

Marketwatch: 'Prices will not come back down':

Americans dip into their savings to cope with record-high inflation Last Updated: June 13, 2022 at 4:24 a.m. ET First Published: June 13, 2022 at 4:23 a.m. ET The personal savings rate has hit the lowest level since September 2008 By Zoe Han Follow Seven in 10 Americans report they've dipped into their savings to cover rising living costs. GETTY IMAGES/ISTOCKPHOTO Americans accumulated extra savings during the pandemic, but that money is fast dwindling because of inflation. Listen to article 3 minutes Some 70% of Americans are using their savings to cover rising prices, a recent Forbes Advisor survey of 2,000 U.S. adults concluded. Among those polled, older adults were more likely to say they have left their savings intact. In fact, the personal savings rate for April 2022 hit 4.4% — the lowest level since September 2008 — down from 6% at the beginning of the year, according to the Bureau of Economic Analysis, a department of the U.S. Department of Commerce. Though some Americans have built up savings during the pandemic, helped by government COVID-19 benefits, those savings appear to be running low as people cope with rising prices. Laura Veldkamp, a finance and economic professor at Columbia University, suggested people try renegotiating salaries with their employers. "Prices will not come back down," she said. "They never do." Dipping into savings to cope with rising prices is not a sustainable long-term solution, she added. The increase in the cost of living is making Americans nervous. Inflation rose 8.6% on the year through May, the highest since 1981. A survey of U.S. consumer confidence fell in May to a threemonth low of 106.4. That's one of many surveys pointing to a pessimistic outlook by people both for their own finances and the U.S. economy. For the week ending May 29, grocery inflation reached a record high of 14.6% compared to a year ago, according to the latest survey from data company Numerator. The survey shows that middle-income consumers — those who earn \$40,000 to \$80,000 a year — are paying the greatest price increases among all income levels. In April, consumer spending increased by \$152.3 billion, separate Bureau of Economic Analysis data found, with people spending the most money on motor vehicles and auto parts, in addition to food and housing. Compared to the month before, the consumption of gas and other energy decreased by \$26.9 billion. On Sunday, AAA pegged the national average at \$5.01 for a gallon of gasoline. That's 20 cents higher than it was a week ago, 60 cents higher than a month ago, and almost \$2 more than the \$3.07 average a year ago, according to AAA data. Thomas Scanlon, a financial adviser with Raymond James Financial in Manchester, Conn., said it's a good time to adopt thrifty habits, such as borrowing from the public library instead of buying a book, and looking to free leisure activities such as visits to some museums and beaches. "Cutting down on your budget doesn't need to be painful," Scanlon said, "it can be an opportunity to spend a good time with friends and families." 'Cutting down on your budget doesn't need to be painful.' — Thomas Scanlon, a financial adviser with Raymond James Financial p g Zoe Han Zoe Han is a personal finance reporter for MarketWatch. You can follow her on Twitter @zoeyuqhan. Prepare yourself:

'The U.S. housing market is at the beginning stages of the most significant contraction in activity since 2006