INVESTING BASICS

Worried About Inflation? You Probably Should Be

mfs.com

Over the past decade, inflation has been relatively low. However, it has recently reached levels not seen in decades. While many expect inflation to moderate from recent levels, it's anyone's guess where it will land. Over time, inflation will erode your purchasing power if the return you earn on your money is less than the inflation rate. There are two inflation rates, reported as the Consumer Price Index (CPI) by the Bureau of Labor Statistics. Headline inflation represents the change in price for a broad bundle of products and services. Core inflation excludes food and energy. While the core inflation rate is generally lower, headline inflation is more realistic because it reflects all the living expenses consumers have.

So, for every dollar invested in a 6-month CD over the past 10 years, you lost 1.81%. A deposit of $1,000 would be worth only $833. It's hard to meet long-term goals with short-term investments. The chart below shows what would have happened to your spending power if you had stayed invested in 6-month CDs for the past 10 years.

Current rates of inflation and CD Yield [4]

Headline inflation	6.5%
Core inflation	5.7%
6-month CD yield as of 12/31/2022	5.2%

Here is an example of real, after tax returns on six-month CDs for 2022.

Taxes and inflation determine the real rate of return*

Return for a 6-month CD	**1.68%**
Minus portion of return used to pay taxes (at a 22% tax rate)	0.37%
Equals after-tax return rate	**1.31%**
Minus current headline inflation rate	6.50%
Real rate of return	**-5.19%**

As of 12/31/22
*Values subject to rounding.

Year	6-month CD[1]	Federal tax rate[2]	After-tax return[3]	Inflation[4]	Real rate of return[5]	Value of $1,000
2013	0.40%	22%	0.31%	1.50%	-1.19%	$988
2014	0.31%	22%	0.24%	0.80%	-0.56%	$983
2015	0.43%	22%	0.34%	0.70%	-0.36%	$979
2016	0.89%	22%	0.69%	2.10%	-1.41%	$965
2017	1.35%	22%	1.05%	2.10%	-1.05%	$955
2018	2.16%	22%	1.68%	1.90%	-0.22%	$953
2019	2.45%	22%	1.91%	2.30%	-0.39%	$949
2020	1.02%	22%	0.80%	1.40%	-0.60%	$944
2021	0.16%	22%	0.12 %	7.00%	-6.88%	$879
2022	1.68%	22%	1.31%	6.50%	-5.19%	$833
Average [6]	**1.08%**	**22%**	**0.84%**	**2.61%**	**-1.81%**	**N/A**

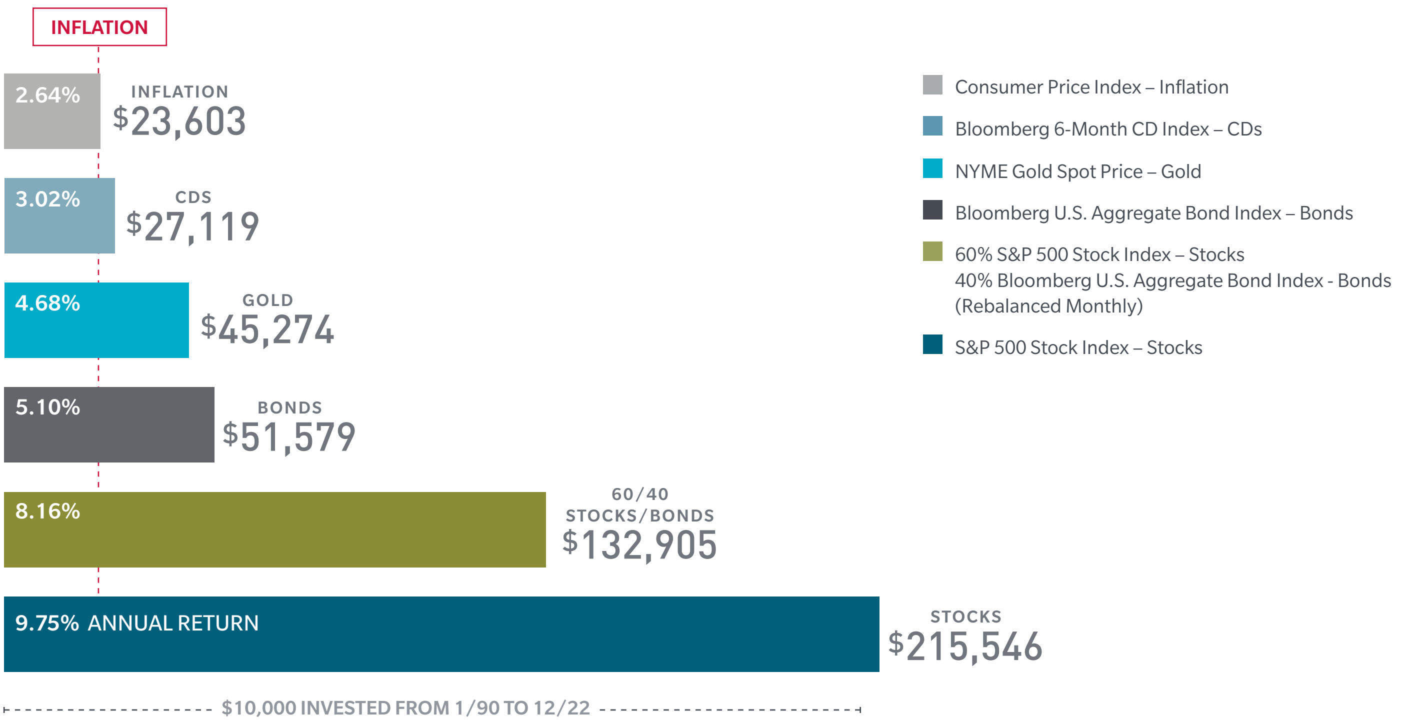
Regardless of the investment, it is important to consider the inflation rate when determining what you are really earning on your money. For a more detailed understanding of how inflation impacts your portfolio, talk to your investment professional.

