How Does Inflation Affect Me?

Are you saving for retirement? For your children's education? For any other long-term goal? If so, you'll want to know about a sometimes subtle, yet very real threat to your savings: inflation.

Inflation is the increase in the price of products over time. Inflation rates have fluctuated over the years. Sometimes inflation runs high, and other times it is hardly noticeable. The short-term changes aren't the real issue. The real issue is the effects of long-term inflation.

Over the long term, inflation erodes the purchasing power of your income and wealth. That means that even as you save and invest, your accumulated wealth buys less and less, just with the mere passage of time. And those who put off saving and investing will be even deeper in the hole.

What Can You Do About Inflation?

The effects of inflation can't be denied — yet there are ways to fight them.

Historically, one of the best ways has been to utilize growth-oriented alternatives. Stocks, stock mutual funds, variable annuities, and variable universal life insurance may be options to consider. These alternatives provide the potential for returns that exceed inflation over the long term.

Growth-oriented alternatives carry more risk than other types of investments. Over the long term, however, they may help you stave off the effects of inflation and realize your financial goals.

As you focus on growth, remember that prudent investing calls for diversification. Don't risk all your wealth in aggressive investments. Consider other alternatives to balance your portfolio, and choose all your investments with an eye toward your tolerance for investment risk.

The return and principal value of stocks and stock mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

There are contract limitations, fees, and charges associated with variable annuities, which can include mortality and expense risk charges, sales and surrender charges, administrative fees, and charges for optional benefits. Withdrawals reduce annuity contract benefits and values. Variable annuities are not guaranteed by the FDIC or any other government agency; they are not deposits of, nor are they guaranteed or endorsed by, any bank or savings association. Withdrawals of annuity earnings are taxed as ordinary income and may be subject to surrender charges plus a 10 percent federal income tax penalty if made prior to age 59½. Any guarantees are contingent on the claims-paying ability of the issuing company. The investment return and principal value of an investment option are not guaranteed. Because variable annuity subaccounts fluctuate with changes in market conditions, the principal may be worth more or less than the original amount invested when the annuity is surrendered.

The cash value of a variable universal life insurance policy is not guaranteed. The investment return and principal value of the variable subaccounts will fluctuate. Your cash value, and perhaps the death benefit, will be determined by the performance of the chosen subaccounts. Withdrawals may be subject to surrender charges and are taxable if you withdraw more than your basis in the policy. Policy loans or withdrawals will reduce the policy's cash value and death benefit , and may require additional premium payments to keep the policy in force.

Mutual funds, variable annuities, and variable universal life insurance are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

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