

Inflation & Financial Planning

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

Inflation in Canada

Inflation is the gradual increase in prices over time, reducing your purchasing power. As inflation rises, the cost of everyday items becomes more expensive.

Don't ignore inflation – plan for it.

It's important to account for inflation to ensure your investments and savings grow enough to maintain your lifestyle in the future.

Inflation: Then and Now

1.06%

1962¹

10.77%

1982¹

1.80%

2024¹

¹One year ending in December of the year stated.

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



Reduce your dining out



Defer a large purchase

Managing Cash Flow

Reduce spending to alleviate the strain of non-discretionary costs like taxes and groceries.

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.



Employ 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 re-tiring later, working part-time, delaying travel, etc. may be very effective.

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