

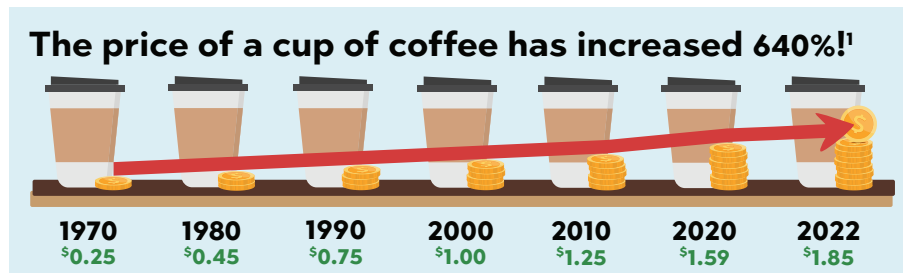
# SIMPLY PUT

## Keeping Pace with Inflation

You've seen it in the grocery stores, restaurants, car prices, health care, general labor, and really, it's everywhere you look. What is it? It's inflation, and nearly everything has been affected by it. **While inflation can wreak havoc on your current budget, it's one of the key reasons you should be saving for your future retirement throughout your working career.**

### Inflation Explained

Simply put, inflation is the increase in the price of goods and services over time and the decrease of purchasing power (how much your money can buy) over the same time period. The higher inflation is the more money you burn through to cover the increase in costs. Inflation is measured by the Consumer Price Index (CPI), which averages the prices of goods and services. CPI tends to increase over time, and those small bumps in price are generally tolerated or even go unnoticed by consumers. However, when there is a sudden spike in cost, like there was in 2021 and 2022, it becomes very apparent and even painful.



### Inflation & Your Savings

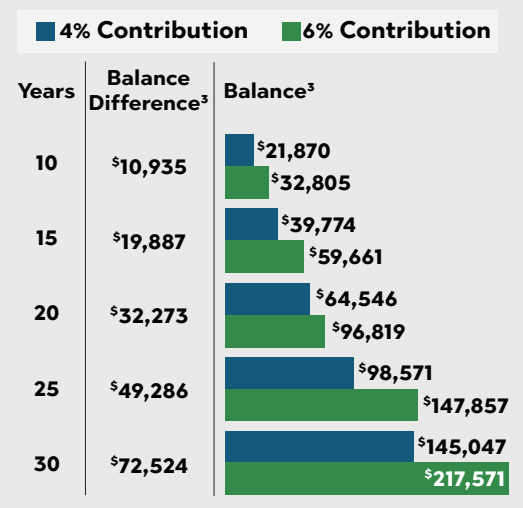
When you think about inflation and how it could affect your future, it's truly terrifying. If prices continue to inflate and you have not saved enough, you may not be able to cover the basics in retirement, like food, housing, transportation, and healthcare. **Overcoming or out-saving inflation is one of the biggest reasons you should be saving now and throughout the remaining years of your career.** Remember, it's much easier to sacrifice a few things now versus when you're in retirement and on a fixed income. Here are a few things you can do now to make sure you're saving enough to carry you through retirement.

#### Calculate your retirement income needs.

First, you need to determine how much money you need to save for retirement. Generally speaking, most people need 80%-100% of their

### So, you're getting a pay raise...

...and a whopping 8.7% at that!<sup>2</sup> That's great news, but **don't forget to save part of your raise!** People often neglect to save a portion of their raise and instantly start spending. That mindset can actually put you further behind the retirement savings game, add to the inflation problem, and hinder your future financial stability. Saving a portion of your raise can drastically change your savings balance in the future. **Here's how increasing your contributions by just 2% could affect your retirement savings balance.**



<sup>1</sup> <https://www.investopedia.com/terms/i/inflation.asp>. <sup>2</sup> Missouri House Bill 14 <sup>3</sup> Chart balances from the Grow Your Retirement Savings Calculator. Assumes a beginning savings balance of \$0, a starting salary of \$38,000, 6% annual return and 1.5% average annual salary increases while employed.



