KEMPER CAPITAL MANAGEMENT LLC

Advisor Views

A feature from **Kemper Capital Management LLC**. *Advisor Views* offers timely investment news and market updates designed to keep you informed, while enhancing your overall investment experience.

Staying Ahead of Inflation

If investing for retirement were a race, you'd want your portfolio's returns to cross the finish line ahead of inflation. Over time, inflation will increase the prices of the items you buy. Not staying ahead of inflation will reduce the purchasing power of your retirement savings.

Falling Behind

Inflation's impact is generally slow and steady. Prices of certain consumer goods and services may increase by only a few cents or a few dollars each year. But over many years, those little increases can really add up. Even a relatively low rate of inflation during your working years can significantly reduce how far your money will go once you retire. That's because as prices go up, the money you've saved for retirement will buy less. If your savings fall behind inflation, it could have an impact on your standard of living during retirement.

Looking Ahead

Since inflation will increase the amount of money you'll need to maintain your standard of living, you should take it into account when you're figuring out your retirement income needs.

For example, let's assume you have 30 years before you plan to retire and that you'll receive cost-of-living raises each year. If your current salary is $50,000 and inflation is 4% a year, your salary would be $162,170 in 30 years. If you anticipate needing 80% of your preretirement income to live on when you're retired, you would need nearly $130,000 for just your first year of retirement.

Inflation during retirement will continue to increase the amount of income you'll need each year. If inflation averages the same 4%, you'd need about $285,000 of income after 20 years of retirement to maintain the same standard of living.

Picking Up the Pace

One strategy you can use in an effort to beat inflation is to increase the amount you're saving for retirement each pay period. Another strategy to help your savings stay ahead of inflation is to invest a larger portion of your money in assets that have the potential to earn inflation-beating returns. Of the three major asset classes — stocks, bonds, and cash equivalent investments — stocks* have the greatest potential based on historical performance to grow significantly faster than the inflation rate.

If your retirement investments stay ahead of inflation, you'll be better prepared to meet your retirement income needs and handle future increases in the cost of living.

**Stock investing involves a high degree of risk. Stock prices fluctuate and investors may lose money.*

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