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Inflation & Retirement (Video)

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Inflation is an incredibly important, but at times overlooked, factor in retirement planning. In this video, Grimes & Company Financial Advisor Karen Kelly breaks down three key components for protecting against inflation risk: 1) growth exposure, 2) diversification of holdings, and 3) flexibility of income and expenses.

Watch the video below:

VIDEO TRANSCRIPTION:

Hi, my name is Karen Kelly and I'm a financial advisor at Grimes & Company. I thought we would talk a little bit today about inflation and how that affects you, especially for folks approaching retirement or folks in retirement. Inflation is purchasing power: $100,000 today in 30 years is only going to buy you roughly $42,000 worth of goods and services. So it is a really important topic in retirement. So let's chat about three specific things that you can do to protect yourself against inflation risk.

The first way is to make sure that you have some growth exposure in your portfolios. Growth exposure is exposure to large, small, mid-cap companies, international, emerging markets, all of these types of investments are a good hedge against inflation.

The second way that you can protect yourself against inflation is to diversify your holdings. So real estate, bonds, some stocks, potentially commodities, there are different types of investments that you can use that are specifically designed to fight inflation. The third way that you can protect yourself is to build flexibility into your retirement plan. Are you maximizing your social security, your income, which is inflation protected? And then on the expense side, do you know what you're spending? In a down year in the market, are you able to potentially not spend on big ticket items and let your portfolio recover?

So having flexibility in retirement on both your income side and your expense side can also go a really long way towards helping you protect yourself against inflation. So to sum this up, there are three specific ways that you can protect yourself against inflation risk: growth assets, diversify your portfolio, and flexibility in your income and expenses. And this is specifically for those folks that are approaching retirement or in retirement.

I'm Karen Kelly. for more information, please visit us at grimesco.com.