Inflation and Your Retirement

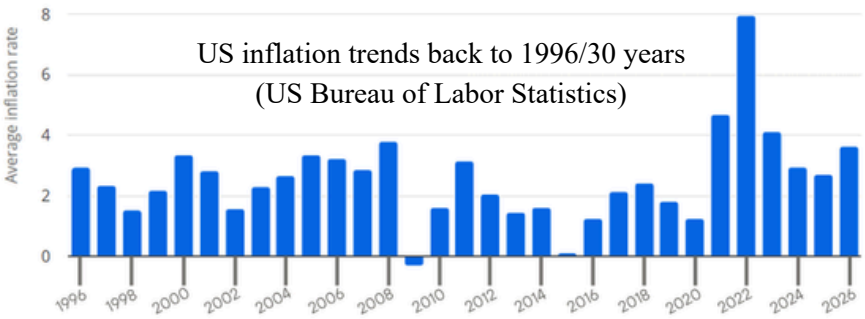


Your Green® with
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It's a high probability, and it's something frequently overlooked in retirement planning. Inflation can be defined as an overall upward price movement of goods and services in our economy as measured by the Consumer Price Index (CPI). When planning for how much money you will need for retirement, it is important to consider the impact of inflation on your assets and your goals.

Ongoing inflation takes away the buying power of your money, meaing you will need more money to live on in the future than you need currently. For the fifth consecutive year, the high cost of living continues to top Americans' list of the most important financial problems facing their families. The 31% citing it in an open-ended question is below the 41% peak in 2024 but similar to a year ago and among the highest in Gallup's more than 20-year trend *(Gallup's annual Economy and Personal Finance poll, April 2026)*.

The CPI in the US reached 9.1% in June 2022, marking its highest level since November 1981. The U.S. inflation rate was 3.4% in August 2026, according to the Bureau of Labor Statistics. The chart below from statista.com shows U.S. inflation trends back to 1996 (30 years). As you can see, it's rare for there to be no inflation:



According to the CPI/Inflation calculator at bls.gov, it takes about $166 in October 2026 to buy what $100 would have bought in October of 2006 – just 20 years ago. If you look back further to the span between October 1996 and October 2026, what you could buy for $1000 in 1996 cost you a little over $2,100 in 2026 (30 years later). Looking back 50 years, what you purchased for $10,000 in 1976 would cost you almost $59,000 in 2026. Depending on your age, you may have purchased a home in your lifetime that cost less than the car you are currently driving.

Why is this important to your retirement planning? Many of us will live 20+ years in retirement. Some of us are years away from our planned retirement date. Inflation turns your retirement goals into moving targets. If you want to be able to afford the things you need and want in retirement, often years in the future; inflation must be accounted for in your planning.

What must you always do to hit a moving target? You must lead the target to hit the target. There is a useful financial tool, called the "**Rule of 72**" that can be used to help you calculate how many years it will take for prices to double, based on the current inflation rates. To apply this rule, you divide 72 by the inflation rate. For example, 72 divided by 3% average inflation equals = 24. This means it would take 24 years for prices to double based on an average 3% inflation rate. If the average was 4%, then it would only take 18 years for this doubling to occur.

Applying the Rule of 72 to a 3% average inflation example to your retirement planning, you could say that if you are 24 years from an age 65 retirement (age 41), you would need double the annual income you calculate in today's terms for each year of your retirement. If you anticipate needing $25,000 a year in retirement based on today's figures, then you would need to double that figure. You would need to plan on having $50,000 per year in retirement at age 65.

It's important to remember that inflation continues throughout retirement. If you retire at age 65, your income needs will effectively double by age 89 if a 3% average annual inflation rate occurs. With today's earlier retirements and longer life spans, some may actually see a 2nd "doubling" in cost during their retirement period.

And that isn't all - healthcare accounts for about 14% of expenditures by those 65 and older, but only 6% for other age groups *(KFF analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2024)*. Milliman's recently released 2026 Retiree Health Cost Index projects that a healthy 65-year-old couple can expect to spend upwards of $418,000 on healthcare costs in retirement. That's 5.5% higher than in 2024.

Your retirement planning *must* take into consideration the impact of inflation. For most people, simply saving is not sufficient. Most need growth, earnings, and the power of compounding on their money, *even throughout retirement*, to help their assets grow enough to keep pace with inflation.

To schedule a complimentary consultation to help you plan to try to overcome the impact of growing inflation on your retirement assets, please visit www.rogersgreen.com or call our office at 770.931.1414.

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