

MONEY MATTERS 2023: UL SYSTEM FINANCIAL WELLNESS SERIES

SESSION #15:

NAVIGATING THE IMPACTS OF INFLATION & TURBULENT ECONOMIC TIMES



AUGUST 2, 2023



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<http://business.louisiana.edu/financeispersonal>



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**B.I. Moody III College of
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OWNING YOUR FINANCIAL FUTURE

**ADULTS RETURNING TO
FINISH A DEGREE:
FINANCIAL & OTHER
CONCERNS**

JUNE 6, 2023

**FINANCIAL PLANNING
FOR GRADUATE STUDENTS**

JUNE 7, 2023

**FINANCIAL & TAX
PLANNING FOR
INTERNATIONAL
STUDENTS**

JUNE 8, 2023

**THE FINANCIAL ASPECTS
OF YOUR SIDE-
HUSTLE #1 – PLANNING,
STRATEGIES, LEGAL,
RESOURCES**

JUNE 20, 2023

**FAMILY FINANCIAL
PLANNING: MAKING
FINANCES WORK FOR THE
WHOLE FAMILY**

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INVESTING 101

AUGUST 1, 2023

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AUGUST 2, 2023



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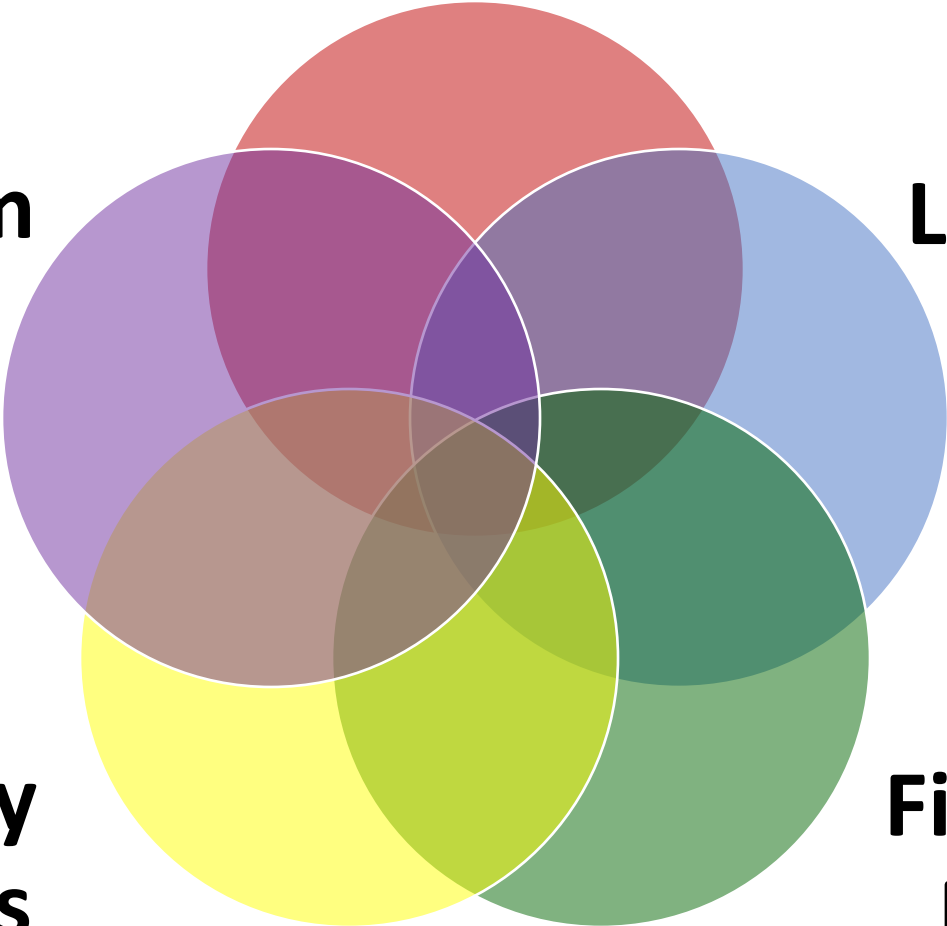
Happiness

