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The latest economic data:

What it can—and can't—tell you about your household plan

Key takeaways

- Economic data can provide useful context for your household financial decisions, but it shouldn't dictate them.
- Inflation, interest rates and spending trends can help identify areas of your plan that may be worth revisiting.
- Your personal cash flow, liquidity needs, debt and retirement goals matter more than any single economic indicator.

While it can be tempting to rethink your financial plan every time a new economic report is released, that's not always the best approach.

The latest data from the Federal Reserve, U.S. Bureau of Labor Statistics (BLS) and U.S. Bureau of Economic Analysis (BEA) can provide useful context for decisions about spending, liquidity, debt and retirement. But those figures are only part of the picture. Your household's cash flow, goals and priorities matter, too.

Here's how to use economic data as a planning input, not a reason to constantly change course.

Inflation rates can help you pressure-test your spending plan

The latest Consumer Price Index (CPI) shows that consumer prices increased 3.5% over the 12 months, ending in June. Core CPI, which excludes food and energy, increased 2.5%.

Those numbers can help you answer an important question: Is the spending assumption in our financial plan still realistic?

If your household spends significantly more on certain categories, such as travel, health care, housing or energy, the national inflation rate may not match your experience. CPI is a broad measure of prices, not necessarily an indicator of your living costs.

That makes inflation data a useful prompt to review your current spending, rather than a reason to increase your projected spending.

Income and spending data can provide a liquidity check

BEA data offers additional context. In June, personal income and disposable personal income both increased 0.2%, while personal consumption expenditures increased 0.3%.

Rather than compare your savings rate with the national numbers, consider whether your own cash flow gives you enough flexibility:

- How much cash do you need for near-term spending?
- Are large upcoming expenses already covered?
- Could you maintain your lifestyle if your household income changed?
- Are you holding more cash than your plan requires?

Interest rates can inform debt decisions

The Federal Reserve maintained its target range for the federal funds rate at 3.50% to 3.75% in June and July.

That matters because changes in the federal funds rate can influence other short-term borrowing and savings rates. But the Fed's policy rate does not tell you what you should do with your mortgage, credit line or other debt. What matters more is how those rates affect the debt you currently have.

For example, you may want to assess whether variable-rate debt is putting pressure on your cash flow or whether paying down higher-cost debt would improve your financial flexibility. If you're considering refinancing, look at the full cost of the transaction, how long you expect to keep the debt and what you could do with the money elsewhere.

Interest rate trends can impact advanced estate planning strategies

If your net worth puts you in a taxable estate position and you're considering advanced estate planning or charitable planning strategies for wealth transfer, you may want to explore how the interest rate environment could affect those strategies.

Economic data can't tell you when you're ready to retire

Inflation and interest rates can affect retirement planning, but they don't determine your ideal retirement date.

That timeline depends on factors such as your expected spending, income sources, portfolio, taxes, health care costs, longevity assumptions and how much flexibility you have if circumstances change.

It's important not to let short-term economic conditions drive long-term retirement decisions. A period of higher inflation, for example, may be a reason to revisit your retirement spending assumptions. But it does not automatically mean you need to delay retirement.

A data-informed approach to your finances

The most useful question isn't "What does today's economic report mean for the market?"

It's: "Does this information change anything about our household plan?"

For many people, that means using economic data to revisit five areas:

1. **Spending:** Are current and future expenses still realistic?
2. **Liquidity:** Do you have enough accessible assets for near-term needs and unexpected changes?
3. **Debt:** Are your borrowing costs consistent with your broader financial strategy?
4. **Retirement timing:** Do your income, spending and savings assumptions still support the timing you want?
5. **Estate planning:** Are your wealth transfer and charitable planning strategies still aligned with your goals?

You don't necessarily need to change your plans every time a new report is released. Instead, focus on which numbers matter to your household and use that information to help keep your broader financial strategy coordinated and adaptable as your life changes.

If you're wondering what the latest economic data means for your household plan, a conversation with your advisor might be a good next step. They can clarify how the latest headlines relate to your goals, cash flow and long-term priorities.

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