

How to manage your investments in a High inflationary Period

Currently Sri Lanka is facing one of its highest inflationary times in history. One could define Inflation as the increase in prices over a given time period. Which means when prices go up, money cannot buy as much as it used to, reducing purchasing power and the value of income and savings. This does not only affect your day today expenses but also your investments.

In a world where inflation is kept in check, money kept in cash, low-interest bank accounts, or under the mattress would lose value over time as prices rise because of inflation. In August 2022, Consumer prices in Colombo recorded an inflation of 64.3% where transport costs rose by 148.6% while food prices increased by 93.7%.

As a result, investors will understandably feel uneasy as they observe rising inflation and declining relative values for their cash and some types of investments. This will encourage them to look back at what investments outperformed during previous inflationary periods.

Nevertheless, many of these investments can be risky, investors should exercise caution when buying them, and past market performance is not always applicable today. As high as inflation is right now, it may be temporary. As we move on, inflation may actually start falling as market forces come into action; higher interest rates, improved supply chains, and reduced government spending are just a few economic reforms.

As a matter of fact, it is always important to make investment decisions according to your risk profile, time horizon and financial circumstances. Therefore, in a time of uncertainty, it is a good idea to revisit your financial plan or roadmap. A good financial goal is tied to a sound long-term financial plan that will survive short- term market difficulties and help weather the impact of inflation and other economic conditions.

Diversifying ones investment portfolio is important in these inflationary times as a significant market movement could lead to concentration risk, meaning the loss occurred when having a larger portion of your investment in one particular investment. It is important to diversify your investment portfolio in multiple asset classes.

Again, a registered advisor can help so visit our website [Registered Investment Advisors](#) to get more information and learn more. When inflation is high, you should be focusing on your overall financial picture and combine with a sound financial planning, with growth companies would help you elevate your financial security.