2022 · WHAT ISSUES SHOULD I CONSIDER WHEN DEALING WITH HIGH INFLATION?

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CASH FLOW ISSUES	YES	NO
Do you need to reassess your living expenses in light of high inflation? If so, consider the following: ■ Take into account how your personal expenses may have changed relative to the general cost of inflation, and update your emergency funds as needed. ■ Where applicable, look for additional ways to save money on your necessary expenses (e.g., electing annual payments vs. monthly, buying staple goods in bulk, etc.), and consider temporarily reducing/delaying certain unnecessary expenses to relieve stress on your cash flow. ■ Review any important upcoming purchases you had planned that may be subject to price increases. If appropriate, consider accelerating those purchases to potentially lock in a lower price.	☐	☐
If working, are you concerned about the ability of your earnings to keep up with high inflation? If so, consider ways you might increase your income (e.g., ask for a raise, change jobs, develop new skills, pursue additional credentials, etc.).	☐	☐
If retired, are you concerned about your retirement income's ability to keep up with high inflation? If so, consider the following: ■ Be mindful that, unlike many other retirement income sources, Social Security benefits have a built-in cost of living adjustment (COLA) that helps offset the effects of inflation. Consider delaying (or repaying and delaying, if already begun) your benefits to increase both your overall income and the level of income being subject to a COLA. ■ Consider purchasing an annuity (or changing/replacing an existing annuity, if applicable) with an increasing income benefit as an inflation hedge. Be mindful that the increasing income option starts lower but will eventually exceed the fixed income option. Identify when that break-even point will occur, and be sure to factor in family health/longevity when making your election. ■ Be aware of the increasing demand on portfolio withdrawals for income during times of high inflation, especially if asset values have recently decreased. Consider ways to reduce portfolio withdrawals by exploring other options for liquidity and/or additional income if needed (e.g., reverse mortgages, HELOCs, cash value in life insurance, etc.).	☐	☐

ASSET & DEBT ISSUES	YES	NO
Do you need to review your asset allocations in light of high inflation? If so, consider the following: ■ Be cognizant of the increased levels of interest-rate risk associated with a high fixed-income allocation during times of high inflation. Consider maintaining, or increasing (if appropriate), your exposure to equities and other asset classes that may be better positioned to keep up with inflation. ■ Keep in mind that longer bond durations will be subject to higher volatility if interest rates rise. To mitigate some of this risk, consider allocating more toward shorter bond durations, but be mindful of the difference in yield between short- and long-duration bonds.	☐	☐
Are you concerned about your fixed-income portfolio's ability to manage the effects of high inflation? If so, consider the following: ■ Consider purchasing Series I Savings Bonds (I Bonds) and/or Treasury Inflation-Protected Securities (TIPS) as an inflation hedge to your portfolio. Remember that I Bonds (unlike TIPS) have zero volatility, but be mindful of their holding period requirements, purchase limits, and early liquidation penalties. ■ Consider purchasing Certificates of Deposit (CDs) and/or Multi-Year Guaranteed Annuities (MYGAs) as a zero-volatility bond alternative. Be cognizant of the limited flexibility for penalty-free withdrawals (e.g., 5%–10% per year) that many MYGAs offer, as well as any applicable penalties that may pertain to early withdrawal of CDs. ■ Consider employing a fixed-income asset (e.g., individual bonds, CDs, MYGAs, etc.) laddering strategy to help mitigate interest-rate risk and reinvestment risk. However, be cognizant of the challenges and limitations (e.g., time burden of management, substantial purchase requirements, etc.) that may come with such strategies. (continue on next page)	☐	☐

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ASSET & DEBT ISSUES (CONTINUED)

ASSET & DEBT ISSUES (CONTINUED)	YES	NO
Do you need to review your cash holdings? If so, consider the risks with holding too much cash during times of high inflation. Be mindful of where you keep your emergency fund, and be sure to explore other options (e.g., high-yield savings/checking accounts, short-term CDs, etc.) that may offer better growth on your idle cash. Consider investing any surplus cash, as waiting for rates to rise before putting your cash to work may expose you to market timing risk.	☐	☐
Do you need to review your debts in light of high inflation? If so, consider the following: ■ Be cognizant of your variable-interest-rate debts. Understand how the rate is calculated and to what extent inflation may cause your interest rate to increase. ■ If appropriate, consider paying down variable-interest-rate debts or refinancing them to fixed rates. ■ To potentially lock in a lower interest rate, consider expediting the process of financing any large upcoming purchases you had planned, but be mindful of any recent or anticipated price increases and/or interest rate changes.	☐	☐

TAX ISSUES

TAX ISSUES	YES	NO
Have your taxable accounts been experiencing increased levels of volatility due to high inflation? If so, consider ways you might rebalance your portfolio at a reduced tax cost (e.g., harvesting short-term losses, selling securities at reduced capital gains, etc.), but be mindful of wash sale rules, as well as the $3,000 ordinary income offset limit on capital losses. (continue on next column)	☐	☐

TAX ISSUES (CONTINUED)

TAX ISSUES (CONTINUED)	YES	NO
Do you need to review your current (and anticipated) income tax brackets in light of high inflation? If so, consider the following: ■ Determine whether your income may have increased to a greater or lesser extent than marginal tax brackets, and consider how that may impact your effective tax rate. Be mindful of certain tax strategies (such as favoring pre-tax or Roth contributions) moving forward. ■ Be cognizant of areas of the tax code that do not receive inflationary adjustments under current law (e.g., Social Security taxability, NIIT, SALT limitations, etc.), and consider how that might impact certain tax strategies moving forward.	☐	☐
Do you need to review any potential Roth conversion opportunities in light of high inflation? If so, consider whether periods of high inflation may present opportunities to convert some assets to Roth accounts at lower share prices.	☐	☐

OTHER ISSUES

OTHER ISSUES	YES	NO
Are you reconsidering any of your financial goals (e.g., retirement) or risk tolerance in light of high inflation?	☐	☐
Do you need to reassess your life and disability insurance coverage in light of high inflation? If so, consider the following: ■ Assess the risk of increased living expenses, and/or the need to replace a higher income, that your life and disability insurance may fail to adequately cover should you die an untimely death or become disabled. ■ Review your ability to add (or utilize any existing) inflation and/or benefit increase riders associated with your policies (if available).	☐	☐
Do you need to reassess the coverage amounts for any other insurance policies (e.g., homeowners, renters, auto, etc.) in light of high inflation? If so, consider the effect inflation may have on the replacement cost of your vehicles, home (including any vacation or rental properties), and other goods. Review your coverage amounts to ensure they are adequate for your needs.	☐	☐
Do you need to review your gifting and/or estate plan in light of high inflation? If so, consider the impact inflation may have on your existing plans for transferring assets to the next generation.	☐	☐

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Treasury inflation-protected securities (TIPS) help eliminate inflation risk to your portfolio as the principal is adjusted semiannually for inflation based on the Consumer Price Index - while providing a real rate of return guaranteed by the U.S. Government.

Government bonds are guaranteed by the US Government as to the timely payment of principal and interest and offer a fixed rate of return and fixed principal value. Minimum term of ownership applies. Early redemption penalties may apply.

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, it you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

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