

# Inflation's Impact on Your Retirement Income

*A blueprint of a beehive appears, followed by a picture of the hive with bees buzzing around it. A tap appears on the side of the hive, and honey drips out.* **Narrator:** "Have you factored inflation into your retirement income plan? Even a relatively low rate of inflation can significantly diminish your spending power over time."

*A car with the number 30 written on the side appears. It drives off and a newer car with the number 54 written on the side appears. It then rises above the ground and flies off.* **Narrator:** "For example, today's \$30,000 car would have a price tag of over \$54,000 in 20 years, assuming a 3% annual rate of inflation."

*The words Cost Inflation appear.* **Narrator:** "Consider how inflation might impact the spending needs of Bill, a hypothetical retiree."

*A chart appears with a line plotting how a \$40,000 initial cost in year one would increase to \$45,000 by year five, \$60,000 by year 15, and \$94,000 by year 30, assuming a 3% annual inflation rate.* **Narrator:** "Bill expects to spend \$40,000 during his first year of retirement. Assuming a 3% annual inflation rate, he would need to spend more than \$45,000 in his fifth year of retirement to have the same purchasing power. In year 15, he would require more than \$60,000. And in his thirtieth year of retirement, he would require more than \$94,000."

*A second line appears on the chart showing how the \$40,000 initial cost in year one would increase to \$48,000 by year five, \$79,000 by year 15, and \$164,000 by year 30, assuming a 5% annual inflation rate.* **Narrator:** "Assuming a 5% inflation rate, Bill would need more than \$48,000 for his fifth year of retirement, more than \$79,000 for his fifteenth year, and more than \$164,000 for his thirtieth year."

*A timeline appears on the bottom of the screen starting at 1940 and moving forward to 2020. A line, representing the annual rate of inflation, is plotted above it. Inflation is represented by the CPI-All Urban Consumers index, not seasonally adjusted, as reported by the Bureau of Labor Statistics.* **Narrator:** "Although inflation has been moderate in recent years, overall prices have risen in the United States every year since 1955, ranging from a high of 13.3% in 1979 to just 0.1% in 2008."

*The image of a bee inside its nest appears, filling cells with nectar. Another bee appears, then the first bee continues to fill more cells.* **Narrator:** “To account for inflation, you may need to assume an annual increase in your retirement withdrawal rate and consider maintaining some growth-oriented investments in your portfolio. Be sure to speak with a financial professional about your retirement income strategy and how you can prepare for the potential effects of inflation.”

*The final screen appears, which reads, Example is for illustration purposes only and should not be construed as investment advice. Your results will vary.*

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