**Short-Term
Goals**

**Long-Term
Goals**

**Family
Needs**

**Financial
Needs**



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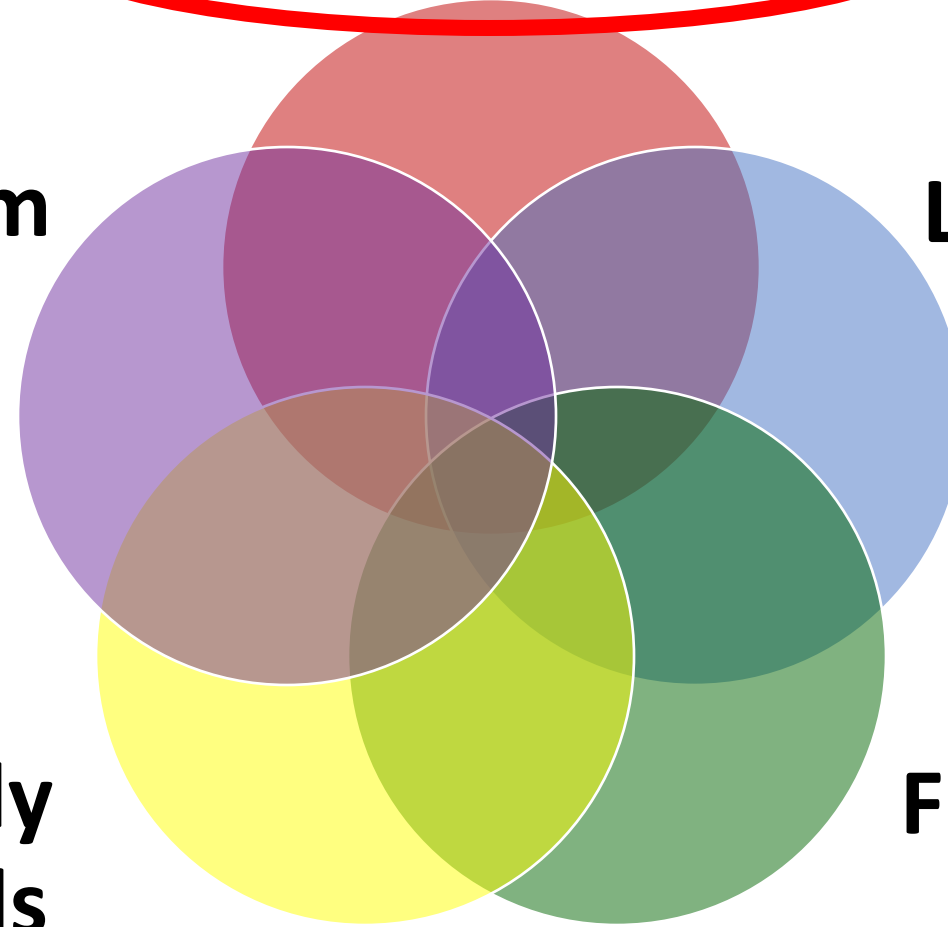
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A WORD OF CAUTION

***“Prediction is difficult...
...especially about the future.”***

–Niels Bohr



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–Niels Bohr

Today’s conversation includes a variety of predictions, opinions, perspectives & guesses.

**Please keep in mind that that is all that they are –
just one guy’s predictions, opinions, perspectives & guesses.
That guy is not Nostradamus. The future is very difficult to predict.**

**Even if these opinions and perspectives are reasonable, they could still be very wrong.
Please use any and all of these predictions with caution and your own forethought.**



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Please use any and all of these predictions with caution and your own forethought.

***“The market can stay irrational longer
than you can stay solvent.”***

–John Maynard Keynes



LET'S TALK ABOUT INFLATION

*Imagine that you are thinking about getting a new refrigerator, sometime in the next year.
The refrigerator you want costs \$1,000 today.*

You hear reports about inflation being really bad...say, 10%.

You fear that – if you wait a year – your \$1,000 refrigerator will cost you \$1,100.

