

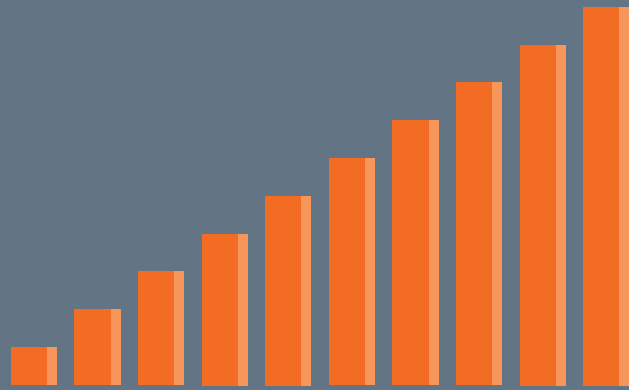
Understanding **INFLATION**

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What's *inflation?*

Simply put, inflation refers to the rate of change or increase in the average prices of goods and services typically purchased by consumers. When the price level rises, every dollar you have buys a smaller percentage of a good or a service.

**The effects of inflation
really add up over time!**

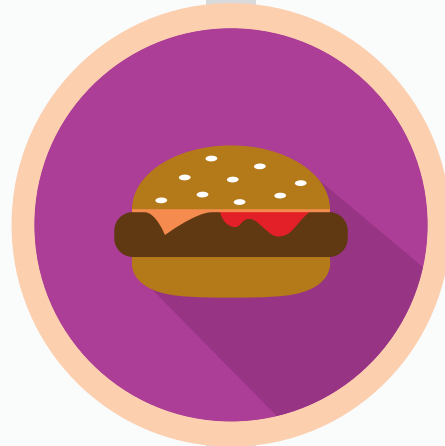
COMPARING PRICES THEN AND NOW

1950s

TODAY

FAST-FOOD HAMBURGER

18¢



\$2.56

COMPARING PRICES THEN AND NOW

1950s

TODAY

MOVIE TICKET

65¢



\$9.25

COMPARING PRICES THEN AND NOW

1950s

TODAY

OUNCE OF GOLD

\$40.²⁵



\$1,664

**It seems like a dramatic difference
when you compare prices from the
1950s with today, but in reality,
inflation changes quite slowly**

UNDERSTANDING THE CONSUMER PRICE INDEX



- To gain a better understanding of inflation, it's important to understand the consumer price index (CPI)
- The index tracks the percentage change in the prices of a basket of thousands of goods and services

