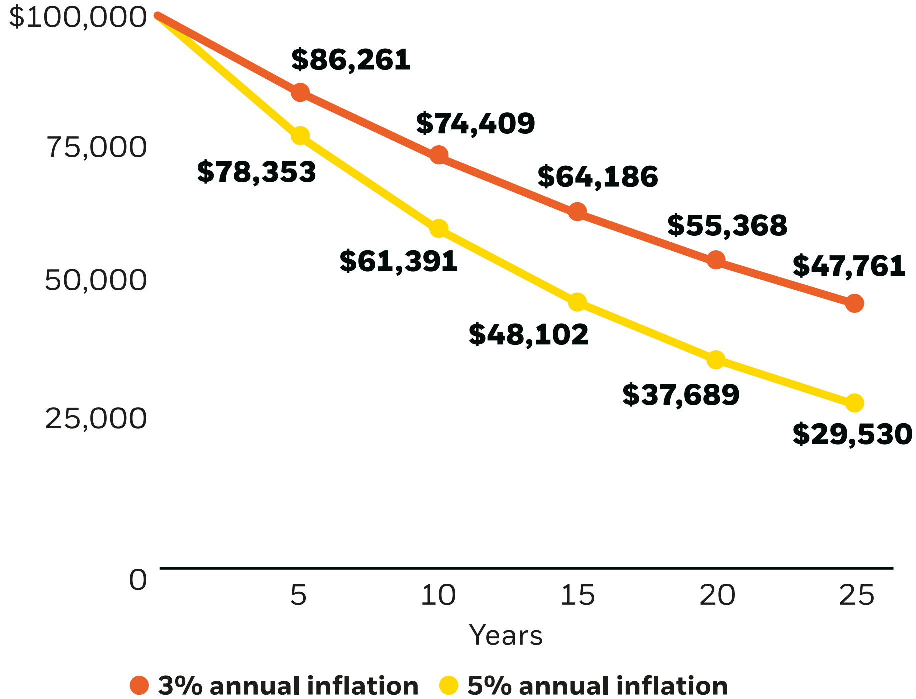
Feeling safe may be risky

BlackRock

Inflation affects money in two major ways. Over time, the true value of money diminishes, while the price of goods gradually increases. Not taking inflation into account could result in underestimating how much money might be truly needed in the future.

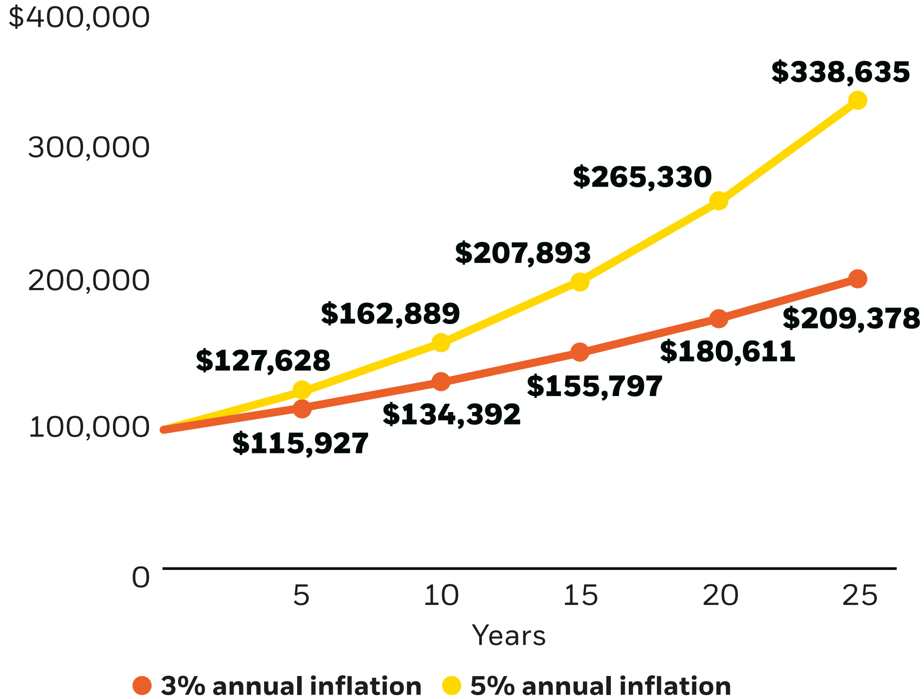
Erosion of purchasing power

Having $100,000 today would be worth the same as $47,761 in 25 years assuming 3% annual inflation, or $29,530 assuming 5% annual inflation.



Increase in prices

The same item that costs $100,000 today will cost $209,378 in 25 years assuming 3% annual inflation, or $338,635 assuming 5% annual inflation.



Investing involves risks, including possible loss of principal. Source: BlackRock. Hypothetical examples for illustration purposes only. Assumes constant annual inflation rates.

