**Dealing with Inflation.**

Everyone knows that inflation is here and it is going to be a serious problem for all of us who are not millionaires, or billionaires. The food bill for a family of four has gone up almost $400 recently. Normal people like most of us, are under tremendous pressure to have sufficient funds to pay more for food, utilities, gasoline and most everything else as the pandemic, clogged shipments at our ports, shortage of truck drivers, shortage of service workers, shortage of computer chips and now bad weather is driving up the price of goods and services that will cause much pain and result in citizens questioning the competency our government. We all need to blame someone for our suffering and inability to deal with life as most of us are not wealthy and cannot fund living.

During the federal shutdown in January 2020, surveys revealed that 78% of our population lived paycheck to paycheck, and insufficient savings to pay a sudden bill of $400. 78% of our population of 330,000,000 is almost 257.4 million people who will be severely impacted by this inflation that is going to get worse before it gets better. I think this 78% is a little high, but most people do not have excess income. Middle class incomes have been flat for four decades, so inflation is very bad for the Middle class – sounds like most of us.

So what should most people be doing until inflation is deflated.

Step 1 is to set up a budget. Prioritize you needs. Use apps and the Internet to find lower prices, including for gasoline.

1. Food and shelter should be priority 1. We must eat to survive and don’t want homelessness. Seek out all relevant food sales items to save a few dollars. Meat and fish prices are rising faster than vegetables, eat more veggies. More veggies is good for your health.
2. For single people, finding a good roommate should reduce your rental expenses. This option is not suitable for most families. But if you are a grandparent with a paid-up home, make room for your children and your grandchildren, if you can.
3. Your necessary healthcare issues are also priority. Budget for your prescriptions. This is much more priority for seniors.
4. Eating out is too expensive, reduce or eliminate this costly habit which getting more costly. You should have already notice that everything on the menu is up, even at MacDonalds. Forget about crab and lobster for awhile. Chicken and turkey meat are cost effective alternatives, so get creative with dishes using these two items.
5. Expenses to avoid. You can upgrade your cell phone later when you have the funds. Avoid major purchases like automobiles. Used car prices have been increasing a lot for the first time in history. New cars prices have been inflated for a number of reasons, including a shortage of semiconductor chips. If your car is running and dependable, defer that expense for now.

If you are young and still working, continue to save for retirement, but be wary of the stock market, even the best stocks are very volatile and unless you are a very shrewd and competent trader, you could lose more money than you make. In a volatile market, timing is critical, and who can time the purchase of stocks when prices are unpredictable.

Some people are trading stocks because they believe that trading stocks is the only way to beat inflation, but if you are unlucky, you can ruin your life for a long time, maybe forever.

Making changes to counter inflation is not easy, we must all hope that the current rates of high inflation will start to subside. So we must all survive until that happens. If you and I are not wealthy, we must have a financial plan and live by it until inflation sub sizes and normality returns.

Good luck to all of us.

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**SOURCES:**

**Inflation: How you can beat it — or even benefit from it**

***Inflation saw its largest increase in nearly 40 years in 2021, but there is some good news about rising consumer prices***

**By Michelle Singletary, October 15, 2021|Updated January 13, 2022 at 1:00 a.m. EST**

Prices for meats, poultry, fish and eggs rose 2.2 percent in September from the month before. (Justin Sullivan/Getty Images)

Like a guest who overstays his welcome, inflation is getting on our nerves.

For people with enough income or savings, rising prices are just an annoyance. **If you’re living paycheck to paycheck, inflation means a much harder time paying for food, gas and other items. It could mean skipped meals or late rental payments.**

The latest inflation data, released by the Bureau of Labor Statistics, showed prices increasing 7 percent over the same period a year ago. Increases in prices for housing and for used cars and trucks were the largest contributors to the uptick. The higher cost of food also drove inflation.

“Inflation has been a surprising and unwelcome guest seeming to persist at an elevated level at a time when we’re all hoping to put the devastating economic impacts of the pandemic behind,” said Mark Hamrick, senior economic analyst for Bankrate. “Like the pandemic-caused downturn itself, it exacerbates wealth and income inequality. The wealthy can adjust. Those on lower incomes, not so much. It is as if some people just can’t catch a much-needed break.”

Earlier predictions that rising prices might be temporary were wrong. So, until things stabilize, here’s how to handle increases in consumer prices.

Five charts explaining why inflation is at a near 40-year high

What to know

What changes should I make to my budget to beat inflation?

Is there anything I can do to reduce my food costs?

Should I change how I invest for retirement?

Is there anything I can do to take advantage of inflation?

