

Reading the Economic Tea Leaves

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An important retirement planning skill is having the ability to "sniff out" the future direction of various factors, such as inflation and interest rates for their potential impact on future household spending and savings efforts. "Reading the tea leaves" is a folk lore expression related to the practice of attempting to divine the future from the display of loose tea leaves at the bottom of a cup.

In today's world, professional investment managers pay close attention to the pronouncements of various authorities, such as the Bank of Canada, the US Federal Reserve (FED) and various politicians for clues into the expected direction of things like interest rates, inflation, or the direction of the economy over the coming months. For example, a recent favorite discussion point from various online sources is whether the US is "in a recession" or not.

Talk of a US recession has ranged from President Biden recently saying that two quarters of negative growth is not a recession. Yet during the Trump Presidency, Biden claimed the US was in recession when two quarters of negative growth appeared.

One way that regular consumers can keep a "finger on the pulse" of the economy is by simply observing what is going on right around them. What are grocery store prices like versus several months ago? What have you observed about portion sizing and packaging and pricing for your groceries? Are there any shortages of once popular and easily found items?

You can also ask friends and neighbors for their own personal observations about what is going on in their own lives and workplaces. You get the idea.

Let's look at some examples in the economics realm. Roughly about 18 months ago, discussions about inflation resulted in comments from FED spokespeople saying that inflation is "transitory" and nothing to be worried about. Later, comments about inflation shifted to "it's peaking and heading down again". And now in the present, the talk is about "containing inflation" by raising US short term interest rates. And so on.

Learning to "read between the lines" and keeping mental notes about how the narrative shifts and evolves over time is a good practice to develop for those saving for a secure retirement. In time, by combining your own observations and the advice from a qualified Financial Advisor, it can be easier to interpret how current events may impact your long-term investment strategy. The result is you can make better financial decisions on your spending, savings, and asset accumulation.

The best way to move forward from the upheaval over the past couple of years is to measure your progress by how you are improving your household situation on a weekly or monthly basis. This progress can be measured by paying down debt, saving money, or perhaps even improving your shopping habits.

Taking small steps over time will equal major improvements in your financial health over a couple of years. Be patient as better times will arrive.

[Call us today to review of your overall financial and household situation.](#) [1]

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