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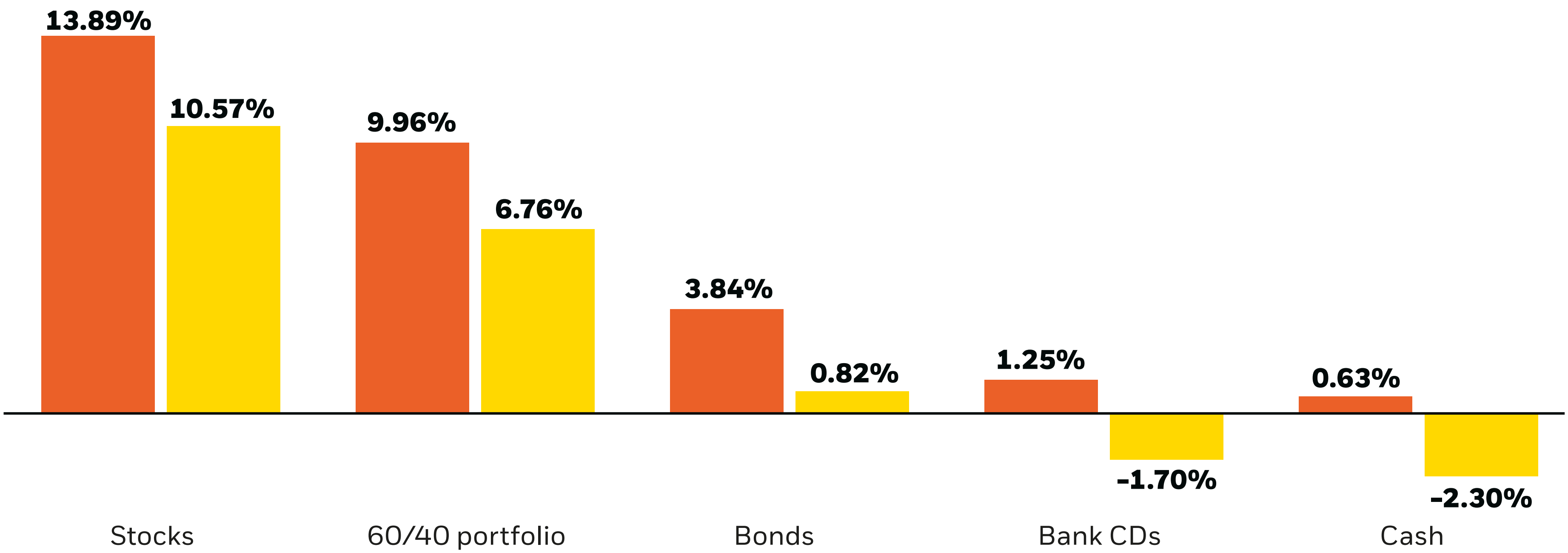
Much like it reduces the value of money in the future, inflation also affects the true return on our investments once we take it into account. If the return of an investment is less than the inflation rate, then a return that appears positive on paper could actually be negative in real value terms.

Bank CDs, in perspective

Average annual returns, past 10 years (1/1/11 – 12/31/20), adjusted for 3% annual inflation.



Sources: Morningstar, Bloomberg, BlackRock. Index performance shown as average annual return from 1/1/11 – 12/31/20. Inflation is assumed to be a constant 3% per year. **"Stocks"** are represented by the S&P 500 Index, an unmanaged index that consists of all share classes of 500 large-capitalization companies, within various sectors, most of which are listed on the New York Stock Exchange. **"60/40 Portfolio"** is represented by a hypothetical portfolio consisting of 60% of its portfolio represented by the S&P 500 Index and 40% of its portfolio represented by the Bbg Barc US Aggregate Bond Index. **"Bonds"** are represented by the by the Bbg Barc US Aggregate Bond Index, an unmanaged index that consists of investment-grade corporate bonds (rated BBB or better), mortgages, and US treasury and government agency issues with at least one year to maturity. **"Bank CDs"** are represented by the annual yield for the Bloomberg CD 12-Month Index, an unmanaged index representative of banks' certificate of deposit rates over the previous 12 months. **"Cash"** is represented by the ML US Treasury Bill 3-Month Index, an unmanaged index based on the value of a 3-month Treasury Bill assumed to be purchased at the beginning of the month and rolled into another single issue at the end of the month. US Treasury Securities are direct obligations of the US Government and are backed by the "full faith and credit" of the US Government is help to maturity. Penalty fees may be incurred if withdrawing from a Bank CD before maturity. Bank CDs are FDIC insures up to $250,000, while stocks and bonds are not. Stock and bond prices fluctuate and the value of your investment may change based on market conditions. **Past performance does not guarantee or indicate future results.** Index performance is show for illustrative purposes only. You can not invest directly in an index.

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