
Inflation & Your Financial Strategy

Mar 07 2022

In a December 2021 poll, 87% of Canadians surveyed reported that the rising price of everyday goods was their top source of anxiety¹. The last period that caused this level of financial concern for Canadians was the 1990s², when inflation reached a high of 5.5%. Today, it sits at about 4.8%, primarily due to transportation and supply chain issues and a sharp rise in energy prices. The associated increase in cost is passed along to Canadian consumers, who are concerned about how to pay for it.

This is a serious issue that needs to be navigated wisely. On the other hand, it's good to understand that inflation is historically linked to economic recovery from serious events like a pandemic. Leading economists view the current situation as a sign of a recovering economy, believing that things will correct themselves once supply catches up with consumer demand³. While this is a healthy long-term perspective, 65% of Canadians are experiencing significant stress about their finances right now⁴.

Below are some strategies that might help you worry less about the impact of inflation today and possibly even come out ahead when it all begins to normalize:

1. Take advantage of low unemployment rates

Part-time work is plentiful right now. Taking on another job could boost your income today, position you to broaden your skillset and increase your future earning power.

2. Pay debt

During inflation, money loses its value and consumers lose their purchasing power. Borrowers, however, may benefit because money has a lower value now than when they took out a loan. This essentially allows you to repay your debt at a lower cost. Now could be an excellent time to pay down fixed-rate debts such as mortgages and loans.

3. Cut costs

Cutting expenses is an excellent hedge against inflation. Start by reviewing your budget to prioritize your spending categories. You must buy food, heat your home and put fuel in your car, but there are several ways to reduce other costs. You could drop one streaming service or replace a costly hobby with a cheaper alternative. Call your insurance provider(s) to ensure you're not paying more than you should, choose a fixed-rate energy plan, comparison shop and use coupons online and in-store. It all adds up, and once inflation calms down, you've established savings habits that will benefit your future.

4. Invest wisely

Invest wisely in sectors that may benefit from rising prices during inflation. **Work with a financial advisor who can help you build, preserve and diversify your portfolio's value to keep your nest egg growing.**

5. Get support

A trusted relationship with a financial advisor can put inflation in perspective for you. More importantly, it can inform your money management and savings strategies for a prosperous future.

We're here to help you make the most of your money in any financial climate. [Call us today](#) [1].

Sources:

- ¹ Nanos Research: Strong majority of Canadians worry more about higher prices for everyday goods rather than higher interest rates - <https://nanos.co/wp-content/uploads/2022/01/2021-2043-Bloomberg-Dec-Populated-report-with-Tabs.pdf> [2]
- ² Reuters: Canadian inflation hits 30-year high, boosting chance of early rate hike - <https://www.reuters.com/business/canadas-annual-inflation-rate-hits-48-dec-highest-since-sept-1991-2022-01-19/> [3]
- ³ NY Times: Should You Worry About Inflation? Experts Weight In. - <https://www.nytimes.com/2021/07/17/business/dealbook/inflation-questions-experts.html> [4]
- ⁴ The Globe and Mail: Two-thirds of Canadians worry their pay won't keep up with inflation, survey suggests - <https://www.theglobeandmail.com/politics/article-two-thirds-of-canadians-worry-their-pay-wont-keep-up-with-inflation/> [5]

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