The Inflation Equation

Investors should consider these measures to protect their retirement savings from inflation.

Every investor, especially those investing for their retirement, should be familiar with the potential impact of inflation and its power to derail dreams of financial security. At its most basic, inflation is simply the steady increase in the prices of goods and services over time within an economy. As general prices rise, the purchasing power of the consumer decreases.

In real terms, that means that inflation erodes the value of your long-term savings. For example, over a 30-year period, an average annual inflation rate of 3% will cut the purchasing power of a $200,000 savings account to only $82,397.

As recent history has shown, inflation can spike from time to time. If you are saving and investing for your retirement, you need to factor it into your planning because inflation has the potential to increase the amount of income you will need to maintain your preretirement standard of living. Moreover, certain expenses, such as health care costs, may increase faster than the inflation rate.

There are measures you can take now to protect your retirement savings from inflation. One of the most effective is to have a thoughtful asset allocation strategy.* When you invest your retirement savings in different types of investments, you will be able to take advantage of certain asset classes, such as stocks, which have the potential to grow faster than the inflation rate. Historically, stocks have outpaced inflation and produced higher long-term returns than bonds or cash alternative investments. However, past performance is not a guarantee of future results.

Look at the table below to compare the average annual total returns for different asset classes with inflation over the past 20 years.

Boost Your Savings Rate
You can also help protect your retirement savings from inflation by increasing your savings rate. When you contribute more to your retirement plan each year, you will be helping your retirement plan account keep pace with inflation. Think about contributing some or all of any bonus or pay raise you receive. Even a small increase in your savings rate can make a significant difference in your account value at retirement.

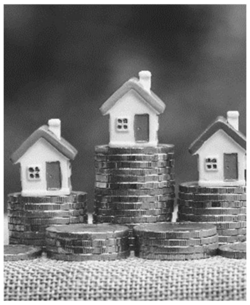
Work With a Financial Professional
Make sure you are on track to a comfortable retirement. A financial professional can work with you and help you monitor your account on a regular basis to ensure that your savings are staying ahead of inflation.

20-Year Average Annual Total Returns (through December 31, 2022)	
Stocks[1]	9.80%
Bonds[2]	3.10%
Cash[3]	1.30%
Inflation[4]	2.51%
Source: DST Retirement Solutions, LLC, an SS&C company	

[1]Measured by the S&P 500 Index, an unmanaged index of stocks of 500 major corporations.
[2]Measured by Bloomberg Barclays Capital U.S. Aggregate Bond Index, an unmanaged index of U.S. government, corporate, and mortgage-backed securities.
[3]Measured by Bloomberg Barclays U.S. Treasury Bill 1-3 month index.
[4]Represented by the Consumer Price Index (CPI).

Past performance does not guarantee future results. Your investment results will be different. This chart is for illustrative purposes only and does not represent the performance of any particular investment. Investments cannot be made in an index. Stocks have greater return potential but are more volatile than other investment types. Unlike stocks and corporate bonds, government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer fixed rates of return and stable principal.

*Asset allocation does not guarantee a profit or protect against losses.



Carrying A Mortgage Into Retirement – Good Idea or Bad?

Should you carry a mortgage into retirement? Conventional wisdom says to pay it off before you retire. But there can be compelling reasons to keep it instead.

The financial wellness of retirees can depend greatly on the proportion of income they need to spend on housing. Typically, a mortgage payment (or rent) is one of the largest budget items for retirees. So, carrying a mortgage into retirement can be a significant burden. But there can also be good reasons for keeping a mortgage. Here are some factors to weigh if you are trying to decide on your best course of action.

Keep Your Mortgage Into Retirement

Some situations favor carrying your mortgage into retirement. For example, it may make sense if you carry a lot of non-mortgage, high-rate debt. Why? The general rule for paying down debt is to tackle the debt with the highest interest rate first. Since mortgage rates are generally lower than rates on consumer debt, you may be better off putting your available cash toward paying down credit card balances than trying to pay off your mortgage. Likewise with any other consumer loans you may have.

Keeping your mortgage may also make sense if it is a fixed, low-rate mortgage with a relatively low principal. You may also be able to deduct the interest you pay from your taxes if you itemize deductions.

It can also make sense to carry a mortgage into retirement if you can potentially earn more by investing your money than by using it to pay off your mortgage. For example, if you currently have a 3% fixed-rate mortgage with $100,000 principal, and you can invest that principal in a bond paying 5%, then you're better off not paying it off.

Perhaps the most compelling reason to keep a mortgage in retirement is that you do not have the funds to pay it off. For many retirees, that is indeed the case. If so, your only real alternative is to keep the mortgage, but look for opportunities to lower your rate.

Repay Your Mortgage

It may be financially wiser to pay off your mortgage before retirement if your retirement income will be limited and won't accommodate a mortgage payment. It also can make sense if there is no prepayment penalty and you estimate that you can save a large amount of interest in the long run by paying off your mortgage early. And finally, you should consider prepaying your mortgage before retiring if you just don't like debt and don't want to have to worry about it.

Deciding whether or not to carry your mortgage into retirement can be a difficult decision. You may benefit from discussing your options and getting a clearer picture of your overall finances with a financial professional.

Qualified Plan Contribution Limitations Update for 2024

Elective Deferral Limit	$23,000
Additional Catch-Up Limit*	$ 7,500

*If allowed under the terms of your plan, applies to participants who reach age 50 by the end of 2024.