So, you buy the \$1,000 refrigerator today to avoid a potentially higher cost in the future.

*Now, thanks to the laws of supply-and-demand, your purchase drives prices higher TODAY!
That is, the fear or expectation of future inflation creates current inflation. Our fear of inflation
actually makes realized inflation WORSE. This fear only corrects or moderates very slowly.*



BRIAN'S BRIEF EXPLANATION FOR WHY INFLATION & INTEREST RATES ARE SO DANG HIGH RIGHT NOW

COVID-19!



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BRIAN'S BRIEF EXPLANATION FOR WHY INFLATION & INTEREST RATES ARE SO DANG HIGH RIGHT NOW

- In order to get us through the extreme economic uncertainty of 2020, governments and central banks around the world increased the amount of money that was floating around.
 - The U.S. Federal Reserve increased its assets from \$4 trillion to \$7 trillion during Spring 2020. That's \$3 trillion of extra cash injected into the economy (kind of).
- But, the actual economies that are using that money have not increased much at all. So, the value of each dollar bill is less.
 - If you cut a pizza into 16 slices instead of just 8, the entire pizza still has the same total calories but you have to eat more slices to get full. That's inflation.



BRIAN'S BRIEF EXPLANATION FOR WHY INFLATION & INTEREST RATES ARE SO DANG HIGH RIGHT NOW

- In order to try to slow inflation, central banks have tried to:
 - (a) pull out some of the new cash that was in the economy, and,
 - (b) discourage spending...by raising interest rates.
 - I'm going to borrow more when rates are 3% than when they're 8%.
 - As we borrow less, we buy less, and prices should moderate and decrease (or at least stabilize).
 - They want to create a little bit of economic pain in order to avoid a whole lot of economic pain.
- The U.S. economy and the global economy are not speedboats. They are enormously massive cargo freighters that take a very long time to turn.
 - It took a while for inflation to become a problem following all the new 2020 money.
 - And, it will take / is taking a while for higher interest rates to bring down inflation.



Inflation Quiz – Question #1

Which of these 4 countries currently has the highest inflation rate?

United States

England

Germany

Mexico



Inflation Quiz – Question #1

Which of these 4 countries currently has the highest inflation rate?

United States

England

Germany

Mexico



Inflation Quiz – Question #2

Which of these 4 countries
currently has the LOWEST inflation rate?

United States

England

Germany

Mexico



Inflation Quiz – Question #2

Which of these 4 countries currently has the LOWEST inflation rate?

United States (3.0%)

England (7.9%)

Germany (6.2%)

Mexico (5.1%)



NOTE – The U.S.A. inflation rate is down 5-6% over the past year. The other 3 countries' inflation rates are down 2-4% over the past year.

BRIAN'S TOP 3 TIPS FOR NAVIGATING AN UNCERTAIN ECONOMY

- 1. Build your emergency fund.**
Have a dedicated savings account with the equivalent of 3-6 months of your non-discretionary expenses in it.
- 2. Take advantage of whatever interest rates are doing.**
When they are low, refinance your mortgage, consolidate outstanding loans or credit cards. When they are high, move savings into CDs and possibly the stock market. Be proactive with your money.
- 3. Always keep your eyes open for new job opportunities.**
Be proactive with your career planning. Look out for #1. Be able to diversify your income if possible. But remember risk & return usually work together... this is true for careers, just as it's true for investments.



Brian's Economic Predictions for 2023

- Inflation is decreasing...but it is still higher than most of us are used to. In June 2022, inflation was at 9.1%; it is now at 3.0%.
 - My best case estimate is for it to be at 3-4% in December. It will not be 8-9%.
- Interest rates are about as high as they will go, in general.
 - Some borrowers may see their rates drift a little higher. Most rates have peaked.
 - But...Interest rates are unlikely to fall very quickly. They will likely stay near where they are for the rest of this year (and well into 2024).
- Wages & income have not increased as much as inflation for most of us. They may increase somewhat from here, but probably slowly.
 - The exception is for income that is inflation-adjusted...like Social Security.



