

Your Investing Questions Answered

What are the risks associated with Inflation & Interest Rates?

The word "risk" sounds negative, but broken down into what it really stands for in terms of investing, it begins to be a little more manageable. Remember, strategic investing doesn't mean "taking chances" so much as "making decisions." The main risk from inflation is the danger that it will reduce your purchasing power and the returns from your investments. If your savings and investments are failing to outpace inflation, you may wish to consider investing in growth-oriented alternatives such as stocks, stock mutual funds, variable annuities, or other vehicles. Bonds and other fixed-income investments tend to be sensitive to changes in interest rates. When interest rates rise, the value of these investments falls. After all, why would someone pay full price for your bond at 6 percent when new bonds are being issued at 8 percent? Of course, the opposite is also true. When interest rates fall, existing bonds increase in value.

*-Terry Hahn, Registered Representative
Friendship Securities & Investments*



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