

[Inflation - How to protect your financial goals](#)

An overall inflation rate of, say, 7 percent means nothing much if you are drawing up your financial plan. Cost of education, holidays and even key medical treatments do not just go up by that much. They go by a whole lot more.

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Representative image

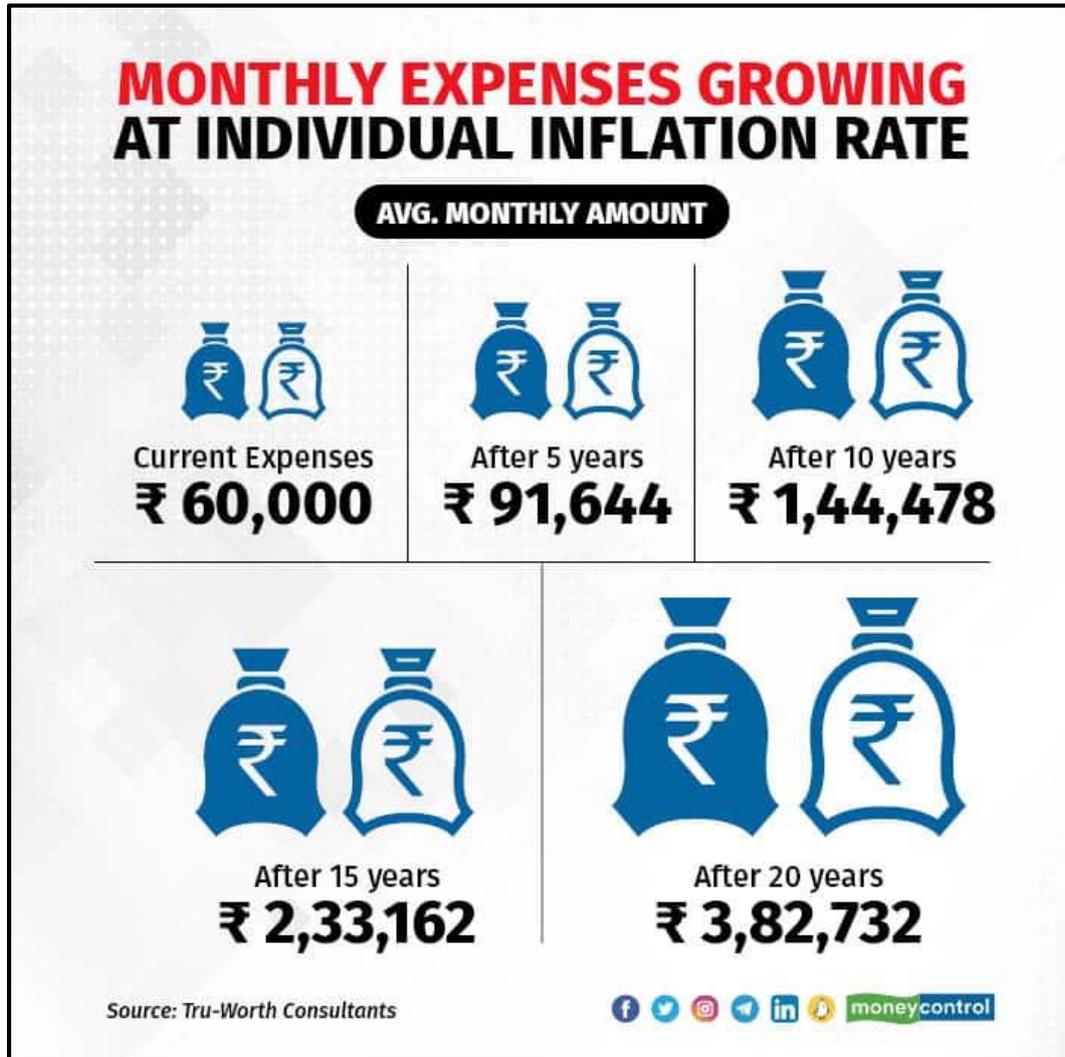
The inflation rate in June as measured by the Consumer Price Index came in at 7.01 percent, the highest in around eight years. This means that prices have risen by around that much over the past one-year period.

To put it simply: if your current monthly expenses are around Rs 60,000, at the current rate of inflation, in 10 years' time you would need around Rs 1.44 lakh per month to buy the same goods and services; after 15 years, you'd need Rs 2.33 lakh per month. In short, **inflation reduces the purchasing power of your money.**

That is why financial planners often factor in inflation for various goals one saves money for. But how much inflation should you really budget for? Would prices of all commodities and lifestyle spends rise by that much?

Thr rise of monthly expenses over time

In May 2022, vegetable prices rose at 18.3 per cent. Medical and educational expenses apart from the cost of travel also rose at a faster pace. “While planning for future expenses, we consider grocery to rise at 6 percent, education expenses at 10 percent, holiday planning at 8 percent and so on,” said Tivesh Shah, financial consultant and founder, Tru-Worth Finsultants.



We observed that the overall claim cost escalation saw a rise of more than 30% in the first year of the pandemic which can be attributed to hospitals administering some pandemic related basic necessary tests and hygiene. This was moderated to close to 10% inflation in the subsequent year. In line with the medical inflation which happens year-on-year, it is imperative that customers should consider this while choosing the adequate **sum insured whilst buying a health insurance policy** so that they are safeguarded against any medical exigencies and at the same time avail of quality medical treatment without exhausting their savings,” says Bhaskar Nerurkar, Head – Health Administration Team, Bajaj Allianz General Insurance.