



## On Course | January 4, 2022 | Volume 22, #1

Welcome. We at Compass Planning continue to appreciate your support. Thank you.

It's been years since most of us had any concerns about rising inflation. Now inflation is affecting us all. This month, we're taking a closer look at how and where to save and invest.

If you missed our series on retirement, you can still access the issues. For Retirement, Part 1 - Retirement Savings, click [here](#). For Retirement, Part 2 - Social Security, click [here](#). For Retirement, Part 3 - The Retirement Paycheck, click [here](#).

If you would like assistance in planning to offset inflation, we are here to help you stay *On Course!*



Jennifer Lane, CFP

### Planning and Investing for Inflation

Inflation is affecting us all. Home buyers and families saving for college certainly saw the cost of those big goals grow at an alarming pace. For the most part, though, increases in the cost of day-to-day living seemed pretty tame. Until recently.

While homeowners may not be affected by home price inflation, the cost of home renovations (when you can find a contractor) have caused many to put their projects on hold.

If you're renting or searching for a home, you're probably not surprised to hear those rents have increased 10 percent nationwide and home purchase prices are up nearly 20 percent over last year.



If you're thinking about early retirement, realize that inflation will have longer to act on your expenses. Be sure your portfolio continues to hold stock investments even after you stop working. A mix of bonds and fixed-income investments that pay interest can reduce the volatility of your accounts. Many investment companies have tools and calculators to help you decide how much of each to hold.

**Get more tips in Jennifer's book**

So, how can you manage your financial plan and invest your portfolio to stay ahead of inflation?

Plan ahead!

### Savings

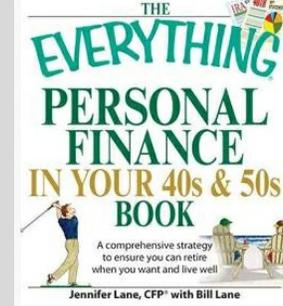
- Money market and savings accounts pay such low interest that after taxes and inflation, your money is shrinking in value.
- If your portfolio is small or you just like having savings tucked away separately from your portfolio, check out [www.bankrate.com](http://www.bankrate.com) for a list of higher paying money markets or CDs.
- If you have a good bead on your monthly expenses, you can more easily hold less emergency cash.
- If you're fortunate enough to have a portfolio invested in 30-40 percent or more fixed income, you can hold less emergency cash because you have liquidity to allow withdrawals for unexpected expenses.

### Investment diversification

- Your stock funds can be a big help against inflation. Now is a good time to check your portfolio asset allocation if you haven't rebalanced in the past 12 months. You may find that your portfolio is over weighted towards stocks. If that's the case, it's time to sell some stock funds and buy bond funds to rebalance.
- Bond funds can struggle a bit as the business cycle matures and inflation starts to loom. As interest rates start to go up (or threaten to increase) bonds can lose value. This isn't a reason to sell them, but it is a reason to look more closely at the funds you own.
- The duration of the bond fund is an important measure. Duration is a measure of the interest rate risk or inflation risk in your bond fund. The duration combines the fund's maturity and interest rate as one easy-to-use measure. You can find your bond fund's duration on its profile at [www.Morningstar.com](http://www.Morningstar.com). If we'd done an *Investment Recommendation* for you, your bond portfolio duration (the inflation risk of all your bond funds taken together) is listed in the *Recommendation* report. In inflationary times, we like to keep bond portfolios around 5-6 years in duration to limit inflation risk.

### TIPS and IBonds

- **TIPS** are Treasury Inflation Protected Securities. IBonds are Series I Savings Bonds. You can get both through [www.treasurydirect.gov](http://www.treasurydirect.gov).
- TIPS pay a fixed rate of interest. The principal value of the bond changes with inflation so that the money returned at maturity has kept up with inflation.
- TIPS are available through mutual funds, exchange-traded funds (ETFs), and individually. Their interest income and growth in principal is exempt from state and local taxes.
- **IBonds** have 2 interest rates
  - A fixed rate, currently at 0 percent.
  - A variable rate that changes every 6 months.
- Currently, the variable rate is an annualized 7.12 percent. So if you buy a bond between now and April 2022, you'll earn 3.56 percent over the first 6 months until the rate resets.
- You can purchase a limit of \$10,000 in IBonds per year per person, held electronically in a Treasury Direct account.
- You can purchase up to \$5,000 in paper IBonds using your federal tax refund.



Buy Now

Jennifer and Sarah were both named  
2021 Boston Five Star Wealth  
Managers.



### Helpful Websites

[BankRate.com](http://BankRate.com)

[IBonds](#)

[Morningstar](#)

[Treasury Inflation Protected Securities](#)

Below are links to Jennifer's frequent contributions to financial planning articles.

- NBC10 consumer investigative reporter Leslie Gaydos interviewed Jennifer for savings tips. For a great video, ***How to Save \$1,000 in 5 Months***, click [here](#). For the written article, click [here](#).
- Jennifer contributed to a timely article, ***How to seek forbearance on your mortgage***, for The Boston Globe. [Read article.](#)
- If you're interested in dividend funds, Jennifer contributed to **The New York Times** article, ***Dividend Funds Can Add Income, and Risk, to Your Portfolio***. [Read article.](#)
- Jennifer contributed to a **BankRate** article, ***Should I combine my mortgage and student loans?*** [Read article.](#)
- Need help with your 401(k) during the pandemic? Jennifer contributed to a **Boston Globe** article, ***Five tips for managing a 401(k) during the pandemic's turbulence***. [Read article.](#)
- Jennifer contributed to the **Bottom Line Inc** article ***Prepare your Finances for a Possible Recession***. [Read article.](#)
- Jennifer contributed to **The Wall Street Journal** article ***If Saving During a Pandemic Is Hard, Here's How to Stay Motivated***. [Read article.](#)
- The **New York Times** featured Jennifer in an article titled, ***Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful***. [Read article.](#)
- With a contrarian view, Jennifer contributed to an article, ***People are enraged by the idea that you should have twice your salary saved by the time you're 35!*** published recently by **Business Insider**. [Read article.](#)
- Moving in together? Check this article from **Business Insider**, ***Five questions you and your partner should answer before taking the biggest step in your relationship***. [Read article.](#)
- **Insider** asked Jennifer to contribute to an article on old fashioned ways to manage your money, ***Six money-saving tips your grandma used that are way more effective than any budgeting app***. [Read article.](#)
- Jennifer contributed to an article on **Business Insider**, ***This is the best way to do your taxes online - according to experts***. [Read article.](#)
- **CNN Money's Money Moves** featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. [Read article.](#)
- Jennifer contributed to a **CNN Money** article ***When is the Right Time to See a Financial Advisor?*** [Read article.](#)

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## Compass Planning News

- Compass Planning is a sponsor of YW Boston's 2021 two-part [Elevating Lives Series](#).
- Compass Planning continues to meet with clients as well as those interested in learning more about the firm via phone and web-based video conferencing. Email [info@compassplanning.com](mailto:info@compassplanning.com) to learn more.
- Compass Planning has become a supporter of [The Center for Financial Planning](#) at the sustainer level. The CFP Board created the center to achieve a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice.
- AdvisoryHQ named [Compass Planning](#) as one of the ten best Boston financial advisors. ([Disclosures](#))

*Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our fee-only, client-centered approach provides education and guidance for achieving financial goals and dreams.*

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