Brian's Economic Predictions for 2023

- The job market has been very strong for the past 2.5 years. I expect that to continue...even if the growth does slow from here.
- The stock market has gained 20% in 2023 – after losing 22% in 2022 (which was after gaining 25% in 2021).
 - I predict (with about 35% confidence) that we will gain another 5% thru December.
 - We may lose 5% thru December. I do not expect us to lose >10% this year.
- We are not in a recession. We have not been in a recession since 2020. We are probably not going to dip into a recession this year.



Brian's Economic Predictions for 2023

- The job market has been very strong for the past 2.5 years. I expect that to continue until it does slow from here.
- The stock market is down 22% in 2022 (which was after a 20% gain in 2021).
 - I predict (with about 30% confidence) a 5% thru December.
 - We may lose 5% to 10% if we lose >10% this year.
- We are not in a recession. We are in a recession since 2020. We are probably not going to experience a recession this year.



QUESTION I WAS ASKED LAST WEEK

I'm about to receive \$50,000 from a family member.

What should I do with it?



QUESTION I WAS ASKED LAST WEEK

*I'm about to receive \$50,000 from a family member.
What should I do with it?*

Personal Finance is PERSONAL. Investing is PERSONAL.

If you ever meet with a financial advisor, they will ask you 2 questions:

- 1. What are your goals?***
- 2. What is your risk tolerance?***



QUESTION I WAS ASKED LAST WEEK

I'm about to receive \$50,000 from a family member.

What should I do with it?

Let's assume you are 25 years old:

- 1. Pay bills, pay off bad debt.*
- 2. \$10,000 in cash / savings*
- 3. \$10,000 in a 6 or 12 month certificate of deposit, earning a certain 5% per year.*
- 4. \$10,000 to \$15,000 in the S&P 500 Index, a broad basket of 500 of the largest companies in the U.S. Average return over the past 100 years = 12.1%*
- 5. \$10,000 to \$15,000 in 5-10 companies / stocks that interest you. Don't stress or overanalyze. Don't sell within 1 year. Just pick, watch, and wait patiently.*



QUESTION I WAS ASKED LAST WEEK

I'm about to receive \$50,000 from a family member.

What should I do with it?

Let's assume you are 55 years old:

- 1. Pay bills, pay off bad debt.*
- 2. \$10,000 to \$15,000 in cash / savings*
- 3. \$20,000 in a 6, 12 or 18 month CD, earning a guaranteed 5% per year.*
- 4. \$10,000 in the S&P 500 Index, a broad basket of 500 of the largest companies in the U.S. Average return over the past 100 years = 12.1%*
- ~~*5. \$10,000 to \$15,000 in 5-10 companies / stocks that interest you. Don't stress or overanalyze. Just pick, watch, and wait very patiently.*~~



QUESTION I WAS ASKED LAST WEEK

*I'm about to receive \$50,000 from a family member.
What should I do with it?*

If you told me you wanted to take the entire \$50,000 – regardless of your age or situation – and do the following, I would say that's really smart & reasonable:

- 1. \$12,500 in a 6-month CD (certificate of deposit) earning 5%.*
- 2. \$12,500 in a 12-month CD (certificate of deposit) earning 5%.*
- 3. \$12,500 in a 18-month CD (certificate of deposit) earning 5%.*
- 4. \$12,500 in a 24-month CD (certificate of deposit) earning 5%.*



4 MORE TIPS FOR NAVIGATING AN UNCERTAIN ECONOMY

- 1. Ignore the media.**
- 2. Do your own research.**
- 3. Focus on your own experience.**
- 4. Control what you can control.**



Personal Finance is...personal.

It's about you and not about anyone else.

You have to make it about you and your goals.



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INDULGENCE is good.

IMPULSE is bad.

PLANNING AHEAD is the key.



