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Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Combating Lifestyle Inflation: A Key to Building Wealth

Lifestyle inflation occurs when an individual's spending increases automatically, sometimes unconsciously, as their income rises. This can make it difficult to get out of debt, save for retirement, or meet other big-picture financial goals, despite earning more money over time. Understanding and controlling your spending is essential for anyone who wants to build sustainable wealth and financial independence.

Understanding Lifestyle Inflation

At its core, lifestyle inflation stems from the natural desire to enjoy the fruits of one's labor. A raise or promotion might feel like it justifies a bigger house, a nicer car, and more luxurious vacations. Smaller new recurring expenses, such as a fancier wardrobe and more frequent meals out, can also add up tremendously over time.

Lifestyle inflation means you're earning more and spending more, but not saving more. There's nothing wrong with making upgrades as you earn more money; the trouble comes when you don't increase your savings and investments at the same time. Increasing only your spending means you're likely to still live paycheck to paycheck, even as those paychecks grow. This can prevent you from creating a financial buffer to protect against future emergencies.

Impact on Long-Term Wealth and Mental Health

When more money goes toward non-essential spending, less is available for building an emergency fund and saving for the future. This not only puts individuals at financial risk in the short term, but also severely limits their ability to make investments that would allow them to take advantage of compound growth over time. Without diligent saving and investing, even high earners may find themselves financially insecure later in life.

Moreover, lifestyle inflation often leads to higher fixed expenses. Purchasing a larger home or a luxury vehicle creates ongoing fianancial obligations that can lock individuals into a high cost of living. These recurring expenses can be difficult to scale back in times of financial strain and may lead to the feeling of being on a financial treadmill that just keeps moving faster, requiring more income and more spending just to maintain an ever-ballooning "normal." This can keep you stressed out and feeling like you can't get ahead.

Strategies to Combat Lifestyle Inflation

1. **Set Clear Financial Goals:** One of the best ways to keep your spending from edging up is to define what you want your money to achieve. Whether it's to buy a home, retire early, or travel the world, clear goals help keep you focused so you can direct extra income toward meaningful purposes rather than fleeting pleasures.
2. **Automate Savings and Investments:** Take advantage of your employer sponsored retirement plan and other opportunities to save and invest money automatically. When you get a bonus or other windfall, the first thing to do is set aside at least

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WIN A $25 GIFT CARD

to your choice of Starbucks or Powell's! (See page 2 for details)

Congratulations to our most recent winner:

Ken P. of Avanti Destinations

Visit thecommco.com/commerce-concepts for the answer to last issue's question.

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source:
Raymond James Financial Services

To be entered into a drawing to win a

$25 GIFT CARD,

email free@thecommco.com with the answer to this question:

What are two ways a person can combat lifestyle inflation?

Market Update

Through June 30, 2025

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	5.46%	14.72%	13.52%	12.06%
Large Company US Stocks	S&P 500	10.94%	15.16%	16.64%	13.65%
Small Company US Stocks	Russell 2000	8.50%	7.68%	10.04%	7.12%
Non-US Stocks	MSCI EAFE (Gross Div)	12.07%	18.33%	11.72%	7.03%
US Bonds	Bloomberg US Aggregate	1.21%	6.08%	-0.73%	1.76%
Cash Alternatives	ICE B of A 3 Month US Tsy Bill	1.04%	4.68%	2.76%	1.98%

Economic Snapshot

Gross Domestic Product (GDP)
Growth will see a pronounced slowdown in Q3 but will remain in positive territory quarter-over-quarter.

Inflation
In the short term, we will see a reversal in disinflation as a result of effects from the year prior. We expect inflation to resume its disinflationary path through next year.

Housing and Construction
High mortgage rates, rising construction costs, and new tariffs will keep this sector of the economy in the red. Meanwhile, the low supply of homes will continue to put pressure on prices and limit the number of potential home buyers.

Monetary Policy
The Fed started its easing cycle in September, and we expect it to cut rates by 50 bps in both 2025 and 2026, taking the federal funds rate to 3.25-3.50% at the end of 2026.

Manufacturing
The manufacturing sector is on a favorable trajectory but remains in contractionary territory. We expect this trend to persist through the year, with a gradual shift into expansion in 2026.

