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What the War in Ukraine Means for Your Financial Picture

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Russia's invasion of Ukraine has had worldwide repercussions. In addition to the massive humanitarian toll, the offensive has roiled financial markets across the globe.



How will this worldwide turmoil affect your finances? Will it affect your stocks, investments, interest rates, purchases?

The spike in oil prices and continued geopolitical uncertainty caused the S&P 500 index to drop more than 10% in February. The market has rallied to recover most of its losses, but the gyrations since the invasion began come on top of heightened market

volatility since the start of the year.

"The Russia-Ukraine situation has added a new level of uncertainty in the markets," says Amy Guerich, a senior partner at Stepp & Rothwell, Inc, a financial planning firm based in Overland Park, Kansas, whose clientele is about one third physicians. "We have seen a decline in the stock and bond markets that reflects that uncertainty."

Commodities (raw products, such as oil, gold, and coffee) — typically viewed as a hedge against inflation and a safer investment in times of turbulence — have spiked. Aside from the run-up in oil prices, the material price index, which includes 10 commodity components — including lumber, rubber, and pulp — spiked in mid-March to levels nearly 12% higher than their 2011 record, according to S&P Global.

The collapse of Russia's ruble has also sparked concerns that the country could default on its government debt, although Russia made the \$117 million payments due on March 16.

Inflation is a concern for many Americans. At 7.9%, inflation, has hit a 40-year high in the United States (owing to the war in Ukraine and other macroeconomic factors). Because of inflation's impact on consumers, whose spending represents the primary drive of US economic growth, the US Federal Reserve has begun to tighten monetary policy with interest rate hikes. The agency boosted interest rates by a quarter of a percent in March and is expected to continue with small rate hikes for the rest of the year.



While higher interest rates can make borrowing via mortgages and car loans more expensive, increased interest rates for savings accounts and certificates of deposit can be a boon to consumers. However, inflation could dampen that benefit.

"If interest rates are 6% and inflation is 5%, higher interest rates scarcely benefit savers," says Joel Greenwald, a wealth management adviser for physicians.

Many investors have become more conservative in their investing approach. Three quarters of active investors surveyed by Fidelity in February said they prefer long-term gains over short-term gains when investing — meaning that they would rather buy stocks to hold onto rather than make quick purchases and sales. And 60% would rather pursue low-risk, low-reward investments over risky investments — meaning stocks that are less likely to increase in value but are also less likely to drop precipitously.



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