

Understanding and Protecting Your Purchasing Power

Imagine walking into your local grocery store with a \$20 bill. Last year, that might have bought you a gallon of milk, a dozen eggs, and a loaf of bread with change to spare. Today, those same items could cost noticeably different amounts and \$20 may not cover as much. This everyday experience demonstrates the concept of purchasing power—how much your money can actually buy. Understanding this concept helps you make smarter financial decisions and grow the value of your funds over time.

What Shapes Your Money's Value?

Your purchasing power changes as the economy changes, influenced by various economic factors. Inflation and purchasing power are inversely related—when prices rise, the amount of goods and services you can purchase with the same amount of money decreases. And, conversely, when prices decrease, you can buy more.

Think about buying a car. The same \$30,000 that bought a well-equipped sedan five years ago might only buy a basic model today. Or consider housing—monthly rent that was \$1,500 a few years ago might now be \$2,000 for the same apartment.

Understanding purchasing power isn't just about watching prices go up and down, however. It's about learning how economic changes affect both your spending and saving strategies. This helps you make smarter decisions to protect your money's value in the years to come.

Making Your Savings Work for You

One way to counter inflation and preserve purchasing power is

through smart savings choices. Traditional savings accounts offer accessibility, but interest rates can vary widely. High-yield savings accounts, for example, often provide significantly better returns than standard accounts, while government securities, such as Treasury bills or savings bonds, offer other secure savings options.

For instance:

- If you had \$10,000 in a regular savings account earning just 0.1% annually, after five years, you'd earn around \$50 in interest.
- By contrast, in a high-yield savings account earning 4% annually, you'd earn about \$2,166 in total interest over the same period.

A financial advisor can help you explore savings options that best fit your goals, making it easier to protect your purchasing power over time.

Planning for a Comfortable Retirement

When planning for retirement, understanding purchasing power becomes especially important. A lifestyle that costs \$50,000 per year today will likely cost a different amount in the future. Similarly, what you can buy with a \$1 million retirement fund today will not equal what you can buy with the same amount 25 years from now.

Your spending patterns in retirement usually shift over time:

- **Early Retirement:** Often marked by discretionary spending on travel and hobbies.
- **Mid-Retirement:** A time when housing needs may shift, perhaps toward downsizing.
- **Late Retirement:** Typically, expenses for health care and support services increase.

Over a retirement that might last decades, changes in purchasing power could mean that what seems like ample savings now might cover far less in the future. A financial advisor can help you create a retirement strategy that aims to keep pace with rising costs, especially for essentials like health care.

Career Development and Income Potential

Career growth is another way to help protect your purchasing power. For instance, if you start with a \$50,000 annual salary, adding certifications or new skills could boost that to \$75,000 or more—helping your income keep up with rising costs. Continuing education, professional certifications, and skill development allow you to stay competitive and command higher earnings. Side income from consulting or freelance work can also diversify and strengthen your income.

Building Long-Term Financial Security

Protecting your purchasing power isn't about predicting economic trends; it's about staying prepared and adaptable. Understanding financial tools and regularly updating your strategy can make a significant difference.

Taking Action

Start with these steps to better manage your purchasing power:

- **Track Key Prices:** Choose your top 10 most-purchased items, track their prices for six months, and adjust your budget as needed.
- **Shop Around for Savings:** Check savings account interest rates every January to see if higher-yield options could help grow your savings.
- **Invest in Your Skills:** Identify certifications or training that could boost your earning power and set a timeline for

earning them.

- **Adjust Your Budget Regularly:** Review your monthly budget each quarter to reflect changes in prices and spending patterns.
- **Meet with a Financial Advisor:** Review your long-term financial strategy on a regular basis to ensure that it keeps pace with changing economic conditions.

Taking small, consistent steps can build up to significant results over time. While you can't control the economy, you *can* take control of your financial future by staying informed and proactive.

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Understanding Maine's Private Insurance Plans for Paid Family and Medical Leave: What You Need to Know Now

The Maine Department of Labor (DOL) has released the requirements for private insurance plans designed to replace the state's Paid Family and Medical Leave program. Once these plans receive DOL approval, insurance companies will be able to present proposals to our customers.

At Allen, we are confident that insurance companies are actively initiating their filing processes. However, the state has yet to

provide a timeline for the approval of these plans. We will keep our customers informed as developments occur.

In the meantime, we encourage you to connect with us for any insights or questions about planning for the PFML for your company.

Ease Your Way In To The Global Stock Market

Heads up, you know darned well that you have to do something with your money. Something besides enjoying your weekends and getting your hands on the latest electronic gadget. That something, as you have probably already figured out is about getting up close and personal with the world of investments.

Yeah, it may look like a bit of work. It may even not look so appealing with all of those pundits on TV jumping up and down and screaming at the market gyrations. Yet the fact remains that taking care of your personal financial future is your responsibility and yours alone. Unless and until you happen to hit the Big One with the Powerball lottery or some sort of odd windfall, the reality is you need to start putting money away, like right now.

Not under your mattress

The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay your fair share.

