



## **High inflation may require re-evaluation of personal wealth strategy**

# **Consider these six tactics for preserving or growing wealth during an unpredictable economy**

Inflation has been running high for an extended period, frustrating shoppers and savers with higher prices for food, fuel, entertainment, and other necessities. Investors may also be concerned with how it's affecting their portfolio and ability to meet wealth goals.

Coming out of the pandemic, supply chain issues and consumer demand have driven inflation and prices skyward since 2021. It's the first period of more than 5% inflation since 1990. How can investors calm their nerves and protect wealth during uncertain times?

"It's important to think in the longer term," said Jeff Wolfanger, regional investment director for PNC's Northeast Region. "My advice is always to stay disciplined in your approach and remember that market forces eventually will balance out."

Wolfanger noted that there is no silver bullet to maintaining wealth during periods of high inflation, but there are strategies that investors can employ to lessen its effects, mitigate losses, and even grow wealth.

## **1. Lifestyle adjustments**

When inflation is high, the cost of goods, services, and utilities will rise. While it may not be possible to cut back on grocery, housing, or energy bills, periods of high inflation are an opportunity to evaluate discretionary lifestyle choices that can impact longer-term wealth.

Rising costs due to inflation pose a particular risk to retirees or others on a fixed income. An advisor can help evaluate what changes may be necessary to stretch savings or generate supplemental income in retirement.

"Inflation can be personal, and its impact is dependent on your life choices and priorities," Wolfanger said. "While there may be little you can do to limit pain at the supermarket, larger expenses like travel, home, and auto purchases or improvement projects can often be postponed for more favorable market conditions."

## **2. Investing in a balanced portfolio**

While the everyday cost of living rises due to inflation, if you do have available excess cash, tucking it into a balanced portfolio can be an effective way to create longer-term gains. The key to creating wealth in this way is to stay disciplined and balanced in your portfolio without expecting an immediate payoff.

"Chasing high return investments for a short-term gain, can be tempting, but that's a dangerous game," he said. "There's plenty of risk out there in the short term, but markets can often stay irrational longer than some investors can stay solvent, so a long-term focus is the top method for fighting inflation."

## **3. Consider Treasury-backed investments**

Among the safest investments during high inflation or a fickle market are U.S. Treasury-backed investments including savings bonds and T-bills. Treasury investments are guaranteed by the U.S. government and are available at varying investment levels and maturity periods. Despite their safety, investors should carefully consider what government securities best fit their needs. While some Treasury investments earn interest adjusted for inflation, other shorter-term Treasury bills can be inefficient earning vehicles when the rate of inflation outpaces the interest rate on the bill.

## **4. Borrow for something that will appreciate**

The primary reaction to rising inflation is for the Federal Reserve to raise interest rates. Borrowing money at higher interest seems like a counterintuitive way to grow wealth, but there can be benefits when you find an investment that will appreciate in value over time – particularly real estate. Periods of high inflation can be an effective time to re-evaluate your housing status and sell high-value property for immediate gain. If you have money to invest, it can also be a time to purchase an investment property with a future value that can outpace the rate of inflation when the market calms down.

"It can really feel like a roll of the dice to borrow in a period of rising rates, especially as we come out of an extended period of low rates," Wolfanger said. "It's important to remember that you're not necessarily looking for an immediate return, but something that will grow over time with the added benefit of enhancing your current quality of life."

## 5. Deposit liquid cash

While rising interest rates can pose a challenge for borrowing money, they provide opportunity for those who are able to deposit. A general rule of thumb is to have 3 – 6 months of emergency money on hand to cover your cost of living. Since the increase in interest rates, you can earn interest on your cash reserves, something that has not been possible in a while. When interest rates drop or the market stabilizes, that cash is available for an opportunistic investment or purchase.

## 6. Explore alternative investments

While balanced investing in a portfolio is a safer bet for hedging against inflation over a longer term, it's not likely to yield immediate results. If short-term gain is your goal and you have available resources to invest, alternative investments such as commodities or precious metals can yield solid returns. Rising prices for food, raw materials, or fuels offer the opportunity for substantial profits for investors but also carry substantial risk if you time the market incorrectly. Exploring commodity or metal trading through an exchange traded fund (ETF) can be a safer way of exploring the commodity trading market.

Inflation can be a threat to wealth, but it's also part of our normal economic cycle," Wolfanger said. "The key is to examine the needs and opportunities of your individual financial situation to determine the best way to weather the storm."

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