$2.12

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Average Cost 1lb Hamburger Meat

1930 12 cents	1960 45 cents	1990 89 cents	2013 \$4.68
1940 20 cents	1970 70 cents	2000 \$2.46	2018 \$4.32
1950 30 cents	1980 99 cents	2008 \$3.99	2021 \$4.03



<https://www.thepeoplehistory.com/70yearsofpricechange.html>

Inflation calculator - US Dollar

This tool is useful to calculate the time value of money based on historical inflation and CPI values. To start, select an amount and two years, or browse the default calculation results.

\$100 in 1956

\$971.92 in 2021

According to inflationtool.com link below, the inflation rate in the United States between 1956 and 2021 was 871.92%, which translates into a total increase of \$871.92. This means that **100 dollars in 1956 are equivalent to 971.92 dollars in 2021**. In other words, the purchasing power of \$100 in 1956 equals \$971.92 in 2021. The average annual inflation rate between these periods was 3.56%.

This US Inflation Calculator measures the buying power of the dollar over time. To use it, just enter any two dates from 1913 to 2021, an amount, and then click 'Calculate'.

Inflation Calculator

If in (enter year)

I purchased an item for \$

then in (enter year)

that same **item would cost:** **\$3.27**

Cumulative rate of inflation: **226.7%**

CALCULATE

Learn how this calculator works. The US Inflation Calculator uses the latest US government CPI data published on June 10, 2021 to adjust for inflation and calculate the cumulative inflation rate through May 2021. The U.S. Labor Department's Bureau of Labor Statistics will release the Consumer Price Index (CPI) with inflation data for June on July 13, 2021. (See a chart of recent inflation rates.)

<https://www.inflationtool.com/us-dollar>

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