

## Homeownership Is a Great Hedge Against the Impact of Rising Inflation



If you're following along with the news today, you've heard about rising inflation. Today, [inflation](#) is at a [40-year high](#). According to the [National Association of Home Builders \(NAHB\)](#):

*“Consumer prices accelerated again in May as shelter, energy and food prices continued to surge at the fastest pace in decades. This marked the third straight month for inflation above an 8% rate and was the largest year-over-year gain since December 1981.”*

With inflation rising, you're likely feeling it impact your day-to-day life as prices go up for gas, groceries, and more. These climbing consumer costs can put a pinch on your wallet and make you re-evaluate any big purchases you have planned to ensure they're still worthwhile.

If you've been thinking about purchasing a home this year, you're probably wondering if you should continue down that path or if it makes more sense to wait. While the answer

depends on your situation, here's how homeownership can help you combat the rising costs that come with inflation.

## Homeownership Helps You Stabilize One of Your Biggest Monthly Expenses

*Investopedia* [explains](#) that during a period of high inflation, prices rise across the board. That's true for things like food, entertainment, and other goods and services, even housing. Both rental prices and [home prices](#) are on the rise. So, as a buyer, how can you protect yourself from increasing costs? The answer lies in [homeownership](#).

Buying a home allows you to stabilize what's typically your biggest monthly expense: your housing cost. When you have a fixed-rate mortgage on your home, you lock in your monthly payment for the duration of your loan, often 15 to 30 years. James Royal, Senior Wealth Management Reporter at *Bankrate*, [says](#):

***“A fixed-rate mortgage allows you to maintain the biggest portion of housing expenses at the same payment. Sure, property taxes will rise and other expenses may creep up, but your monthly housing payment remains the same. That's certainly not the case if you're renting.”***

So even if other prices increase, your housing payment will be a reliable amount that can help keep your budget in check. If you rent, you don't have that same benefit, and you won't be protected from rising housing costs.

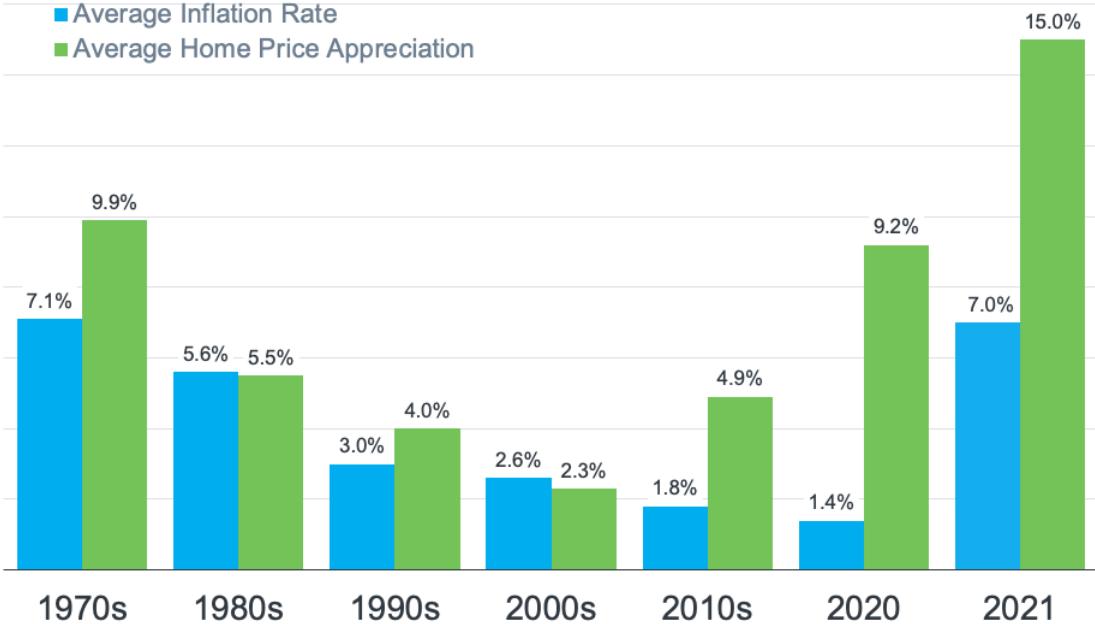
## Investing in an Asset That Historically Outperforms Inflation

While it's true rising home prices and higher mortgage rates mean that buying a house today costs more than it did even a few months ago, you still have an opportunity to set yourself up for a long-term win. That's because, in inflationary times, you want to be invested in an asset that outperforms inflation and typically holds or grows in value.

The graph below shows how the average home price appreciation outperformed the average inflation rate in most decades going all the way back to the seventies – making homeownership a historically strong hedge against inflation (see graph below):

# Home Price Appreciation vs. Inflation Rate

Since the 1970s



Source: NAR, CoreLogic, Consumer Price Index

So, what does that mean for you? Today, experts [forecast](#) home prices will only go up from here thanks to the ongoing imbalance of supply and demand. Once you buy a house, any home price appreciation that does occur will grow your [equity](#) and your [net worth](#). And since homes are typically assets that grow in value, you have peace of mind that history shows your investment is a strong one.

**That means, if you're ready and able, it makes sense to buy today before prices rise further.**

## Bottom Line

If you've been thinking about buying a home this year, it makes sense to act soon, even with inflation rising. That way you can stabilize your monthly housing cost and invest in an asset that historically outperforms inflation. If you're ready to get started, let's connect so you have expert advice on your specific situation when you're ready to buy a home.