UNDERSTANDING THE CONSUMER PRICE INDEX

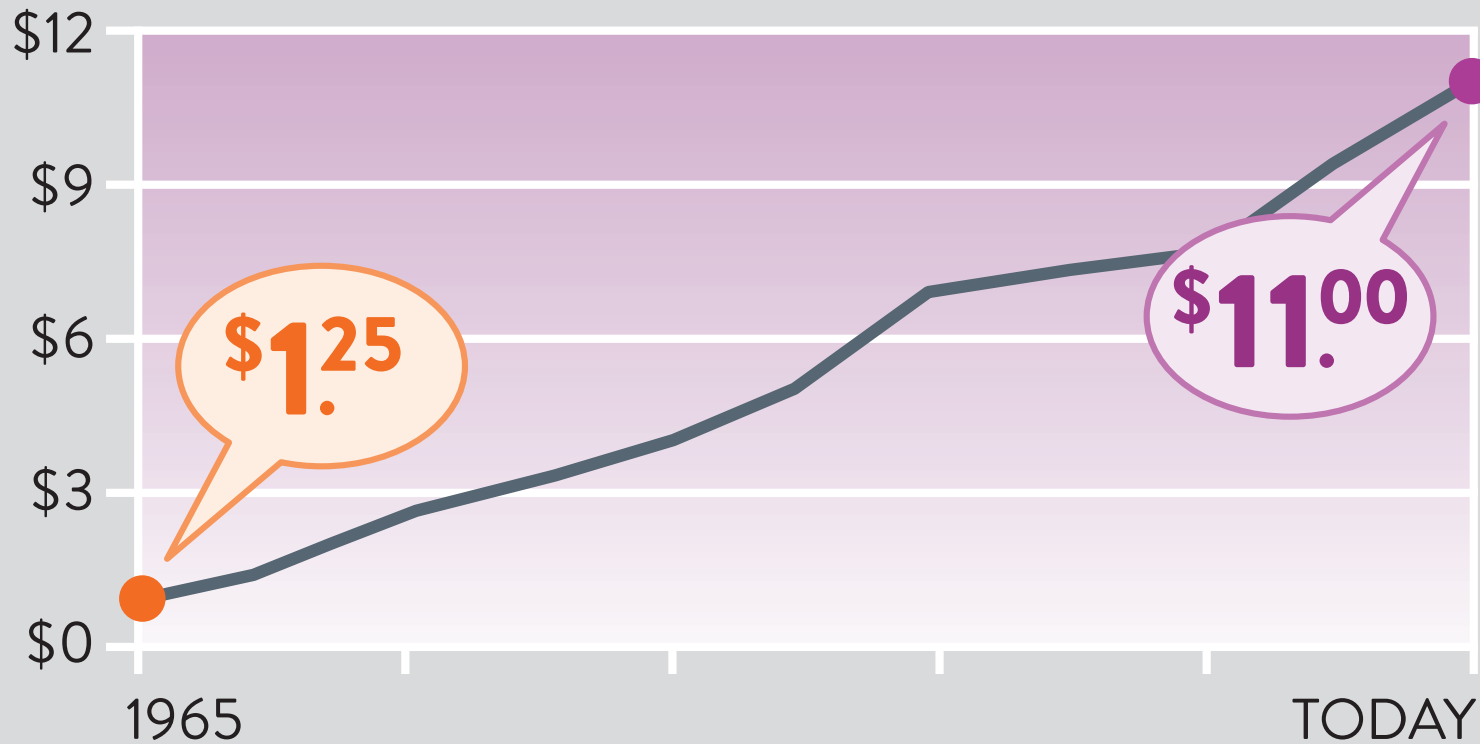


- It is computed each month by Statistics Canada and is used to track the progress of inflation in Canada
- Depending on the year, the CPI can vary from less than 1% to over 3%

**While the costs of goods and services
rise over time, so does income**

INFLATION AFFECTS MORE THAN PRICES

For example, here's how the minimum wage has risen over the years



Now that you see how the prices of goods and services rise, as well as how incomes rise, let's dig a little deeper