Now it goes without saying but better we just go ahead and say it anyway; putting money away does not mean stuffing it under your mattress or throwing your hard earned money at a company stock your pal insists is a “sure thing”. Nope, not so much. The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay your fair share. The point of all this: strategically putting your money into the market is a recognized way to help fund your retirement.

Fund the 401(k) first

Now that being said, for the purposes of this article this investing stuff is going to only ever be done after you have maximized your 401(k) plan options at work and after you have also set up your very own Individual Retirement Account. In other words, maximize the retirement plans and options you already have first and foremost. Then, its time to dip your toe into what the pro’s refer to as the equities market.

Reality of investment returns

And lest you should be thinking that there are better options out there, well to be blunt, you would be wrong. You see, the truth of the matter is that any investment can show off and have a stellar performance for a short period of time. The bigger and better question is what is the long term return of the investment option you happen to be looking at?

With just a little bit of homework, okay not even that much, you can easily check this out for yourself with a quick Google search.

What you will find is that over the long term, equity investments (think stocks) consistently return an average of 7%. Yes, that includes good years and not so good years. The point is that 7% number is actually pretty high compared to other “so-called” investments such as real estate, gold, or even collector coins.

Ease In Plan

Which brings us to the focus of today’s article: how can you ease your way into the market without taking a beating. Taking a beating would mean something like handing over \$2,500 to your online broker only to discover that the value of your portfolio (the stocks you bought) has suddenly and without warning plummeted to like \$1,374.00. Ouch! No wonder so many would be investors shy away from the market.

Yet, do not lose sight of that 7% long term return number discussed above. So let’s see where we are. You understand the need to get into the market. Yet at the same time you are leery of investing your hard earned money and risk losing some or all of your cash. Is there a way out of this quandary? Thankfully there is.

The Answer

The solution is to use a strategy referred to as Dollar Cost Averaging (DCA). Although the term itself may sound esoteric, the strategy is ridiculously easy to understand and put into practice. Essentially dollar cost averaging works by you only ever investing a certain fixed amount on a regular schedule. For

example, suppose at the end of every three months, you put \$325.00 into the market.

In other words, you are funneling \$325.00 per quarter into your investments. But, that is NOT the same as putting in a lump sum at the end of the year. The point is to put in the same amount at a regular interval.

What happens is that when the market prices are high, you end up with fewer shares. That's okay though because the same thing works in reverse. When the market is low, that same amount of money invested will get you more shares. Do you see how easy this is?

A side benefit of dollar cost averaging that could end up saving you from making a catastrophic decision is your investments are on cruise control. That is, Dollar Cost Averaging takes the emotional highs and lows out of the investing thing. Sadly most investors who aren't up with DCA do the exact opposite of what successful investors do. That is, they buy high (when the market rises) and sell low (usually in a panic when the market drops).

Conclusion

You owe it to your future personal financial situation to get into the market like right now. Knowing and understanding the strategy of Dollar Cost Averaging is an easy way to get started and to keep it going.

Now it's on you. Have you considered something like dollar cost averaging as a way to ease into the market?

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True or False? – It Takes Money to Make Money

The short answer is YES; of course it takes money to make money. To make money in the stock market, you must have money to make the initial stock purchases. Starting a business requires money to buy inventory, marketing materials, office space and equipment. Even lottery winners have had to have the seed money.

The ability to execute an idea

Great inventors and industrialists became great, not so much because of their ideas, but because of their ability to execute. This is the crucial aspect.

It Really Does Take Money to Make Money

Now before discouragement sets in, I want to stress that it doesn't necessarily have to be your money. As we all know, ideas have value. This *value* can be unleashed by using other people's money (OPM). OPM, has launched many a fortune based on nothing more than a fine idea.

What these great men had in common was the ability to execute, which as we've already determined, requires money.

Ideas, however, are like sphincters—everybody has one (or more). Taking an idea from wishful thinking to a viable business enterprise requires (you guessed it) MONEY! In the not too distant past, finding the money to turn ideas into realities was an arduous task. Loans from friends and family, bootstrapping with your own assets and credit, angel investors and venture capitalists were the only available sources of capital.

The process of turning an idea into a commercially viable product or service is known in the entrepreneurial community as execution. Great inventors and industrialists became great, not so much because of their ideas, but because of their ability to execute. Samuel Morse wasn't the first to invent the telegraph; Thomas Edison was not the first to conceive the light bulb and the venerable Alexander Graham Bell wasn't the first to envision the telephone. What these great men had in common was the ability to execute, which as we've already determined, requires money.

History of these inventions

If we delve into the history of these three inventions, we learn that an Italian, Antonio Meucci, was the first to develop a working telephone. He filed a temporary patent 5 years before Bell but poverty and poor health prevented him from paying the patent office the \$10 fee required for the patent's renewal.

Heinrich Goebel was likely the first to invent the light bulb. In fact, he tried selling Edison on the idea but Edison wouldn't bite. Goebel died a couple of years later and Edison bought the patent from Goebel's impoverished widow for a song.

