



At a glance

You run the risk of outliving your savings if you don't consider inflation in your retirement strategy.

At an inflation rate of 4% a year, you may need more than triple your current income to maintain your current standard of living in 30 years.

Inflation becomes even more problematic when you're on a fixed income.

Carefully consider how you can deflate the effect of inflation.

Inflation Nibbling at your nest egg

We all know inflation diminishes your purchasing power – just think back to the days of the eight-cent stamp and 29-cent gallon of gasoline. But insidious inflation also decreases your savings power, and the longer you're retired, the more inflation could eat away at your savings. If you haven't taken inflation into consideration in your retirement strategy, you run the risk of outliving your savings.

Unpredictable inflation rates

The inflation rate measures the increase in prices of goods and services and the resulting decrease in purchasing power over time. Inflation is triggered by an increase in the available amount of money and credit in relationship to the supply of available goods and services. In other words, too much money chases too few goods and services.

Although recent inflation rates have been relatively low, double-digit inflation plagued our pocketbooks as recently as the early 1980s. Bottom line is that inflation rates are unpredictable. As you can see from the chart below, inflation rates fluctuated greatly during most of the 20th century.

Average Annual Inflation Rates by Decade

1913 ¹ -1919	8.70%	1960-1969	2.36%
1920-1929	0.08	1970-1979	7.09
1930-1939	-1.94	1980-1989	5.55
1940-1949	5.63	1990-1999	3.00
1950-1959	2.05	2000-2009	2.57

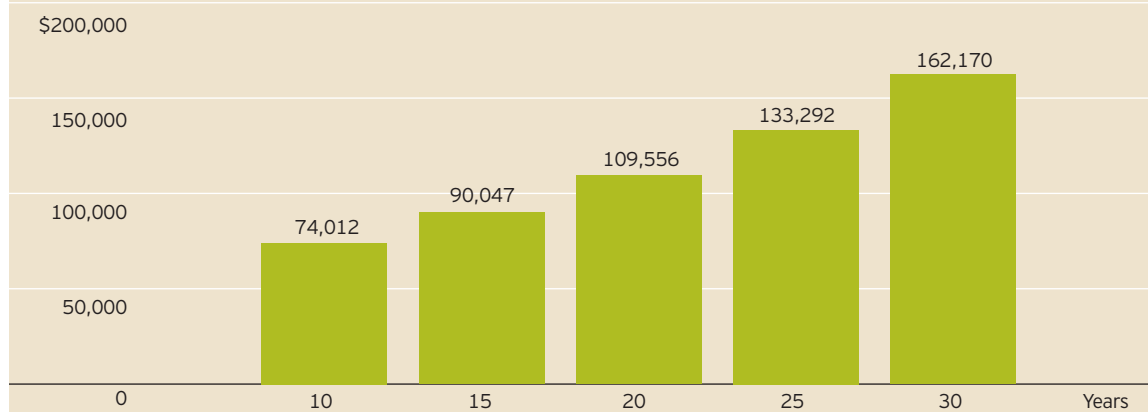
Sources: Invesco, U.S. Bureau of Labor Statistics
1 Earliest data available

Inflation versus retirement income

During a long retirement, inflation may erode your savings dramatically. At an inflation rate of just 4% a year, you may need more than triple your current income to maintain your present standard of living in 30 years.

How 4% Inflation Affects Your Retirement Savings

This chart illustrates a hypothetical example of how much you may need to equal the purchasing power of \$50,000 today, assuming 4% inflation.¹ In 30 years, your annual income would need to be \$162,170 to maintain the purchasing power that \$50,000 gives you today.



Sources: Invesco, Morningstar Inc.

¹ The hypothetical estimate of a 4% inflation rate is for illustrative purposes only. Inflation averaged 3.71% over the 30 years ended Dec. 31, 2009.

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Saving your savings

As people live longer, they need their retirement savings to last longer. But inflation becomes even more problematic when you're on a fixed income.

How can you deflate the effect of inflation over time? Work with your financial adviser to prepare carefully for inflation protection, using guidelines such as:

- Estimate how inflation will affect your retirement. Choose the inflation factor that fits the level of risk you are ready to assume in a worst-case scenario – an inflation rate of 5% or more would be a conservative approach, while 3% to 4% is probably a closer estimate of the average yearly inflation rate.
- Plan for diversified sources of income because some sectors of the economy may do better than others.
- Put some of your savings into investments that have historically outpaced inflation.
- Invest in a mix of stocks and bonds appropriate for your risk level to help offset inflation.

Talk to your financial adviser

One of the best ways to help you reach your goal is to partner with a strong team: a financial adviser who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies. Talk to your financial adviser about how an investment plan and Invesco Aim can help you pursue your financial goals.

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Consider the investment objectives, risks and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial adviser and read it carefully before investing.

Note: Not all products, materials or services available at all firms. Advisers, please contact your home office. Inflation is represented by the Consumer Price Index (CPI), which is a measure of change in consumer prices as determined by the U.S. Bureau of Labor Statistics.

Diversification does not guarantee a profit or eliminate the risk of loss.