

How Does INFLATION affect you?

Today, a large soft drink at your favorite fast-food place costs \$1.00. You buy the soft drink but also decide to save some money for the future as well. So you put a dollar in your savings account, where it earns 5%.



One year later, the dollar in your saving account is worth \$1.05. You take the money out and visit your favorite convenience store, hoping to buy another delicious beverage. Unfortunately, drinks now cost \$1.10.



The point? Inflation can work against your money. You need to learn to invest wisely, follow the rate of inflation, and make sure your investment rates are higher than those of inflation.

Source: NEFE Student Guide Page 53