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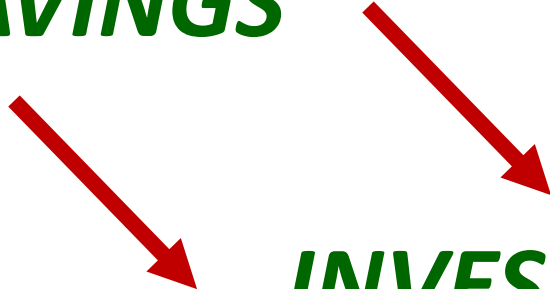
Because personal finance is personal, it is virtually impossible for me to give you any specific advice.

However, there is one word of advice that applies to 99% of people working on their finances:

SAVE



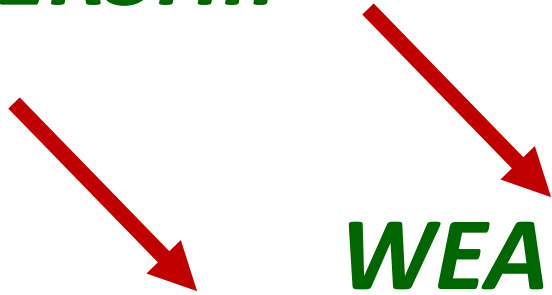
SAVINGS



INVESTING



OWNERSHIP



WEALTH



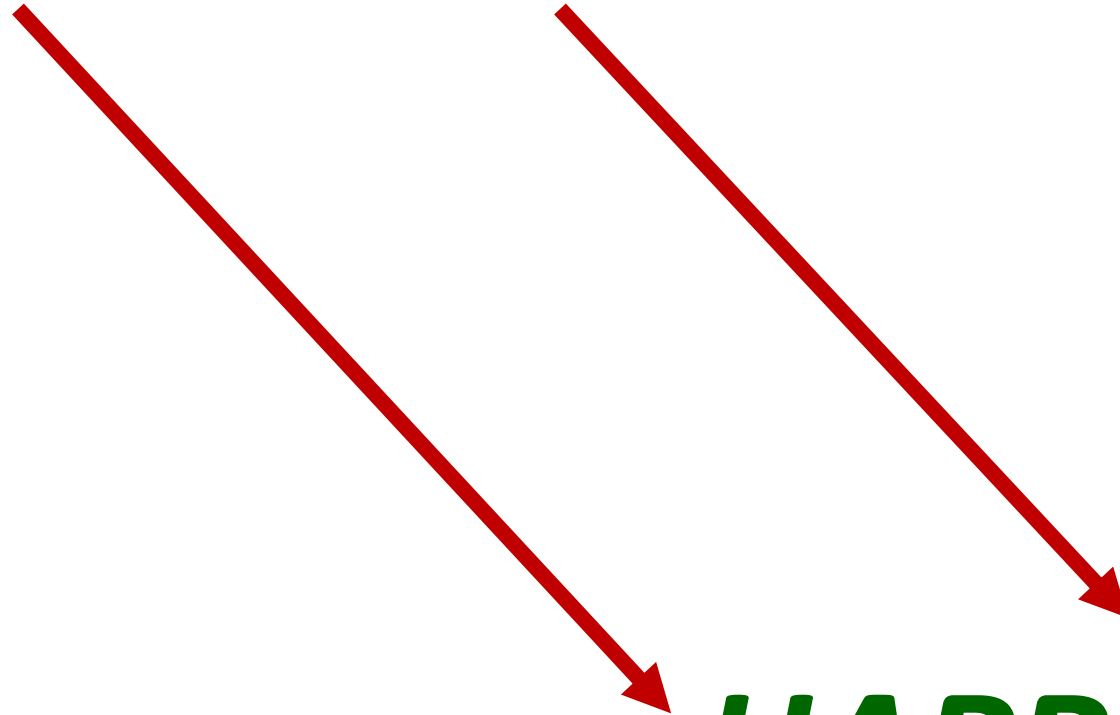
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SAVINGS



HAPPINESS



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What Are Your Values, Dreams & Goals?

Education

Career

Family

What Is Your Current Situation?

