Investing and Personal Finance Blog

# Some information on why you should be aware of inflation and savings

keyword: interest rate, savings, Annual Percentage Yield (APY), money, inflation

Hello and welcome back to my **investing** and **personal finance** blog. Thank you for joining me on my journey of learning and improving my own **personal finance**. This week I am going to be sharing some information about **inflation** and **savings**. I will be talking about where you can put your **money** and tell you about how **inflation** may affect your **savings**.

Remember that cute little piggy bank that you filled up when you were 12 years old, which you never opened up and is now just sitting on your shelf? I regret to inform you, but due to the effects of **inflation**, all that cash in that piggy bank is probably not worth much anymore. Even with a healthy **inflation** rate, at around 2% per year, **money** kept in cash form will drop half its value in 25 years.

The only way to combat the inevitable **inflation** rate is to place your **money** in an account that can either keep up with the rate of **inflation** or grow faster than it. **Inflation** can be a scary thing. It is a scary feeling knowing that the **money** you now own will drop substantially in value one day. Thankfully, **inflation** rates in America have been very stable over the last couple of years, around the average of 2% (link to: <https://www.thebalance.com/u-s-inflation-rate-history-by-year-and-forecast-3306093> ). As long as the **inflation** rate stays at around 2%, it means that our economy is growing at a steady rate

**Inflation definition:** **Inflation** is defined as the decline of purchasing power of a given currency with time.

**Savings Account**

![A group of people standing in front of a sign

Description automatically generated with low confidence]()

Well, now you know about **inflation**, but what do you do with all that cash you just got from your part-time job? Well, you put it in a **savings** account that has a reasonable **interest rate**, of course. There is so many **savings** account that exists out there (link to: <https://www.bankrate.com/banking/savings/rates/> ). I am pretty sure you might already have one with your current bank. If you don’t, what are you waiting for? All that cash sitting around in your checking account and your wallet is not going to maintain its value forever.

If you are interested in looking for appropriate **savings** accounts, make sure you check out their **Annual Percentage Yield (APY)**. The **APY** is a formula that adds up **interest rates** that compound over time into a comparable annual rate. A **savings** account with a high **APY** would mean that your **money** would grow faster in that account. I would advise you to compare **APY** rates of different **savings** accounts.

If the **APY** of your **savings** account is at 2.5% and the **inflation** rate that year was 1.9%, your **money** still grew 0.6% while sitting there in that account. This is an excellent example of how you should start saving your **money**. Keeping it in a **savings** account that has high **APY** and making sure that it is higher than the **inflation** rate.

Thanks again for reading guys make sure you stick around for the next one.