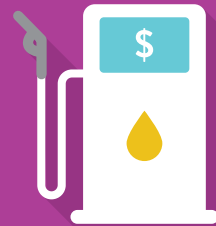
COMPARING PRICES THEN AND NOW

1950s

TODAY

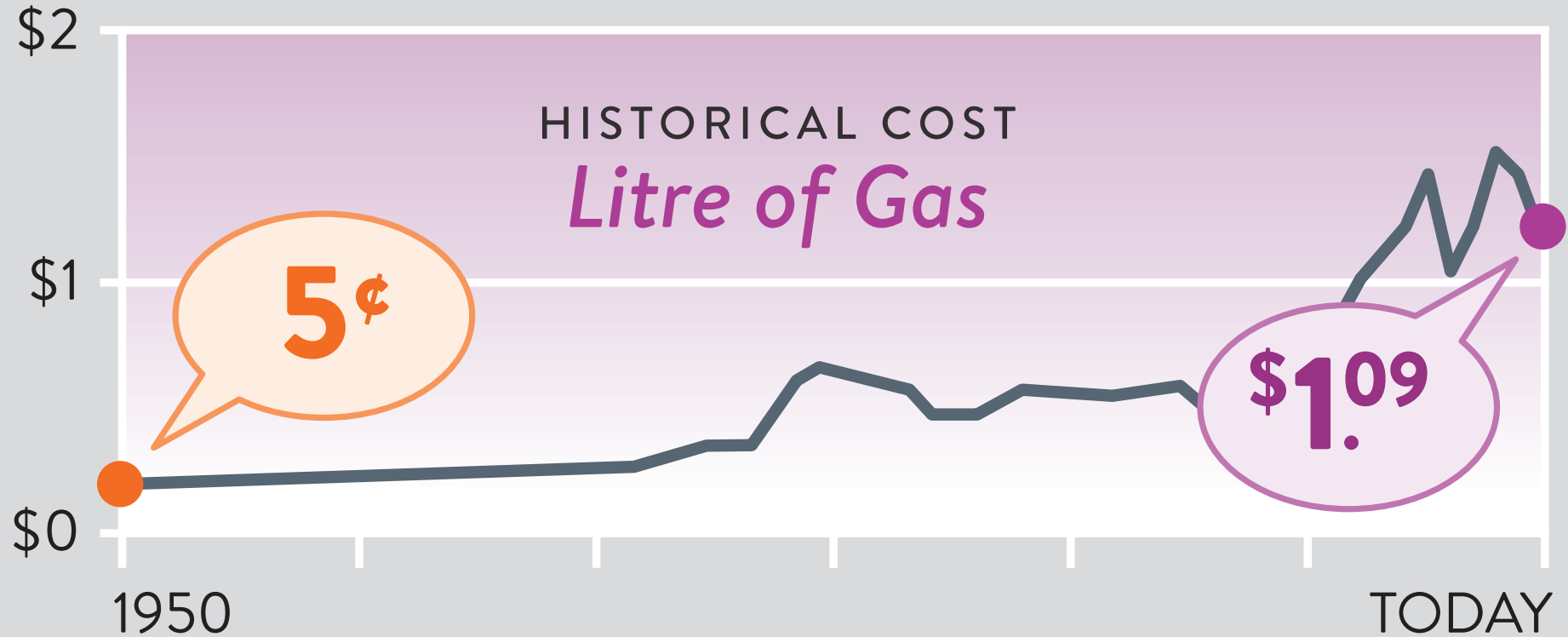
LITRE OF GAS

5¢

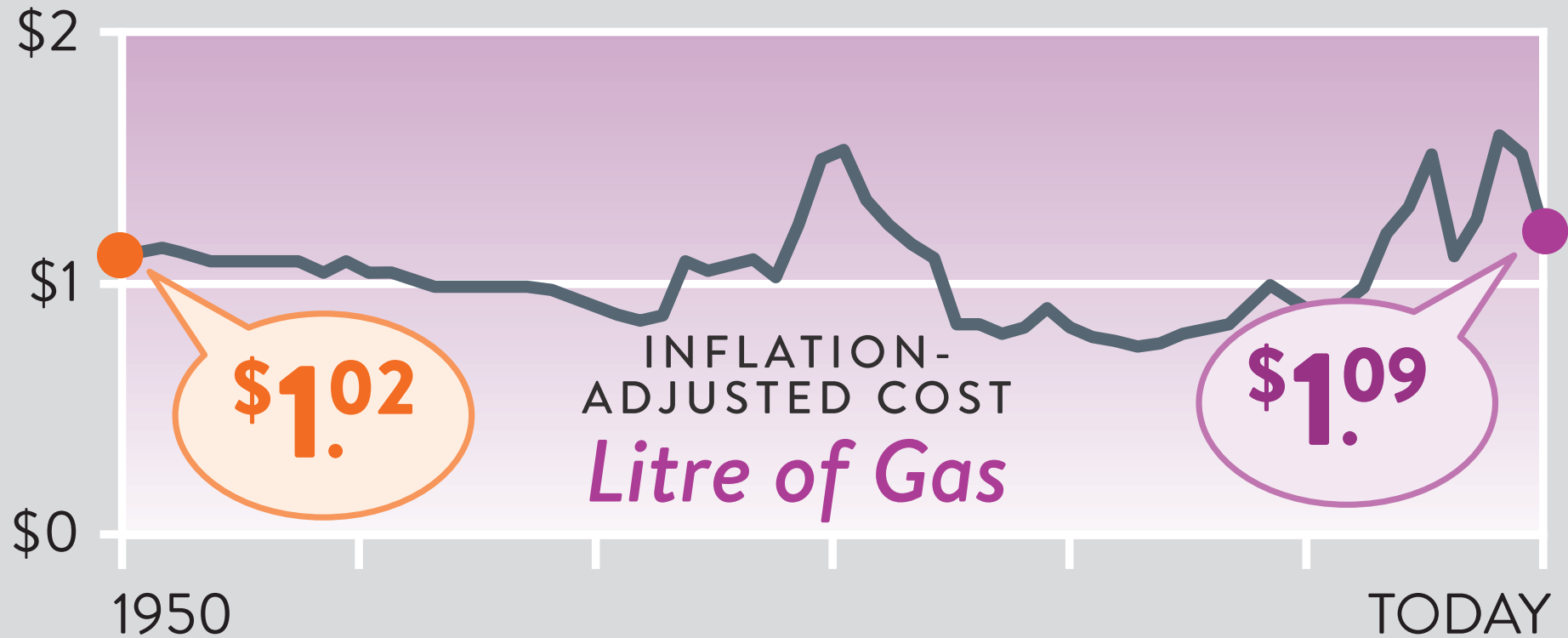


\$1.09

It looks like gas prices have gone through the roof!



