

## Fight Deflation With These Investing Tips



There has been much talk about the U.S. economy heading into a deflationary period, which means falling prices on goods and services. We see some of it around us already where clothing prices have come down, auto prices, real estate and food.

A corporate attorney friend of mine has said that in order for him to compete for new business, he has to lower his prices. It doesn't seem to matter that he is with a prominent law firm and has 30 years of industry experience.

So are we really in a deflationary period? I believe so. If we were to look back to the beginning of 2010, many economists and market analysts were telling us to brace for **inflation**. How quickly things seem to change.

So what do you do?

It seems clear that the outlook can change faster than you can adjust your investment portfolio to protect yourself from losses. So rather than jump each time you hear about the economy heading into a different economic direction, build a well-diversified portfolio that can handle bouts of economic change. If you want to make some adjustments for deflation, do so only slightly, such as moving 15 to 20 percent into deflation-type investments.

### **Consider these deflation-fighting investment ideas:**

- Invest in stocks that consumers buy regardless of the economy's direction--health care, food, technology and consumer staples. Many corporations see lower margins in a deflationary period so their earnings decline and their stock prices stagnate or fall.
- Buy dividend-paying stocks of large, well-known companies.
- Put money into emerging markets--these fast-growing nations have much higher growth rates.

Bonds are already performing well in this environment because as interest rates decline, the values of bonds rise. But with interest rates so low now, it's questionable how much lower they can go.

The best thing that you can do in a deflationary period? Pay down any debt you have including a mortgage. Why? In a deflationary economy, your dollars are more valuable.



[Susan Carr-Templeton](#) is a personal wealth advisor with more than 20 years of investing experience. In addition to managing Stafford Wells Advisors, Susan volunteers on the investment committee for the Advocate Foundation.