MANAGING INFLATION IN RETIREMENT

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INTRODUCTION

Last year, there were some notable occurrences in the market, including a decline in the overall stock market, a hot job market that may show signs of cooling down, rising prices, and the Fed taking aggressive steps to control inflation. You may have noticed that the things you buy regularly have become more costly, and you may be pondering if inflation will stay high. For individuals close to retirement or already retired, iit's helpful to understand options for managing inflation's long-term impact.. As your first step to understanding your options, this guide will cover the following topics:

1 A History of Inflation's Effects

2 Inflation and the Federal Reserve in Today's World

3 A Few Options for Inflation Management

A History of Inflation's Effects

During the 1970s, Americans lived through inflation that topped 10%, driving noticeable increases in everyday costs. Inflation eased significantly through the 1990s, 2000s, and 2010s, before rising again in the years following the pandemic. More recently, inflation has moderated to the high-2% range, but many economists and major institutions continue to note that the outlook is still subject to change[1], with inflation risks remaining on both sides depending on how economic and policy conditions evolve.[2]

The Senior Citizens League has found that the purchasing power of the average Social Security benefit has declined by roughly one-third since 2000, as COLAs have not always matched the expenses retirees experience most.[3] Even though Social Security benefits receive annual cost-of-living adjustments (COLAs), those increases do not always fully offset the cumulative effects of inflation over time.

After an unusually large 8.7% Social Security cost-of-living adjustment (COLA) in 2023 following the post-pandemic inflation surge, annual increases have returned to more moderate levels. For 2026, benefits will rise by 2.8%, reflecting a cooler inflation backdrop than in recent peak years.[4] While COLAs help benefits keep up with broader price changes, they can vary from year to year and may not align with every retiree's personal mix of expenses. For this reason, it's helpful to consider the long-term impact of inflation on Social Security benefits, along with how other income sources and savings may support spending needs throughout retirement.

Take a look at overall prices from 1980 to 2000 and today:**

	1980	2000	2025
A Dozen Eggs	$0.91[5]	$0.95[5]	$2.71[5]
Gallon of Milk	$0.95[6]	$2.78[7]	$3.99[7]
Median Home Price	$58,853[8]	$139,392[8]	$422,380[8]
Buying Power of $100	$100[9]	$53.69[9]	$26.63[9]

**Latest Available Data (September - December 2025)

Inflation Protection with Annuities

Series I Savings Bonds can help offset inflation, but purchases are capped at $10,000 per person per year through TreasuryDirect.[20] Some annuities also offer income features that may increase over time, including optional inflation-adjustment or cost-of-living riders, though terms and trade-offs vary by contract and provider.[21] For investors who may not be a fit for annuities or insurance-based strategies, a conservative, well-diversified mix that includes a measured allocation to large-cap U.S. stock funds alongside other assets, plus periodic rebalancing, can be another way to help manage inflation risk over the long term.

An annuity is a financial product that typically involves a lump-sum premium in exchange for payments that can be structured to last for a set period or over a lifetime. Some annuities begin payments right away, while deferred annuities include an accumulation period before income starts. Because annuity options vary widely, it's important to review the details and understand costs, features, and how the income is calculated before deciding whether one fits your overall plan.