However, when you adjust for inflation, you can see that a litre of gasoline today costs about what it did in 1950



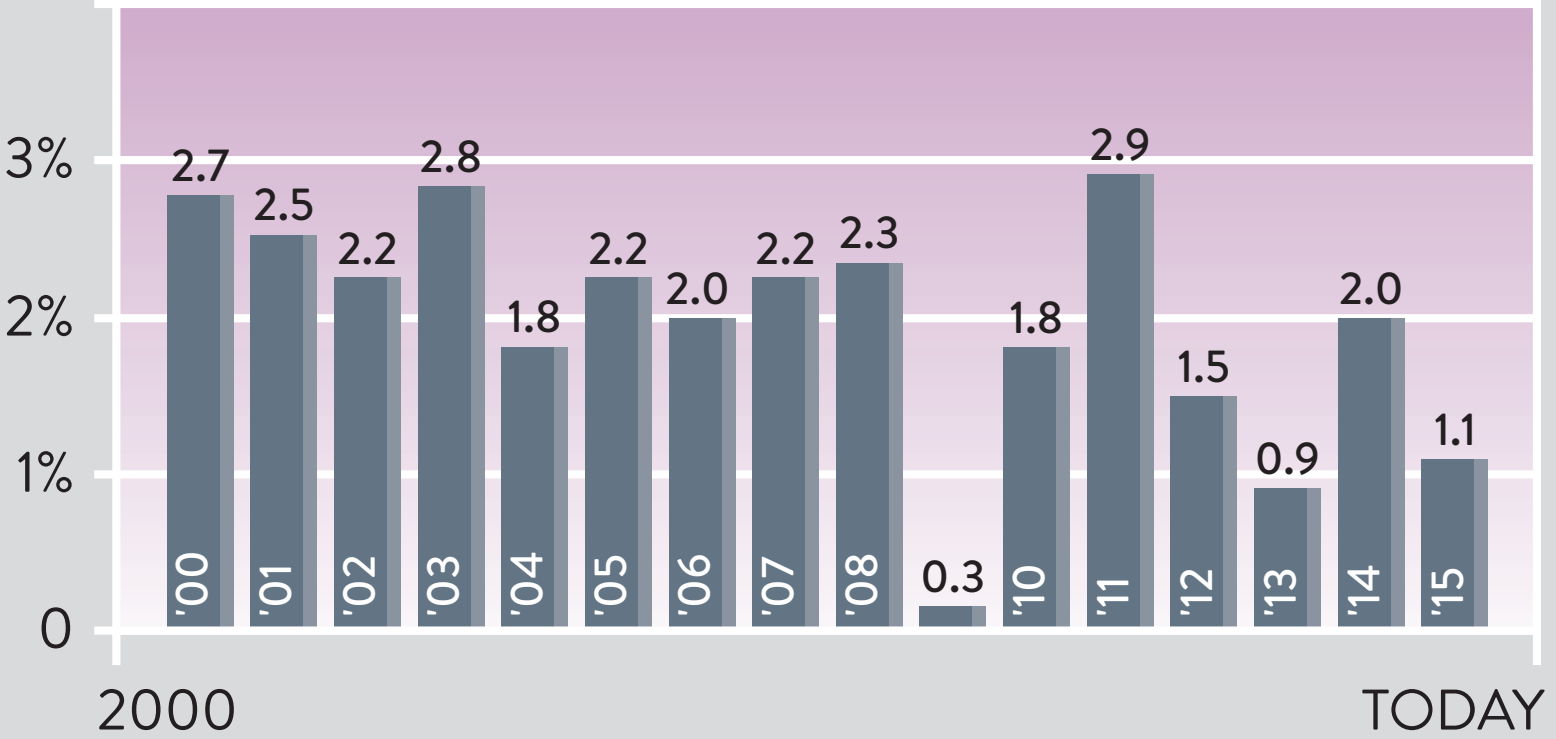
Things you can do to keep up with
inflation

YOUR INCOME SHOULD KEEP UP WITH INFLATION



- It's a smart idea to check on the CPI rate at least once a year
- The CPI rate is a good indicator of the total cost-of-living increase that you can expect in the current year
- Whether you have an hourly or salaried job or you are self-employed, to keep pace with inflation, you should strive to increase your income by at least the annual CPI rate

