# Hot Topic: Inflation

Over meaningful periods of time the prices of goods and services increase. This is the definition of inflation. Sure, we can always find academic instances where over the short-to-medium term this process is either halted, or in some cases, reversed. But in a real, practical sense these timeframes are short-lived as we complain about the cost of a loaf of bread or a caramel macchiato at Starbucks.

Here's where it gets interesting. We spend most of our working lives saving **for** retirement, but we forgot about the impact of rising costs **in** retirement. Many investors exchange quality dividend paying equities for presumably safe fixed income investments as they retire in order to preserve their capital. This is a big mistake. Why? Because of inflation. You need rising income streams in retirement not declining ones to combat the erosive power of inflation. This doesn't mean that cash and fixed income aren't important in a balanced financial plan. They most certainly are for numerous reasons. What it does mean is that in the 25-30 years of required income in retirement you will need some investments that are going to rise with the cost of living. If you blow out all of your equities when you retire, you are essentially fixing your fate. Read this last sentence very carefully. You are trading uncertainty for certainty and your future self will pay for this decision.

Ironically, inflation is very democratic. Young and old are both equally affected. So remember, for those of you who are approaching retirement, and for those of you in retirement, quality dividend paying equities are a source of rising income and should be considered as a component of any sound long-term plan.

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