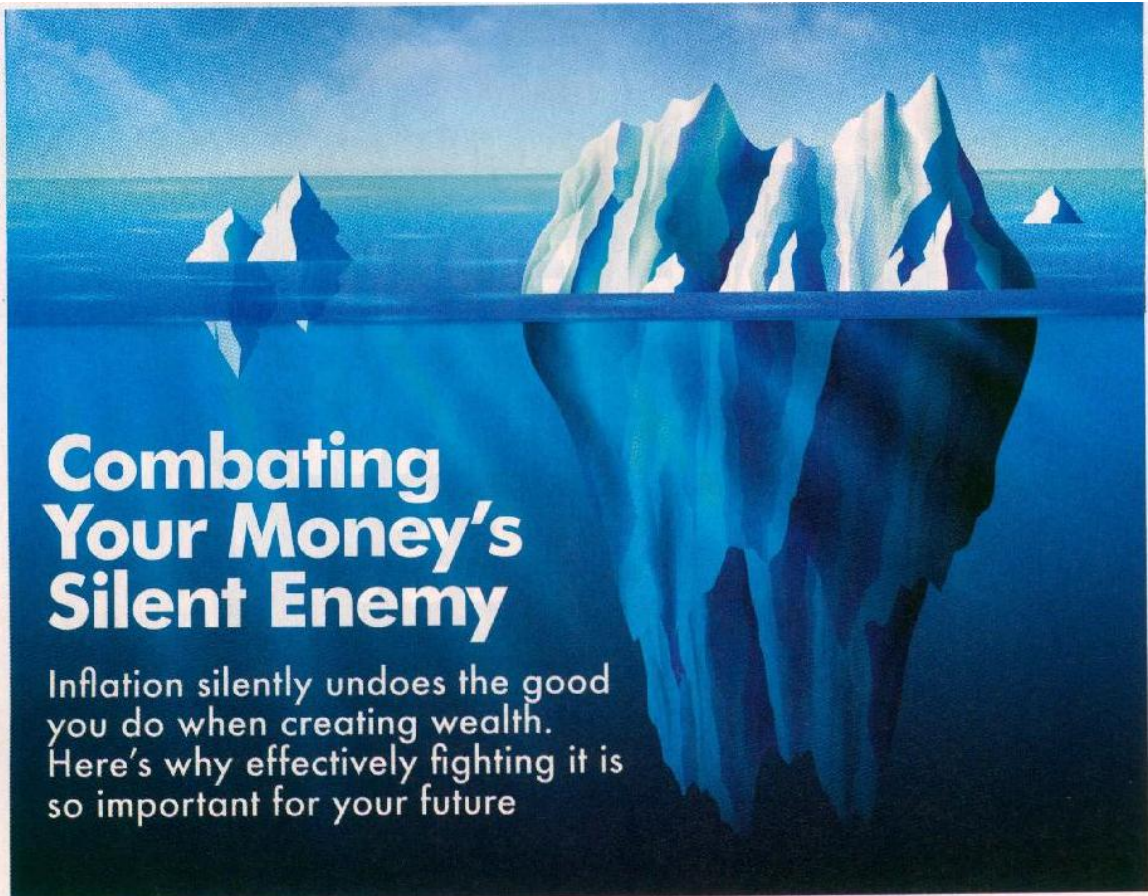


In the News

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Combating Your Money's Silent Enemy

Inflation silently undoes the good you do when creating wealth. Here's why effectively fighting it is so important for your future

UDAYAN RAY

Is inflation an integral part of every Indian's life? For as long as we can remember, we would have heard somebody or the other in our circle of family and friends complain about inflation. The average annual consumer inflation rate in India for the decade of 2008-17 has been 7.9 per cent. This high inflation reality is unlikely to change with potent inflation-driving factors such as international oil prices and various supply shortfalls unlikely to change any time soon. This is why experts urge investors to devise an approach to



Ashish Vohra
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"You need to make a financial plan not to just to cover inflation but also factors such your risk appetite and financial goals"

counter inflation. "With high annual inflation, it is assured that you are likely to get poorer by 8-10 per cent every year," says Kalpen Parekh, president, DSP BlackRock Mutual Fund. Unfortunately, most people don't realise the corrosive impact of inflation on the purchasing power of money. "People don't think in real terms but in nominal terms. For example, if inflation is 10 per cent and interest rate is 7 per cent, then after one year in real terms, your wealth is down 3 per cent. But most people will think their wealth is up - 7 per cent. Ignoring inflation and calculating returns in nominal terms rather than real terms is the most common mistake which people