With High Inflation Here to Stay, Here's How to Inflation-Proof Your Finances

Description

This September marked the sixth consecutive month that Canada saw inflation rates rise above 3%. And while some politicians and banks are still throwing around the phrase "transitory inflation," many others are finally accepting the dreaded truth: inflation rates aren't going away anytime soon.

At least, not for this year. And probably not the next. In fact, many experts are now predicting inflation will level out to pre-pandemic levels sometime in 2023.

For Canadians who are feeling cash-strapped, that's grim news. But there's still some hope — with a few tricks up your sleeve, you can inflation-proof your finances. Here are just three simple ways to fight inflation.

1. Get a rewards or cash-back credit card

Perhaps the easiest way to combat inflation is earn money while you spend. With some of Canada's top cash-back or rewards credit cards, you could earn 3-5% back on some of your everyday purchases. That's enough to keep pace with inflation, plus keep some for yourself.

Of course, to get the most rewards, you'll want to use the right credit cards. If you're at the grocery store, for instance, you'll want to use a credit card that earns you the most points for grocery purchases. The same goes for gas stations, restaurants, and, yes, even subscriptions.

Don't count out credit cards with annual fees either. Though, sure, it can feel counterintuitive to pay money to use a credit card, often the rewards you earn will far outweigh the fees.

2. Go vegetarian

Inflation has hit grocery expenses particularly hard. But the grocery aisles that have seen the highest price hikes are undoubtedly meat such as pork and poultry.

According to Statistics Canada, sirloin steaks are 12% more expensive than last year, wieners are 13% higher, and bacon is 14% more costly. The price of meat is so high, in fact, that nearly half of Canadians have reduced how much meat they eat or stopped buying it altogether.

But cows and pigs aren't the only animal that's short of supply right now. So are chickens. The price of chickens has gone up by 10% year over year, making even chicken broth somewhat more expensive.

The only item in the grocery that hasn't gone up is vegetables. Yes, vegetables have actually gotten cheaper by 3.2% year over year.

So, if you're looking to reduce your grocery bill, perhaps it's time to go vegetarian, at least until meat prices are back at normal levels.

3. Get out of high-interest debt

It's no secret that credit card and personal loans have some of the highest APRs out there. With interest rates around 19.99-30% on most credit cards, and much higher for loans, you could easily find yourself squandering your paycheque on little more than credit card interest.

To brace your finances against inflation, consider throwing as much money at your debt as you possibly can. That might mean cutting your expenses, especially those that are highly impacted by inflation. But for those don't have anything to cut, you could try another solution: a balance-transfer credit card.

With a balance-transfer credit card, you take high-interest debt from one card (or several) and throw it on a card with a low-promotional APR. The low APR doesn't last forever, so you'll want to be strategic with how much you pay off. But if you pay most or all of your credit card debt before the promotional period ends, you'll save a ton in interest — enough to help you balance out inflation.

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