

## PRICIER AT THE PUMP

There's no question, a trip to the pump – or about anywhere else – is getting pricier. We are experiencing an inflation rate of 5.4 percent, a 13-year high. By comparison, the rate in 2020 was 1.4 percent and, in 2019, 2.3 percent.



Blame pandemic disruptions (labor, energy, food and supply chain issues in particular) for much of it. The federal government also pumped trillions of additional dollars into the economy this past year; more dollars are chasing fewer goods, driving up prices. The Federal Reserve had been arguing this level of inflation is a temporary blip in the big picture – transitory they call it. On that, the jury is still out.

But let's put things in perspective: Inflation could be an inconvenience, but is not that big a concern unless it gets out of hand. In reality, when it comes to inflation, a little bit is a good thing (the Fed targets 2-percent annual inflation). Some modest inflation encourages consumers to buy now before prices increase, which helps spur economic growth. For that reason, many companies and their underlying stocks do well with mild inflation.

Although the Fed, or even the federal government for that matter, cannot fix supply chain issues or labor shortages, those shortages and prices tend to work themselves out over time. Additionally, the Federal Reserve knows how to combat inflation if it looks like it might get out of hand. First, it can stop pumping money into the economy by “tapering” its bond purchases. Second, it can begin raising interest rates. Both actions are likely to slow economic growth, but given the current pace of growth, we may or may not feel the effects. On the off chance the Federal Reserve's actions do cause a recession, it likely will be more modest than one that arises on its own — significantly better than waiting for a bubble to form...and pop.

At its most recent meeting, the Federal Reserve board elected to leave interest rates unchanged. But it hinted that it plans to begin tapering its bond purchases and raising rates sooner rather than later, signaling that it will not allow inflation to go unchecked.

No one, not even the Federal Reserve, can predict the future of the economy. Therefore, as almost always is the case, a diversified portfolio, in which some investments do well in an inflationary environment and others do better during a downturn, is your best option.

— Ross Lehman, Assistant Investment Officer

### TAX TIP

If you make money from a hobby – even if you have no intention of profit – the IRS would like some of it. You must report the income on your 1040, line 21. How do you distinguish between a business and a hobby? Follow this [link](#) for the IRS' nine factors to consider.

### GIVING

The Tuesday after Thanksgiving is known as Giving Tuesday, an international day of philanthropy. This year it's Nov. 30.

In 2020, 34.8 million people gave US nonprofits a total of \$2.47 billion — a 29% increase from the year before.

### WHO KNEW?

Talk about “mad money” ....

The standard monetary unit of Morocco is the dirham, also known as MAD. It gets that acronym by taking the country's ISO Code (MA) and adding D for dirham. It currently is worth about 11 cents to the US dollar.

### IN THE MARKET

Since 1903, the New York Stock Exchange has started its day at 9:30 a.m. with the ringing of a bell. It's become an iconic ritual.

Before the bell? They used a Chinese gong.