Employment
The labor market has been cooling down and we expect it to weaken further but to stabilize around its long-term average.

Investment Strategy Quarterly: Published by Raymond James and Associates, July 2025. For a complete PDF copy of the current issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

June Market Review

- Equity markets continued to march higher in June, seemingly unfazed by heightened Middle East tensions and the then-looming July 8 deadline for the administration's pause on reciprocal tariffs. Despite an interim bout of volatility, it was a record-breaking month for the S&P 500 and the tech-heavy NASDAQ, as both indices ended the month with new all-time highs. The Dow Jones Industrial Average was up 4% for June. Nine out of the 11 sectors delivered positive returns, with Consumer Staples and Real Estate lagging.
- Signs of an economic slowdown continued to mount, fueled by weak housing data, further cooling in the labor market, and an unexpected deceleration in consumer spending. Lower oil prices have put downward pressure on inflation in recent months. However, the impact from tariffs is still expected to affect prices in the months ahead. The risk of higher inflation has kept the Federal Reserve in wait-and-see mode, with policymakers holding the benchmark interest rate steady at 4.25%-4.5% in June. Bond yields edged lower in June, with the 10-year Treasury falling to a two-month low of 4.25% as signs of economic weakness began to emerge.

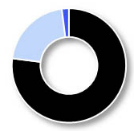
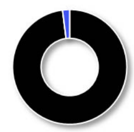
For additional asset allocation and disclosure information, please click here or visit the Resources section of our website at

thecommco.com

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Strategic Asset Allocation Models

As of July 2025

Equities Fixed Income Cash Alternatives					
	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**30%**	**48%**	**63%**	**77%**	**98%**
Equity allocation comprises:					
U.S. Large Cap Blend	20%	21%	25%	30%	43%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	3%	5%	7%	8%
U.S. Mid Cap Equity	4%	4%	7%	9%	11%
U.S. Small Cap Equity	1%	2%	4%	6%	7%
Non-U.S. Developed Market Equity	5%	15%	13%	14%	16%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**68%**	**50%**	**35%**	**21%**	**0%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	58%	41%	31%	21%	0%
Investment Grade Short Maturity	0%	0%	0%	0%	0%
Non-Investment Grade (High Yield)	7%	6%	4%	0%	0%
Non-U.S. Fixed Income	3%	3%	0%	0%	0%
Multi-Sector Fixed Income	0%	0%	0%	0%	0%
Alternative Investments	**0%**	**0%**	**0%**	**0%**	**0%**
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

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Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date. Past performance may not be indicative of future results. An investment cannot be made in these indexes. The performance mentioned does not include fees and charges, which would reduce an investor's returns.

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a portion of it to save or invest. Make a rule for yourself that any increase in income should immediately trigger an increase in savings. By treating your future as a non-negotiable expense, you're less likely to direct a perceived surplus toward new expenses that might not truly enhance your life.

3. **Live Below Your Means:** Maintaining a modest lifestyle regardless of income can be a powerful way to build wealth. Avoid the trap of comparing yourself to others or trying to "keep up with the Joneses." Chances are your neighbors with the flashy car and designer shoes are stressed and in debt. True financial success is having security and freedom, not possessions.
4. **Increase Awareness and Track Spending:** Regularly reviewing a budget helps identify areas where lifestyle inflation may start creeping in. Apps and financial tracking tools can make it easier to stay on top of spending habits. Review your spending in key categories year over year and make sure any increases represent purposeful choices you have made that bring value to your life, not just lifestyle inflation sneaking in by default.

   It's okay to enjoy your success—the key is to do so intentionally. Instead of upgrading every aspect of life on autopilot, choose one or two areas that bring you the most personal fulfillment, and indulge there while keeping other expenses in check.

Identifying and curbing lifestyle inflation requires self-awareness, discipline, and a commitment to long term financial health. While increased income can open doors, only deliberate financial habits will keep them open. By spending mindfully, individuals can turn rising income into lasting wealth. If you'd like to speak with a financial advisor to review your spending and clarify your financial priorities, email us at newsletter@thecommco.com to start the conversation.