## Feeling safe may be risky

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.
\$400,000


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

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.


## - Before inflation After inflation







 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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