High Inflation Has Officially Arrived: Here Are 4 Ways to Overcome it

Description

According to the Bank of Canada (BoC), the average inflation rate (as measured by the consumer price index, or CPI) for 2021 hit a whopping 4% for goods and 2% for services. This isn't good for the average consumer. Essentially, everything costs more, and your dollar gets you less compared to the previous year.

Previously, I wrote about how you could keep your investment portfolio safe from inflation. Today, I'm going to give you some quick tips more on the personal finance side, particularly when it comes to your earnings and expenses.

Get a raise

The easiest way to ensure your earnings outpace inflation is to get a raise. Increasing the top line will keep your purchasing power more intact than cutting costs. Most employers give a 2-4% raise automatically. You need to make a compelling case to your boss on why your achievements and responsibilities merit more. I would recommend a target of 5% or higher to at least break even.

Get a new job

The job market is currently very favourable for job seekers. The "Great Resignation" has resulted in employees being able to get concessions that would have been refused before, including remote work arrangements, sign-on bonuses, and higher salaries. If you're able to job hop, you can often expect a salary increase of 15% or more!

Cut down on expenses

On the back end, you can drill down on some recurring expenses to reduce your spending during inflationary conditions. Things like streaming services, cable bills, cell phone plans, and gym memberships may offer better rates if you shop around for promotional deals or retention discounts if you threaten to cancel altogether!

Lock in interest rates

Interest rates on loans and mortgages are still currently low, as the BoC has committed to maintaining its 0.25% overnight policy rate for the time being. If you anticipate needing a loan in the near future, whether for a car or mortgage, it might be worth locking in a low fixed rate now. Then, as inflation ramps up, you can pay it off with cheaper dollars in the future.

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