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.

Announcing Three New Employee-Owners

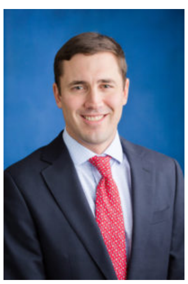
Allen Insurance and Financial is pleased to announce the addition of three new co-owners – all licensed assistants in the company’s personal insurance division.

Kerin Lindahl of Rockport: A graduate of Saint Anselm College, her previous experience is in banking customer service and education. She is based in Camden.

Sophia Picard of Bar Harbor: A graduate of the University of Maine in Orono, her previous experience is in education. She is based in Southwest Harbor.

Angela Torell of Tremont: A graduate of Baker College with a degree in business administration, Angela's previous experience includes non-profit administration and custom marine products. She is based in Southwest Harbor.

The Impact of Climate Change on the Insurance Industry And What it Means for Maine



Cale Pickford

By Cale Pickford for Maine REALTOR® Magazine

Climate change is increasingly causing severe weather events, posing significant risk to homes and businesses and displacing millions of people. In fact, a new Census Bureau tally shows that more than 3.4 million adults were displaced in 2022 by catastrophic weather events, around 1.4% of the U.S. adult population. Most of those displacements were short term but the census figures also show that 16% of those displaced adults never returned home, and 12% were out of their homes for more than six months.

In addition to the social cost that these severe weather events pose, in 2022 the U.S. experienced 18 separate weather and climate disasters costing at least $1 billion, the third highest number in a calendar year, behind the 22 events in 2020 and 20 events in 2021. Clearly this trend indicates that the high frequency and severity of extreme weather events affecting people's lives and livelihoods represents the new normal creating far reaching economic and social impacts that will indelibly shape the future of where and how we live in our country and the world beyond.

The rise in population and wealth over the past decades is an important factor in these increased costs. This trend is further complicated by the fact that much of the development has taken place in highly vulnerable areas like coasts, wild-land urban interface, and river flood plains. Vulnerability is especially high where building codes are insufficient for reducing damage to extreme events. This challenge is compounded by the fact that extreme weather events are hitting areas that have not experienced these storms in the past and are therefore far more vulnerable. One example is the deadly tornadoes that devastated parts of Tennessee and Kentucky in 2022, two states historically considered to be well east of tornado prone areas.

Ultimately, this means that climate change and associated severe weather events are, in some ways, destabilizing society, and relevant to this column, most certainly destabilizing the insurance industry. Prices have been driven up and severe storm risk has pushed many insurers out of high-risk markets. Insurance markets are in crisis in Florida, Louisiana, and California and states like Colorado and Oregon are not far behind. As private insurers pull out of these states, homeowners are forced to insure through state-run insurance plans – sometimes called FAIR plans – that cover people who cannot buy insurance from a company. As more people are forced into these plans, the risk that they become insolvent increases dramatically. In California, the state-run FAIR plan is running a $332 million deficit while it charges premiums that are too low and has limited reinsurance to cover claims. If these plans go broke, it is the responsibility of the insurers operating in the state to pay claims based on an unlimited assessment.

Insurers in Maine haven’t been as directly impacted by severe weather-related losses. From the perspective of climate risk, Maine is still seen as a relatively safe place to insure. Our broad selection of high-quality insurers and relatively affordable rates stand in sharp contrast to other parts of the country. With that said, we’re not at all immune to the macro trends characterized by increasing rates and an unwillingness of many insurers to cover what is perceived to be higher risk homes and commercial properties. Reinsurance, the insurance that insurers buy to offset large losses, has increased in cost dramatically in response to 3 years of unprecedented losses. By its nature, reinsurance costs are spread across a broad base and Maine insurance consumers are ultimately footing some of the bill for the large losses in other states. As mega-disasters ultimately force population shifts and disrupt the real estate market in high-risk states through prohibitively expensive or unavailable insurance, Maine will benefit from an influx of new homebuyers. Expect this influx to impact the entire spectrum of the market, from luxury homes to affordable housing. While this is a boon to those in the real estate industry it also has the effect of driving home prices to levels out of reach for many who live and work in Maine. A complicated problem requiring a thousand separate solutions to address.

In the meantime, we can count ourselves lucky to call Maine home, even if it is a home that will look a little different in the years to come.

Greg Karlik Joins Our Benefits Team

Greg Karlik has joined the benefits division at Allen Insurance and Financial to work with individual and group health insurance clients.

Following a three decades-long career in the television broadcasting industry, Karlik has spent the past three years as a licensed insurance professional in the individual health insurance market place, helping customers manage and better understand, what, for many, is a stressful decision-making process.

He is a graduate of the University of Vermont and the University of San Francisco, where he earned a Master of Business Administration.

Karlik and his family live in Northport. Outside of work, he enjoys spending time with his wife, their children and two dogs as well as gardening and exploring the Maine outdoors.

Welcoming Susan Howland as Director of Human Resources

Susan Howland of Camden has joined Allen Insurance and Financial as director of human resources.

“Susan’s diverse business background and extensive leadership experience make her a tremendous asset for our company,” said Michael Pierce, company president. “We are looking forward to the contributions she will bring to our team and our employee ownership culture.”

A native of Manchester, Maine, Howland has both a bachelor’s degree (international affairs and economics) and a master’s degree (economics) from the University of Maine.

She has held senior executive leadership positions at credit card company MBNA; at Wayfarer Marine in Camden; at the Penobscot Bay YMCA and at Maine Sport in Rockport.

“Now more than ever, I love working with people, to help them advance their career and realize their full potential. Creating a positive environment where people are empowered to provide outstanding customer service is exciting work. To have the opportunity to work here at Allen with this fantastic team of employee-owners is truly remarkable. I am absolutely thrilled,” Susan said.

Howland lives in Camden with her husband, their two children and two dogs. Outside of work, she enjoys attending her children's sporting events. She is a runner and an avid basketball fan.

Business Owners: 5 Reasons to Call Your Insurance Agent

By Patrick Chamberlin

When the best or worst happens, we know your insurance agent is not one of the first people you think of first. Even so, whatever change you are facing, chances are it affects or involves your insurance – so when change happens, give your agent a call. We're here to help.

1. When you have a claim. Please, let your agent know ASAP.
2. You're contemplating operational changes. Changes in your business offerings may come with a cost (or savings) and may also open you up to other exposures which you are inadequately covered for.
3. Signing a contract? Call before, not after. It is important that your agent is not left out of the conversation. Aside from your attorney, we should be reviewing the insurance language in any and all contracts you sign.
4. If you are frustrated by your insurance costs, give your agent a call. Independent agents work with a range of insurance carriers. If you have pricing concerns, give us a call and let us know how you feel!
5. We are your advocate. Your insurance agent is your voice

to your insurance company. Let us get to know you. Calling just to chat is A-OK.