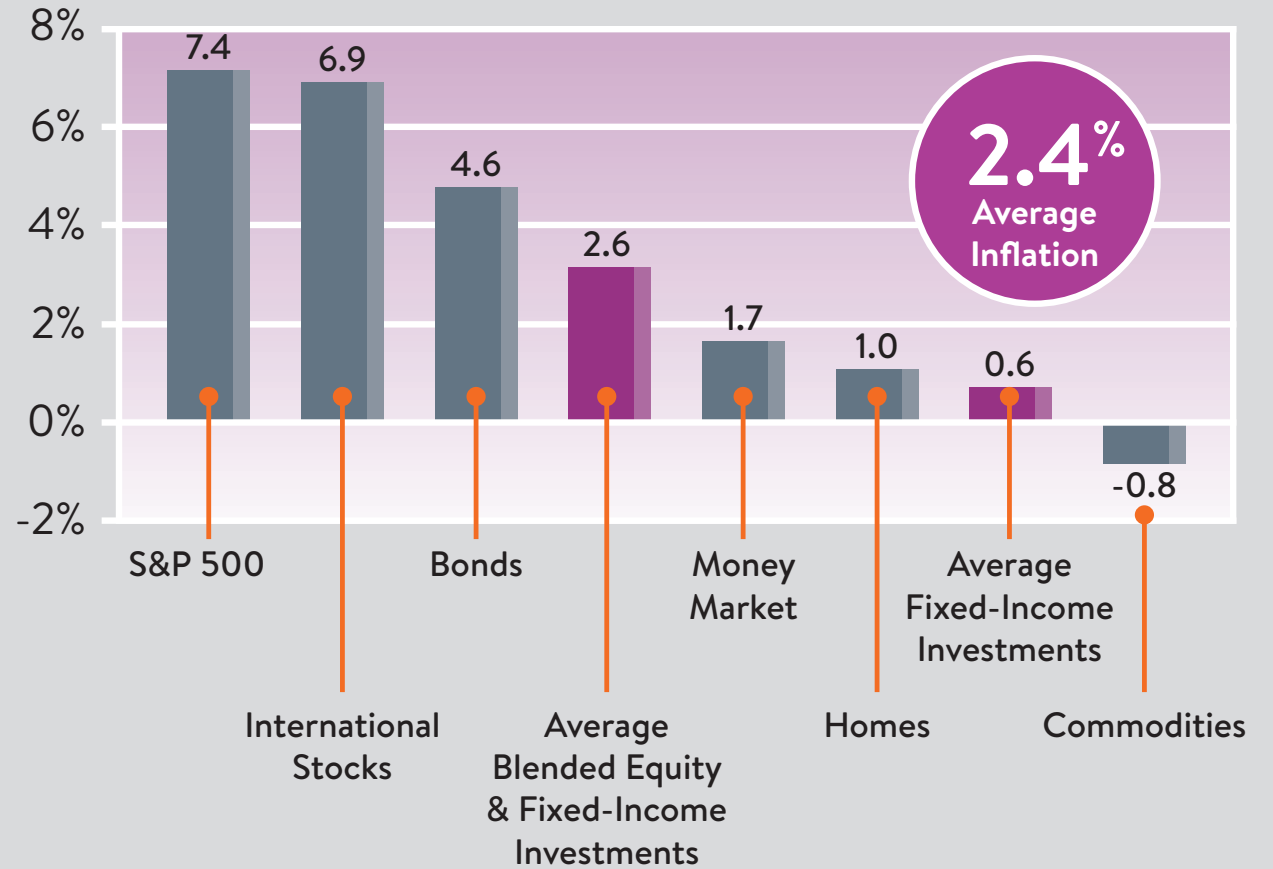
CANADA
Consumer Price Index



STRIVE FOR YOUR SAVINGS TO KEEP UP AS WELL

Investing can help you counteract the negative effects of inflation—again, strive for your rate of return to be greater than the inflation rate

10-YEAR (2004-2013)
Annualized Returns



As you can see, this is easier said than done—good luck and be careful with investing your hard-earned money!

ABSOLUTELY NO GUARANTEES

All investments made in stocks, bonds and mutual funds carry the risk of losing some or all of your money, even when made through a financial advisor or financial institution



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Sources: Bank of Canada, *Forbes*, Statistics Canada

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