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Q: The Federal Reserve has already raised interest rates by over one percentage point. How come my savings account rate has not gone up accordingly?
A: Just because the Federal Reserve raises the overnight interest rate does not mean banks are obligated to raise the rate on savings accounts equally. Actually, by not raising the savings account rate commensurately banks may earn more money. Eventually, though, market competition between banks should contribute to higher rates.

Q: Is gold a good inflation hedge?
A: Not necessarily. According to Seeking Alpha, in the fifteen months beginning January, 2021, inflation was up over seven percent while gold lost four percent. According to Amy Arnott at Morningstar, gold did very well in the high inflation years of the 1970s. However, this may in part have been due to the U.S. abandoning the gold standard in 1971. During the 80s, Arnott adds, gold lost value while inflation averaged almost five percent per year. Overall, gold's correlation with inflation over the last 50 years has been .16. A correlation score of 1 would mean the two moved in unison, and a score of minus 1 that they moved as mirror images. A score of .16 signifies little correlation.

Q: How about cryptocurrencies instead of gold?
A: I don't think cryptocurrencies have been around long enough to provide us a reliable answer.

Q: OK, how about real estate?
A: For similar periods as those above Real Estate Investment Trusts have held up reasonably well. Direct real estate investments may also do well.

Q: What about bonds?
A: There are a few bond investments that adjust their payout with inflation, like I-bonds and TIPs (Treasury Inflation Protected Securities). Note that I-bonds adjust the rate every six months so current rates are not guaranteed for the life of the bond. I-bonds also limit purchases to $10,000 per year per person. Most bonds do not adjust for inflation and are thus directly exposed to inflation.

Q: So, you're going to champion stocks again?
A: It's hard not to considering how they, over longer periods, according to Morningstar have returned seven percentage points more than inflation over the last century. For shorter periods, however, stocks have sometimes not kept up with inflation at all.

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