A French inventor by the name of LeSage invented the telegraph

60 years before Samuel Morse. The idea didn't take root in France but Morse brought it to fruition here in America.

These examples demonstrate the important roles money and execution play.

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Post from [Your Finances Simplified](#)

Uncommon Wealth Building Wisdom – The Benchmark

There is a common trait that shows up on the road to building your wealth. This trait shows up as you continue to add to your investment portfolio. You do have an investment portfolio don't you? And don't even start the blame game when this trait is revealed in just a moment.

Here is what this is all about: in a word, Benchmarks. In and of itself, a benchmark would seem to be an important part of evaluating the performance of your investment portfolio. And, truth be told, if there were actually one accepted benchmark that could be universally applied, that might actually work. But the reality is that investment performance is not so simple.

Get a better benchmark

Instead of always trying to play catchup with an industry benchmark, there is a better strategy. A strategy that will allow you to grow and expand your portfolio over time without

freaking out every time you see your portfolio statement.

Lessons From The Diet World

You are barely into the entryway of the store before you notice the section with the largest selection of books. Yep, it's weight loss.

Here's an analogy that illustrates the point being made here. Head into any neighborhood Barnes & Noble or similar bookstore. You are barely into the entryway of the store before you notice the section with the largest selection of books. Yep, it's weight loss. The point for you to see here is that if there were one diet that worked for everyone and every circumstance there would not be such a wide selection of diet books on those shelves.

The exact same concept applies to the world of investing. You can prove this for yourself with a quick Google search. Search for investment benchmarks and you get something like 26 Million Search Engine result pages. Obviously there are not that many ways to measure the performance of your investments, but still, the point should be glaringly obvious.

What "They" Say

Now take a look at the world of investments. Suppose you have a diversified investment portfolio that you have been funding for a few years. What do "they" tell you to look at? Most often, investors are told to compare the performance of their portfolio to that of a major benchmark. You might even discover that your financial advisor is using this benchmark to demonstrate how well you are doing. Suppose your portfolio is being compared to the S&P 500.

Actually, the S&P 500 is a commonly used portfolio performance comparison benchmark. How does this show up in the real world? Suppose you pay for the services of a personal financial advisor. Your advisor might send you a glowing report this quarter indicating that your investments outperformed the S&P 500. Wow! Your advisor is a genius. How about if you send in some more money?

Hold on a sec! What about the other side of this equation? Suppose, the next quarter you get a different letter. This time your advisor is lamenting the fact that for some inexplicable reason your portfolio lagged the S&P 500. Now what? Is your advisor an idiot? Or is there something else going on here?

Wrong Benchmarks

You see, the reality is that if the last scenario turned out to be true, you might not have reacted so well. In fact, you may have found your self dialing your advisor to find out what the_____ is going on here?

What's going on here is you are engaged in a comparison game that does not make sense over time. As you have probably noticed by now, the market goes up and the market goes down.

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Top Budget Hacks for Planning and Accounting

Something most rags-to riches stories have in common is that a good budget is always needed to help anyone achieve financial security. If you want to significantly improve your credit, you have to learn how to pace your spending and increase your savings.

Top notch advice

There is no better medicine for bad spending than to see what you have to pay for in the future to live the life you want. In this article we'll offer you some top notch advice on budgeting and accounting:

1 – Keep Detailed Records

Most people don't keep track of every little expense they make.

People usually rely on the online banking records to calculate their expenses. This is quite effective when it comes to having an overview, but it doesn't help you keep an eye on bad expenses and avoidable spending.

Make a folder on your computer, as not to waste paper and to be able to edit easily, and write down everything you spend in an 'expenses' file, while also keeping track of all incoming money on an 'income file'.

At the end of each month and each year you should check how much

of your money went to avoidable, 'bad' expenses. Cut down on frivolous spending and watch your savings grow.

#2 – Predict Large Expenses

The number you'll get will probably shock you, which is a good thing. There is no better medicine for bad spending than to see what you have to pay for in the future to live the life you want.

It might sound like an obvious tip, but you'd be surprised how few people actually plan ahead for the major expenses during their lifetime.

Buying a house or paying rent for life is one of those predictable, large expenses. Having a child (or many) is a predictable expense. If you include a few cars, a couple of large trips, furniture, college debts and similar big expenses, you can have a good look at what kind of money you'll need to achieve the lifestyle of your dreams.

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#3 – Make a 'Get-Rich' Plan

Expert financial planners, like Dominique Brown, would advise anyone who wants to become rich to make a solid plan to achieve

that goal.

Riches rarely come to those that simply wait for them. This does not mean that it takes extreme effort to become financially secure either.

What you really need is diligence. Make a plan on your own, or get the help of a professional, and learn to stick to it as if it were a religion.

Learning to live with a strict (if not tight) budget, will help you learn to keep frivolous spending in check.

Remember that no matter how much money you make, you can easily spend it all on some luxurious stuff you don't need and end up being poor again. Being truly rich for life means that you have to work for it and keep ahead of the financial game at all times!

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