A Financial Professional is Your Guide

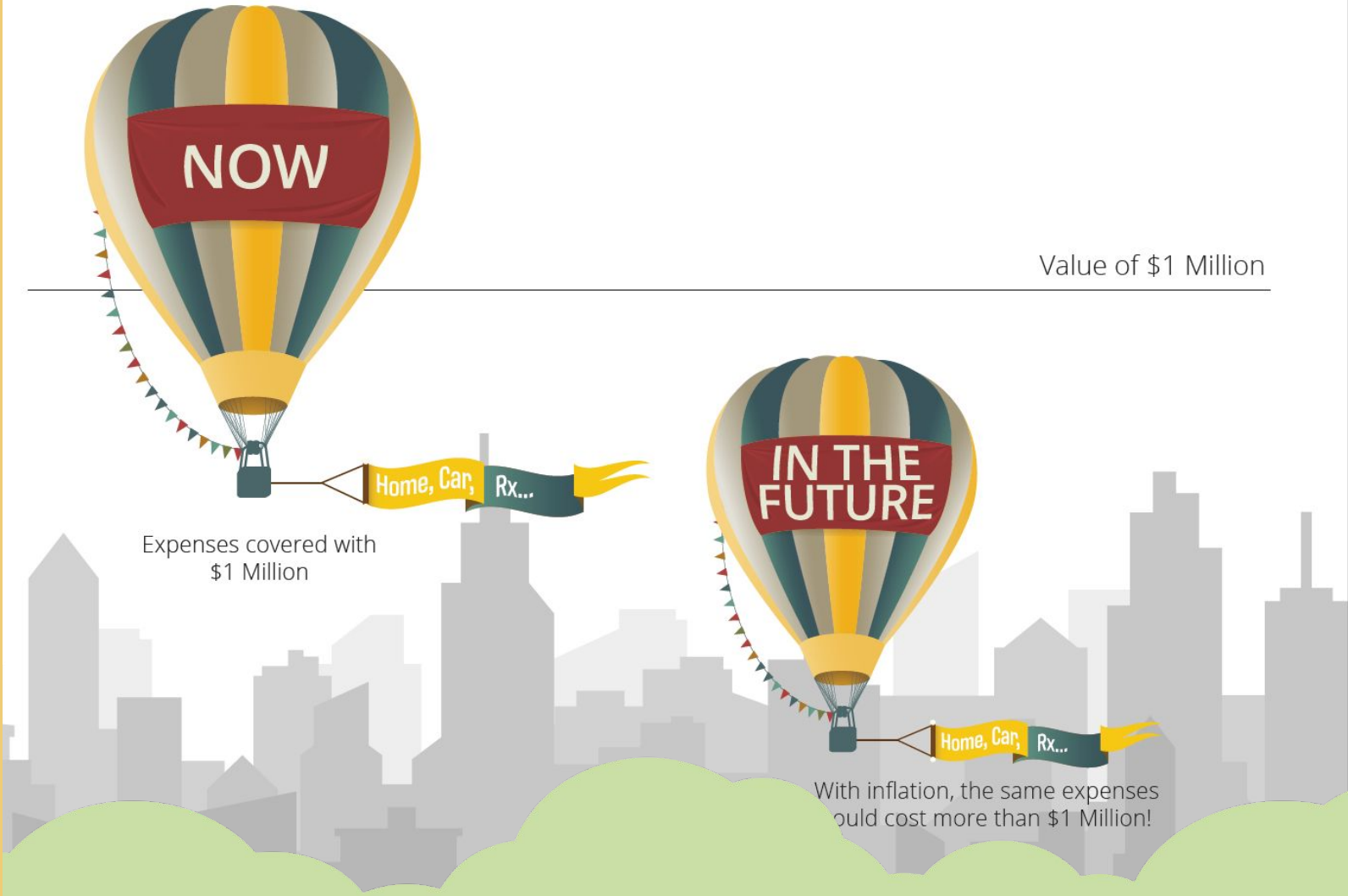
The right strategies depend on your unique situation, market risk tolerance, and income needs. There's no single answer for how to beat inflation, but we can help you create a strategy to help protect what you've earned and support a more consistent income approach in retirement.

Reach out to us today to get clarity on your inflation management options.

How Will Inflation Affect You?

Inflation gradually reduces the purchasing power of each dollar over time. After reaching a recent high of 9.1% over the 12 months ending June 2022, inflation has moderated in the years since, though price changes can still be felt in everyday expenses. Over long periods, even modest inflation can meaningfully affect savings and income.[10]

To illustrate the long-term effect, if inflation averaged 7% over a 10-year period, $1 million would effectively have the purchasing power of about $508,350. At a more moderate 2% inflation rate over 20 years, $1 million would be equivalent to roughly $672,971 in today's dollars.[11] When planning for retirement, it's important to account for the cumulative effects of inflation on your savings, especially since retirement can span 20 years or more.[12]



The Power of $1,000,000

How far will it go?

