SECURIAN FINANCIAL®

SOUND STRATEGIES

Inflation

Inflation lowers the purchasing power of money, which can affect your retirement and your lifestyle over time. That's why it's important to take inflation into account when developing your retirement income strategy.

Measuring the true cost of inflation

As prices go up, purchasing power decreases because each dollar buys a smaller portion of goods and services. This affects the cost of things you pay for every day.

Consider this: At 3% inflation, the weekly groceries you purchased for $100 might run $103 the following year. While you might not think that's a big deal, factor that 3% over a longer period of time and it takes a serious toll on your standard of living.

If prices continue to grow by 3% each year, after 25 years you'll need $209 to pay for those same groceries, an increase of 109%. So if your income isn't keeping up with the pace of inflation, you'll lose financial ground over the long term.

A good benchmark for developing your inflation rate assumption is the Consumer Price Index (CPI) measured over a longer period of time. Add in a margin of 1% or more to that figure. Using this approach, you'll end up with a range of 3.5-5% for your long-term inflation rate. Keep in mind though, inflation and its effects are unpredictable. Work with your financial professional to keep track of the actual rate so you can make any adjustments along the way.

THE REAL COST OF INFLATION OVER 25 YEARS

55%	111%	57%	185%
Coffee 100% ground roast per pound	Bread per pound	1 gallon whole milk	1 gallon regular unleaded gas

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Indexes, as of December 2022.

As this chart shows, inflation reaches into your retirement wallet and eats into your hard-earned dollars.

With a sound strategy, your financial professional can help you prepare your retirement income for what matters most.

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Inflation can also affect the value of your investments

Not only does inflation increase the cost of goods and services, it can also eat into your investment returns — that's especially true of fixed investments.

In order to gain real value, investments must earn a rate of return that's higher than the rate of inflation.

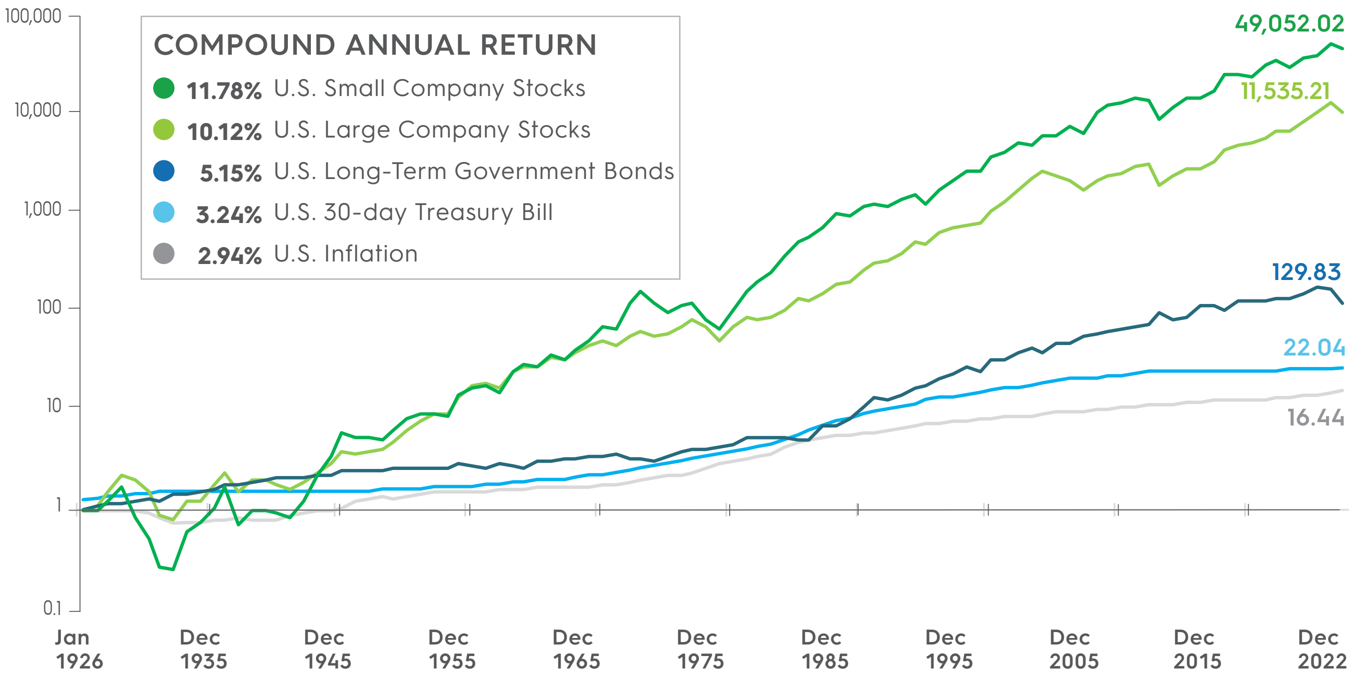
Although past performance doesn't guarantee future results, historically both equity and bond investments have outperformed inflation. The chart below shows how the long-term appreciation of stocks, bonds and cash relates to inflation, as measured by the CPI.

It illustrates the hypothetical value of $1 invested at year-end 1926 and assumes reinvestment income and no transaction costs or taxes. This example is for illustrative purposes only and isn't indicative of any particular investment.

Stocks, bonds, bills and inflation index sources:

- **U.S. Small Company Stocks:** Represented by the fifth capitalization quintile of stocks on the NYSE for 1926-1981 and performance of the Dimensional Funds Advisors (DFA) Small Company Fund thereafter
- **U.S. Large Company Stocks:** S&P 500 Index®; an unmanaged group of securities and considered to be representative of the general stock market
- **U.S. Long-Term Government Bonds:** 20-year U.S. Government Bond
- **U.S. 30-day Treasury:** 30-day U.S. Treasury Bill
- **U.S. Inflation:** Consumer Price Index

STOCKS, BONDS, BILLS AND INFLATION 1926-2021 INDEX VALUES (USD)



Factor inflation into your investment strategy

Consider your investment mix. Although past performance is no guarantee of future results, equity investments have historically outperformed inflation over the long term as shown in the chart on page 2. Make sure that your retirement portfolio includes a mix of investments that meets your asset allocation needs, while also guarding against inflation.

How can you minimize the effects of inflation on your retirement income?

Although you can't control the rate of inflation, there are steps you can take to minimize the financial impact of inflation, regardless of how close (or far away) you may be from full-time retirement.

Plan for both best- and worst-case scenarios:

Include both conservative and aggressive inflation rates in your future assumptions and estimates. Make sure you also adjust your assumptions regarding required retirement income to compensate for actual inflation rates.

If you're accumulating savings:

- Maximize your savings and investments to meet worst-case inflation scenarios
- Include the impact of future taxes to determine how to allocate your investments between taxable, tax-deferred and tax-advantaged programs
- Don't wait. Even small positive steps can minimize the effects of inflation over time.

If you're receiving retirement income:

- Include an inflation assumption in your income needs
- Determine the percentage of your budget spent on items that increase at a rate greater than inflation. Compare your results with the average inflation rate to see how your spending habits vary.
- Consider incorporating equity investments in your retirement income portfolio to increase the likelihood of staying ahead of inflation
- Develop a sound tax strategy around the goal of keeping a greater share of what you earn

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