Keep in mind that CDs may be purchased for longer periods than illustrated. The six-month CD rate was used as an example to illustrate the effects of taking money out of the market because of volatility. Had longer-term CDs been used (such as a 60-month CD), the results would have been different. CDs are FDIC insured, generally up to $250,000, and have principal and interest guarantees. Unlike most FDIC-insured CDs, the share price of the other investments (*e.g.*, stocks, bonds, mutual funds) is subject to fluctuation and is not guaranteed. Therefore, there are greater investment risks involved, which may result in a loss of principal.

[1] Source: Bloomberg.CD return based on average of Bloomberg CD 6-month yield available at prior year end and as of mid-year.
[2] Federal tax rate is based on the $100,000 of taxable income for a married couple filing jointly (taxpolicycenter.com).
[3] The after-tax return calculated as the 6-month CD rate * (1-federal tax rate).
[4] Source: Bloomberg. Inflation is the year-over-year % of the Consumer Price Index (headline inflation) and is not seasonally adjusted.
[5] Real rate of return is the after-tax return minus the inflation rate.
[6] The average for the 6-month CD return, after-tax return and real rate of return is calculated as the annualized return from 31 December 2011 to 31 December 2021 to account for compounding.
The average of the inflation rate is calculated as the simple average.

How Can Investors Manage Inflation

Inflation reduces the value of an investor's investment returns and spending power. When inflation is high, investments need to work harder to help meet an investor's long-term financial goals. If investors only hold more conservative investments like CDs, investors may need to review their investments to take on more risk to potentially generate higher returns in order to beat inflation. Historically, over the long term, stocks and bonds have produced higher returns than more conservative investment options like CDs, but also carry more risk.



Contact your financial advisor or investment professional for more information or visit mfs.com.

Source: SPAR, Bureau of Labor Statistics.

Stock returns have typically been more volatile than those of bond securities.

The **S&P 500 Stock Index** measures the broad US stock market. The **Bloomberg U.S. Aggregate Bond Index** measures the US bond market. The **Bloomberg 6-month CD Index** represents the 6 month CD rate. The **Consumer Price Index (CPI)** is a measure of inflation. **New York Mercantile Exchange (spot $/oz)** measures the price of gold.

It is not possible to invest directly in an index. Index performance does not take into account investment-related fees and expenses. The index did not have a positive return for the entire time period shown.

Past performance is no guarantee of future results.

Important risk considerations: Stock: Stock markets and investments in individual stocks are volatile and can decline significantly in response to or investor perception of, issuer, market, economic, industry, political, regulatory, geopolitical, environmental, public health, and other conditions. **Bond:** Investments in debt instruments may decline in value as the result of, or perception of, declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall), therefore the Fund's share price may decline during rising rates. Portfolios that consist of debt instruments with longer durations are generally more sensitive to a rise in interest rates than those with shorter durations. At times, and particularly during periods of market turmoil, all or a large portion of segments of the market may not have an active trading market. As a result, it may be difficult to value these investments and it may not be possible to sell a particular investment or type of investment at any particular time or at an acceptable price. The price of an instrument trading at a negative interest rate responds to interest rate changes like other debt instruments; however, an instrument purchased at a negative interest rate is expected to produce a negative return if held to maturity.