# Opinion: Powell has picked sides, but which is worse for you: inflation or recession?

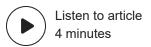
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What's best for the U.S. economy as a whole might not work for you, because how you experience inflation and recession is highly personal



Choosing between inflation and recession is not an easy climb. AFP VIA GETTY IMAGES



When Federal Reserve Chairman Jerome Powell said Wednesday that "no one knows whether this process will lead to a recession or, if so, how significant that recession would be," he was clearly picking sides. In the hard place

between two bad situations, the Federal Reserve is indicating that curbing high inflation is the goal, even if that might lead the U.S. into a recession.

But what about you? What's better for the whole country might not match your personal economic situation.

"The argument is usually that since inflation impacts everyone and a recession impacts those who lose jobs the most, that inflation is worse," says Jamie Hopkins, managing partner of wealth solutions at Carson Group. But that said, he'd rather have to deal with the high inflation of the 1970s than the worst economic lows of U.S. history, like in Great Depression or the Great Recession. So maybe the answer isn't so clear-cut for individuals.

#### Inflation is personal, but so is recession

How people experience inflation varies by location, age and economic status. If you own a home and a car that you don't drive much, you may be affected less directly than a renter who has a high gas bill commuting to a job with low wage growth. If you're a retiree on a fixed income, the increase in your grocery bill may bite more than for somebody who is working steadily.

So too, does how people experience recession, which slows growth and often leads to unemployment. "A lot of people are in a personal recession right now," says Kashif Ahmed, a certified financial planner and president of American Private Wealth in Bedford, Mass.



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Although unemployment claims are <u>extremely low</u>, headlines about layoffs abound, putting some people unfortunately ahead of the curve. Particularly vulnerable are those on the lower-end of the economic ladder, who tend to lose jobs fastest when there are cuts, which Powell pointed out yesterday. Also on edge are small-business owners, who get squeezed first in contractions because they don't have the purchasing power of big companies and have less cushion if people stop buying their wares or services.

#### Can you fight it?

The good news is that recessions can be short-lived. "By the time the government says we're in a recession, we may be climbing out of one already," says Ahmed.

While there's little a person can do to alter the macroeconomic decisions of the Fed, you can make moves to put yourself in a better position to weather what's coming.

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"You can buy chicken instead of beef, or don't purchase a car. You can do things like that to fight inflation. As far as a recession, you can prepare by increasing savings," says Brian Klimke, director of investment research at Cetera Investment Management.

For people who are considering transitioning to a new job or trying to enter or re-enter the labor force, they could hurry up. "The job market is still strong, but the opportunities will probably be less abundant six months from now," says Bill Adams, chief economist for Comerica Bank.

If you can stay in a job that adjusts for inflation during a high inflationary time period, you might not feel the pinch, says Hopkins. You don't have to hang on forever. "The recovery is usually pretty fast. When it comes to inflation, the impact is arguably broader and the impact is more lasting," says Hopkins

Be cautious that whatever you do to correct for one harm might have ripple effects elsewhere—like raising rates may lead to a recession. "High-tech companies that are leveraged will suffer when rates increase, but banks will do better. Just because higher inflation will lead to higher interest rates, not every stock will go down. That's why you build a balanced portfolio," says Ahmed. "You zig and zag."

