

# Inflation & Financial Planning

Planning for uncertainty is an important part of the financial planning process.



## Inflation

Inflation is a loss of purchasing power over time. When inflation goes up it generally costs more to purchase goods and services.

## Inflation: Then and Now

1.06%

1962<sup>1</sup>

10.77%

1982<sup>1</sup>

3.10%

2023<sup>2</sup>

Don't ignore inflation - plan for it.

### Managing Debt

To protect against rising interest rates, consider paying down debt, especially if the interest rate is a floating rate.



Credit Cards



Line of Credit



Mortgage

### Managing Cash Flow

Consider where you can reduce spending to alleviate the strain of non-discretionary costs like taxes and groceries.



Reduce your dining out



Defer a new large purchase

## Financial planning considerations in times of higher inflation



### Invest beyond a savings account

Savers must take on some risk to avoid erosion of value. Even retirees remain investors throughout retirement (which could be another 20-30 years).



### Diversify your portfolio

Inflation can affect asset classes in different ways. A well-diversified portfolio based on your goals, risk tolerance and time horizon, is essential for managing inflation risk while providing the potential for returns needed to meet future goals.



### Dollar Cost Averaging

Dollar cost averaging is a strategy of investing the same amount of money at regular intervals, no matter how the market is doing. This strategy helps reduce risk by allowing investors to take advantage of price drops by buying more units of the same investment.



### Be flexible

Inflation might impact some areas of life more than others. The ability to be flexible by retiring later, working part-time, delaying travel, etc. may be very effective.

A financial plan is a powerful tool to help you understand how inflation impacts your ability to achieve what is most important to you.

<sup>1</sup>One year ending in December of the year stated. <sup>2</sup>One year ending October 2023.

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