Is there any good news about inflation?

What changes should I make to my budget to beat inflation?

Coping with inflation comes down to reviewing how you spend your money. Even if you’ve cut until it hurts, you’re going to have to look for additional trims.

For instance, could you take in a roommate or move in with someone to reduce your housing costs?

No, the housing market isn’t in a bubble. But there still are many things to worry about in 2022.

Obvious places to cut are eating out, streaming services and unnecessary car trips. When was the last time you looked at your mobile plan?

Use apps and the Internet to find lower prices, including for gasoline.

“When prices aren’t changing all that much, people may be inclined to invest less of their time shopping, thinking that it might not make all that much of a difference,” Hamrick said. “Think of shopping right now as investing time to find better deals.”

Supply-chain disruptions may continue to push consumer prices up. One way to cope is to put off unnecessary purchases until supply issues are resolved and prices go down.

“Whether it’s an updated iPhone or another piece of clothing to mostly hang in the closet, most Americans simply consume more than they need to,” Hamrick said.

Is there anything I can do to reduce my food costs?

In an inflationary environment, substitutions can be your financial friend.

Here’s why your food prices keep going up

Food prices have been rising largely because of weather-related shortages, transportation issues and lack of staffing. Meat and fish prices are going up faster than vegetable prices, so take that into consideration in your at-home meal planning.

Hamrick said he went shopping to make crab cakes and saw that the price for crabmeat was up 50 percent.

“I bought chicken thighs and cooked them at a fraction of the price,” he said. “Now’s the time to try to spend time when possible preparing meals at home, using lower-cost items as much as possible.”

Four ways Americans are feeling inflation

Should I change how I invest for retirement?

Inflation doesn’t really change what you should have been doing all along, which is diversifying, said Carolyn McClanahan, a certified financial planner who founded the fee-only Life Planning Partners, based in Jacksonville, Fla.

“Through thick and thin, the best way to prepare for any economic environment is to have a diversified portfolio,” McClanahan said. “If you aren’t already practicing diversification, now is the time to make that change.”

If you’re an ultraconservative saver who has shied away from stocks because you’re scared of the stock market, you might want to consider that inflation is also a risk. If you don’t at least keep pace with inflation, you’re losing the purchasing power of your money.

“Where interest rates are right now, investors need to take on slightly more risk to get a return that may beat inflation,” said Ben Bakkum, quantitative investing associate at the digital adviser firm Betterment.

Is there anything I can do to take advantage of inflation?

If you have some cash that you don’t think you’ll need for a while, consider purchasing bonds, McClanahan recommends.

Series I Savings Bonds, which are issued by the Treasury Department, allow investors to earn a combination of a fixed interest rate and the rate of inflation, adjusted semiannually.

The composite rate for I bonds issued from Nov. 1 through April is now 7.12 percent, a portion of which is indexed to inflation every six months. The previous composite rate for I bonds issued from May through October was 3.54 percent.

To buy and own an electronic I bond, you must establish a TreasuryDirect account. Go to treasurydirect.gov.

Is there any good news about inflation?

If you receive Social Security or Supplemental Security Income benefits, you’ll see your payments go up because of rising consumer prices. The Social Security Administration announced a 5.9 percent benefit increase for 2022.

Social Security benefits to rise 5.9 percent for roughly 70 million people in 2022

And, if inflation relents next year, which some believe is possible as supply chains normalize, Social Security recipients will continue to get the higher payments anyway, Hamrick said.

Additionally, one of the few potentially beneficial effects of inflation will be that the Federal Reserve may well lift benchmark rates sooner rather than later, and more than previously believed, he said. That’s welcome news for savers.

“Previously miserly returns on savings should begin to rise,” Hamrick said.

What scaremongering about inflation gets wrong

It’s hard not to panic about inflation when your paycheck doesn’t go as far as you need. Still, keep things in perspective. It’s not the 1970s, when prices skyrocketed.

“Recent headlines about increasing inflation have been alarming, but inflation itself is not abnormal if it’s not out of control,” Bakkum said.

==================================================================**=Here’s what 8 financial planners say you should do with your money during inflation**

***Inflation is at its highest rate in nearly four decades, but there are steps you can take with your personal finances to take the edge off.***

BY Megan Leonhardt, December 13, 2021 1:17 PM EST

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With inflation rates surging at rates not seen in decades, many consumers are wondering how to keep rising prices from negatively affecting their savings and spending habits.

Prices on consumer goods and services including food, energy, and housing have been rising for the past few months. They jumped again in November, rising to 6.8% over the previous year, according to the latest consumer price index data released Friday.