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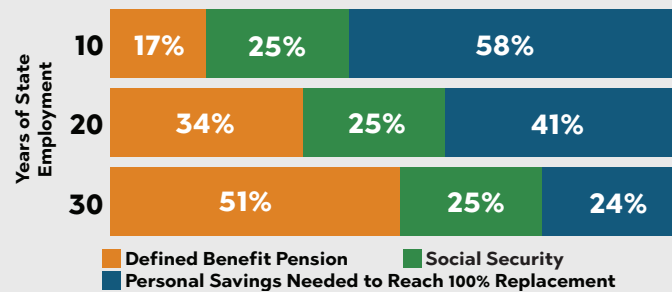
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# Keep your account safe by registering it NOW

Did you know one of the easiest ways hackers can access a person's account is by claiming an unregistered account? That's right! If you do not set up your account – with MO Deferred Comp or another entity – hackers can do so if they have access to your personal information. **Take 5 minutes to set up your User ID and password on [www.modeferredcomp.org](http://www.modeferredcomp.org) and help mitigate fraud attempts on your account.**

pre-retirement income each year in retirement. For example, if you make \$40,000 a year, you would need between \$32,000 and \$40,000 in retirement to cover your regular bills, unexpected expenses, medical costs, insurance and so on. Luckily, as an employee of the state of Missouri, you have a defined benefit pension from either MOSERS or MPERS and social security, which will cover a portion of your income in retirement. The difference will be made up from your personal savings, like the money you save with MO Deferred Comp.

## Retirement Income Examples From the Three Main Income Sources<sup>4</sup>



Remember, everyone's situation is different. Some people may need more income in retirement, while others may need less. **The best way to determine how much you need to save for retirement is by using deferred comp's RetirementTrack or Grow Your Retirement Savings Calculator.** You can also schedule a meeting with your local financial education professional to estimate your personal savings needs.

## Consider how you're saving

How you save money for retirement matters. For example, if you stick your money under a mattress for 20 years, you'll have the same amount of money when you pull it back out; however, you won't be able to purchase as much with those funds due to inflation. Now, if you invest your money in the market, you have the chance to earn a larger return on your investments and hopefully outpace or keep pace with inflation.

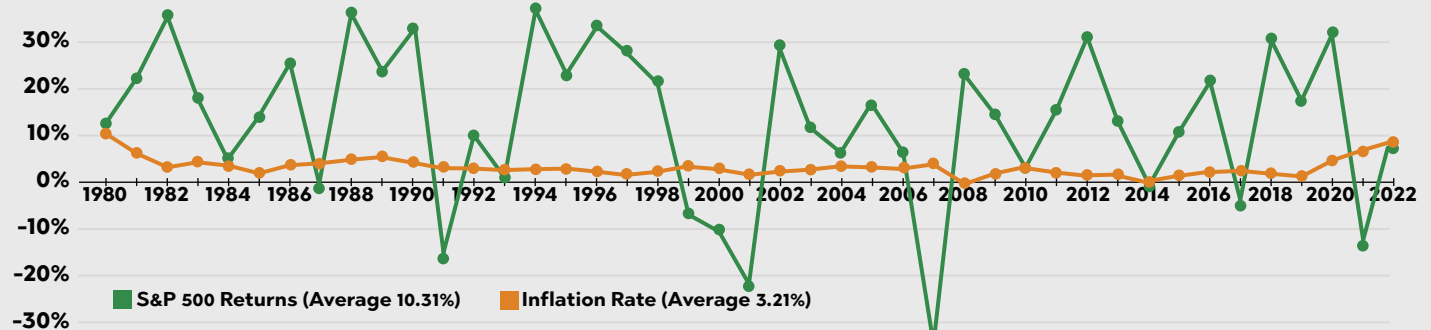
## Get in the habit of budgeting

Managing your money doesn't get any easier in retirement! In fact, it may get harder, as you are generally confined to a monthly fixed-income amount. Getting in the habit of budgeting your money may not only help you save more throughout your career but could also help you develop good habits for your retirement. You can find an example budget sheet on [www.mopocketchange.org](http://www.mopocketchange.org) or by utilizing free software, such as Mint or Acorn.

## Revisit your strategy and progress

Your investment strategy may change, or maybe you'll have the opportunity to increase your retirement savings contributions throughout your career (like when you get a pay raise). Either way, it's important to keep an eye on your investment strategy and make changes as needed. If you need help reviewing or creating your saving strategy, contact your local financial education professional.

## Inflation vs. S&P 500 Market Returns Over the Past 42 Years<sup>5</sup>



<sup>4</sup> Assumes normal retirement and a single life annuity from MOSERS or MPERS 2000 & 2011 defined benefit pension plans. The social security percentage is based on the average income replacement if taken at approximately age 62. Social security replacement income will vary based on when you choose to receive social security benefits (whether as early as age 62 or at your full social security retirement age) and social security's ability to pay 100% of scheduled benefits. For a more accurate calculation of expected benefits and income replacement from social security at a specific age, please visit [www.ssa.gov](http://www.ssa.gov) to view your social security statement. Current statement from the Social Security Administration; <sup>5</sup>Estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2035, the payroll taxes collected will be enough to pay only about 80 percent of scheduled benefits." Subject to change periodically. <sup>5</sup> US Inflation Calculator & Investopedia.