Education

Career

Family

Financial

Create a Personal Financial Plan for You:

Investing

Budgeting

Debt Management

Taxes

Insurance

Retirement

Education

Family

Business Planning

Philanthropy

Estate Planning



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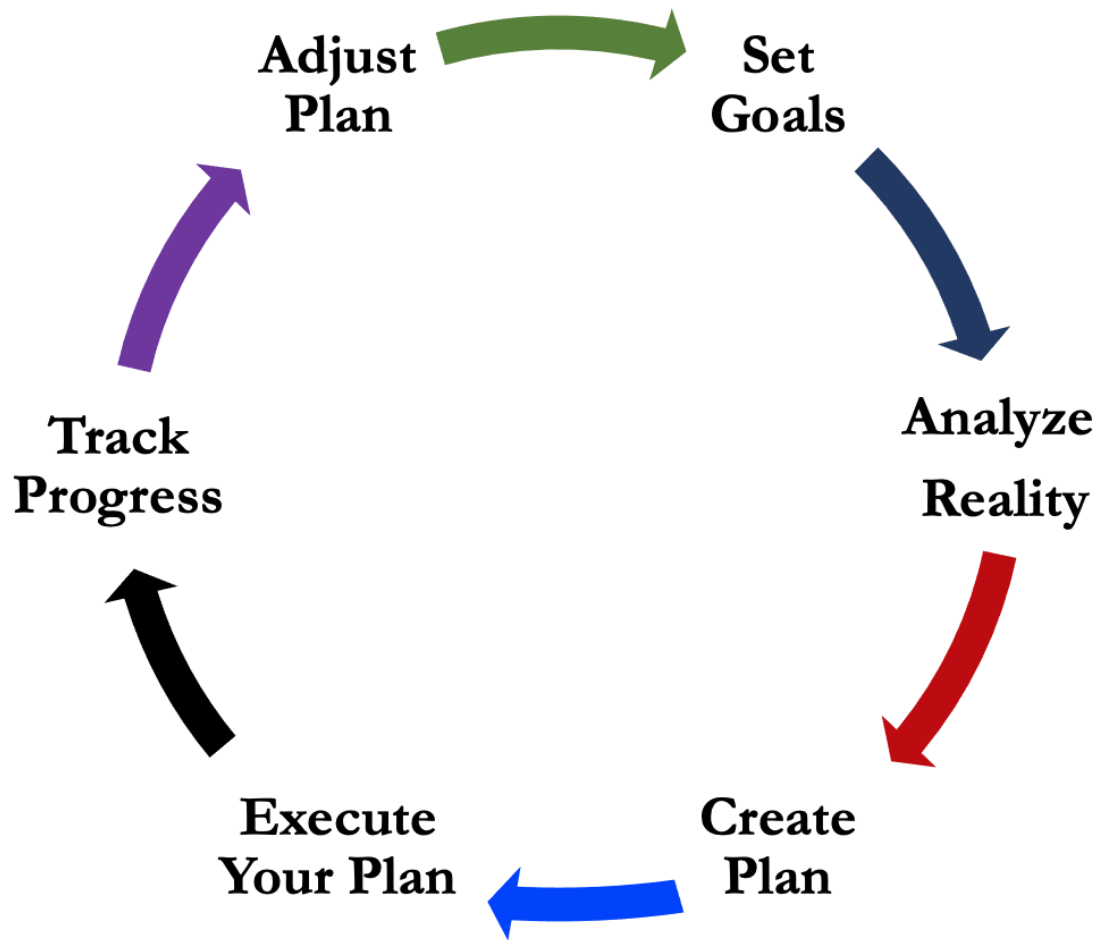
HAPPINESS

A FUN VACATION

A NEW CAR

SATURDAY NIGHT





1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses. and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

Financial Wellness

A goal without a plan is just a dream.

Wealth is largely the result of habit.

The most difficult thing is the decision to act; the rest is mere tenacity.

It takes as much energy to plan as it does to wish.

You cannot escape the responsibility of tomorrow by avoiding it today.



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A goal without a plan is just a dream.

Don't wait around for other people to be happy for you. Any happiness you get, You've got to make yourself.
~ Alice Walker, poet & novelist

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