Inflation in Today's World

Inflation is shaped by a variety of factors, including labor market conditions, energy costs, consumer demand, and monetary policy. While broader inflation has eased from recent highs, household costs can still rise unevenly, especially in categories like housing, healthcare, insurance, and everyday services.[13]

Following the post-pandemic rise in inflation, the Federal Reserve increased interest rates to help bring inflation down, which changed borrowing costs and saving rates across the economy.[14] For retirees and those nearing retirement, it can be helpful to plan for how inflation and changing expenses may affect long-term income needs and spending decisions.

DID YOU KNOW?

Inflation doesn't move evenly across everything you buy. Prices for essentials like shelter and certain services can rise at a different pace than the overall inflation rate, which is why many households feel inflation differently even in the same year.[15]

Mansa Musa depicted holding a gold coin from the 1375 Catalan Atlas.
(Public Domain)

FUN FACT:

We've touched on inflation in the US as it pertains to the current economic climate...But inflation is an ancient concept!

The ancient Malian King, Mansa Musa, the richest man ever to walk the earth, caused massive inflation when he traveled from Mali to Egypt in 1324 on a trip to Mecca, where along the way he poured golden goods into commoners pockets. It took 12 years for the Egyptian economy to recover, and the event of Musa's wealth reached as far as Europe.

https://www.ancient-origins.net/weird-facts/mansa-musa-egypt-0017070

A Few Options for Inflation Management

Periods of higher inflation, market volatility, and shifting interest rates can occur over the course of a long retirement. After the Federal Reserve raised interest rates in response to elevated inflation, policy has begun to move toward a more neutral stance as inflation has moderated, which has changed the landscape for savers and investors.[16] While higher-yield savings accounts and CDs can be useful tools, relying only on cash-based options may still make it difficult to maintain purchasing power over longer time horizons, especially when everyday costs continue to rise over time. At the same time, normal market fluctuations can make some investors feel hesitant, even though retirement planning often benefits from a strategy built to handle both short-term uncertainty and long-term goals.[17]

Our goal is to help you build a strategy that balances growth potential, income needs, and risk. This may involve combining stocks and bonds, rebalancing your portfolio, incorporating certain annuity products designed to help address inflation risk, and exploring other strategies based on your individual circumstances.

What is an Inflation-Protected Bond?

There are several types of inflation-protected securities. Treasury Inflation-Protected Securities, or TIPS, are U.S. government bonds that can be bought and sold on secondary markets and purchased through most brokerage accounts. In some cases, investors may already have exposure to TIPS within a diversified portfolio. TIPS pay interest and adjust their principal based on changes in the Consumer Price Index, which can help offset the effects of inflation over time. If inflation rises, the value of a TIPS investment may increase as its principal adjusts upward, although the principal can also adjust downward during periods of deflation.[18]

Series I Savings Bonds, commonly known as I Bonds, work a bit differently. I Bonds are purchased directly from the U.S. Treasury through TreasuryDirect.gov, with annual electronic purchase limits that apply per person.. Annual purchase limits are $10,000 electronically and up to $5,000 using a tax refund, for a total of $15,000 per year. I Bonds earn interest for up to 30 years, and the principal is returned at maturity. Before maturity, interest is based on a combination of a fixed rate set at purchase and a variable inflation rate that adjusts every six months.[19]

Alternative Assets

Gold and precious metals are sometimes considered by investors looking for ways to respond to inflation concerns. Many investors view gold as a long-standing store of value, which can make it feel appealing during periods of uncertainty. At the same time, the performance of any asset class, including precious metals, can vary widely and is difficult to predict. Making emotional investment decisions or adding more volatile assets without a clear plan can increase overall portfolio risk. A financial professional can help evaluate whether alternative assets belong in your strategy and how they might be used alongside more traditional investments.

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[NOTE: Data is presented as of December 2025 and is subject to change]
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