

THE IMPACT OF INFLATION



Whether we notice it or not, on a year to year basis, the purchasing power of a dollar is constantly changing. This concept is known as inflation, or the general trend of increasing prices or loss of purchasing power over time. The following examples show how some commonly purchased consumer products have been affected by inflation over the last 45-years (1980 – 2025), based on average price information sourced from the Bureau of Labor statistics.

1980	CHANGE	2025
Coffee (per lb) \$3.21	Cumulative: 282% Annualized: 2.33%	\$9.05
Gasoline (per gal) \$1.13	Cumulative: 283% Annualized: 2.34%	\$3.20
Bread (per loaf) \$0.50	Cumulative: 366% Annualized: 2.93%	\$1.83
Electricity (per KWH) \$0.05	Cumulative: 357% Annualized: 2.87%	\$0.19

Because of the effect inflation has on day-to-day expenses, it must also be accounted for in financial planning (e.g. spending goals, future income). The visual below shows a range of incomes/expenses inflated over the same 45-year time period using the annual inflation rates of coffee, gasoline, bread, and electricity. It is important to understand this powerful effect on one's assumptions and expectations in a financial plan.

		Annual Expenses in 1980's Dollars		
COST IN 2025 DOLLARS	Inflation Factor	\$100k	\$250k	\$500k
		\$282,025	\$705,062	\$1,410,125
		\$282,743	\$706,858	\$1,413,717
		\$366,000	\$915,000	\$1,830,000
		\$356,604	\$891,509	\$1,783,019