Along with rising prices this year, there have also been supply-chain bottlenecks and rising consumer demand—all of which can cause real challenges as the average American’s purchasing power degrades over time.

While the effects of inflation are not easily avoided, several financial planners tell Fortune that there are steps consumers can take to duck the worst effects.

**Avoid buying a car if you possibly can**

Putting off a major purchase may be the right option now, especially on a new car, says Jay Zigmont, a certified financial planner (CFP) and founder of Mississippi-based financial firm Live, Learn, Plan. “If your car works and gets you to work, then stick with it,” he says.

That’s because while auto loan rates are low, the cost of new cars has surged 11.1% over the past year, according to the consumer price index. But inflation on used cars is even worse—up 31.4% over the past year. Zigmont says in general, car prices have gotten a “bit disconnected from reality,” and consumers need to ask themselves if they really need a new car right now.

“Try paying for a complete detailing of your car and it will feel new to you without the sticker shock,” he says.

For those with car leases running out in the next few months, financial planner Chris Diodato says it may be worth buying out the lease rather than shopping around for a new car or lease. Buyout prices, which are indicated on the initial lease contract, have been far below current resale value, says Diodato, a CFP and founder of Florida-based WELLth Financial Planning.

**Grow investments, rather than savings accounts**

One thing that makes inflation particularly difficult for savers is the low-interest-rate environment that the U.S. has been experiencing, says Matt Elliott, a CFP and founder of Minnesota-based Pulse Financial Planning. “Your cash at the bank makes close to no interest, yet prices are increasing on everything you buy. That can cause your purchasing power to degrade over time if you aren’t invested,” Elliott says.

He recommends consumers consider investing in a diversified portfolio that includes investments that will go up with inflation, such as Series I savings bonds and Treasury Inflation-Protected Securities (TIPS). I bonds, for example, currently offer an interest rate of 7.12% through April 2022.

Yet while the interest rate on Series I bonds is attractive, financial planner Jovan Johnson says investors need to put in the effort to understand how these work and how that can impact their timeline for this money.

For instance, investors are generally limited to buying $10,000 worth of I bonds annually per person, and you can’t sell these bonds for at least 12 months. If you redeem them in less than five years, then you’ll forfeit three months of interest, says Johnson, a CFP and owner of Georgia-based Piece of Wealth Planning. “Overall, I believe that I bonds are a very secure and great place to park your money if you don’t need this money for at least one year,” he adds.

“Many young people sit with lots of extra cash as they are unsure what to do with it, but that can be harmful now,” says Thomas Kopelman, cofounder of Indiana-based AllStreet Wealth. “You should only have cash for an emergency fund, as well as cash for short-term goals (vacation, down payment of house, etc.), then you need to invest the rest.”

**Think about buying more veggies**

More than any other strategy, financial planner Elliott Appel recommends shifting what you buy from items that are highly impacted by inflation, to items that have escaped the worst of it.

“Not all items have seen the same rate of inflation,” adds Appel, a CFP and founder of Wisconsin-based Kindness Financial Planning.

Most consumers, for instance, have noticed grocery bills going up, but much of those cost increases are tied to rising prices for animal-derived products, says Andy Baxley, an Illinois-based CFP with the Planning Center.

“Experimenting with plant-based dishes is one way to reduce pain at the checkout counter. I am encouraging folks to get creative with their budgets right now,” he says.

Or maybe instead of buying beef, buy chicken. Beef prices have risen 20.9% in the past 12 months, according to the latest consumer price index. Chicken prices increased only 9.2% over the past year, and the cost of other uncooked poultry products, including turkey, is up only 4.6%. Meanwhile, shelf-stable fish and seafood such as canned tuna haven’t seen any increases. “You can research what’s gone up the most over the past year and perhaps buy less of it,” Appel says.

**Spend less, if you can**

This is a good time to reconsider your overall spending, says Dana Menard, a CFP and founder of Minnesota-based Twin Cities Wealth Strategies.

“When necessities begin to cost more, discretionary spending should be reevaluated so as to not neglect the things that are necessary,” he says.

This may be as simple as getting rid of or canceling unused subscriptions, but Menard says it’s important to consider where and how you’re spending your money. That’s especially true around the holidays, when people make impulsive purchases, and gift-buying can sometimes trump logic.

Although it might not be easy to make these changes right now, Elliott says the good news is that many financial experts and economists predict the current rates of high inflation will start to subside.

“While heightened inflation could be temporary, it may be best to hope for the best, but prepare your finances in case we see sustained inflation over the longer term.”