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# What stagflation means for your money.

Learn more about this trending term and how you can get ahead of it.

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Inflation has gone from an economic buzzword to everyday term, but are you ready for another? Say hello to stagflation.

In the most simple terms, stagflation is a mash-up of the words “stagnant” and “inflation.” If we dig into that a little further, stagflation happens during a period of economic stagnation as [inflation](#) and unemployment rise. Let’s dive into why this term is important and how you can prepare for it.

## Stagflation isn’t anything new

The term dates back to the 1960s, but you might not have heard of it because we don’t see this economic environment very often. Typically, during an economic downturn, the price of goods and services levels off or even decreases. In the case of stagflation, unemployment and the economy remain level as the price of goods and services increases.

The causes of stagflation are up for debate, since it’s a relatively unusual phenomenon. There are some things we’ve all been experiencing that point to a period of stagflation – including [fluctuating interest rates](#) and supply chain shortages.

Let us take you back to the toilet paper shortage of 2020 (just for a second, we promise). That was our first big supply chain shock, and we’ve encountered waves of them ever since. The pandemic and resulting supply chain issues are key indicators of stagflation, as prices increase when goods are in demand, but the economy doesn’t prosper as a result.

## Is stagflation the same as a recession?

In short, no. A [recession](#) happens when a significant economic decline lasts more than a few months, but inflation typically levels off or decreases during this time. During a period of stagflation, consumer spending and prices will continue to increase even though the economy is in a downturn. High unemployment is an outcome of both a recession and stagflation, and it’s definitely something to look out for.

## Preparing for stagflation

A good way to prepare for a period of uncertainty is to adjust your budget so you can weather unexpected challenges. Here are some tips to consider:

**Make small changes.** You don’t have to overhaul your finances to start saving money. [Start small](#) and look for opportunities in [unexpected places](#). You may see an impact sooner than you’d think.

**Think twice about every purchase.** Before you get swept away by impulse buys, [hit pause](#) and make sure your budget (and closet) have room.

**Stay calm.** Easier said than done, right? There are steps you can take to [manage financial stress](#), such as practicing mindful spending and building a support system. Unexpected expenses pop up here and there, so it’s always a good idea to start [building an emergency fund](#). The sooner you start putting away extra money, the less stress you’ll feel when you need to use it.

The idea of stagflation can seem intimidating and unpredictable, but there are ways to stay ahead of this trend. Budgeting and using credit responsibly are two steps you can take to [prepare for a potential downturn](#).

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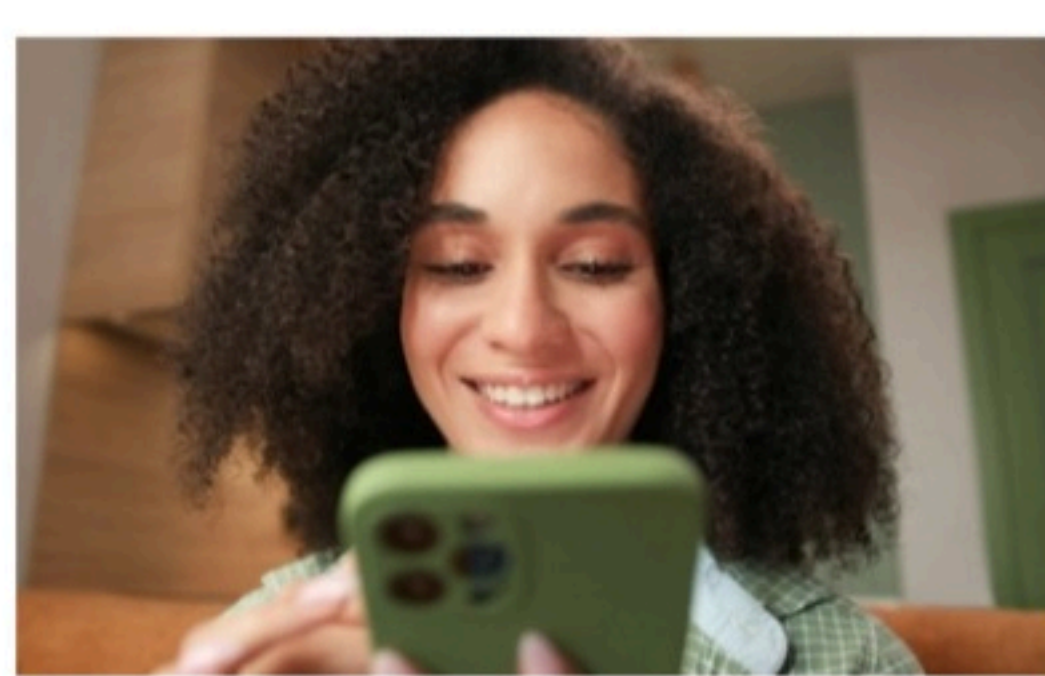
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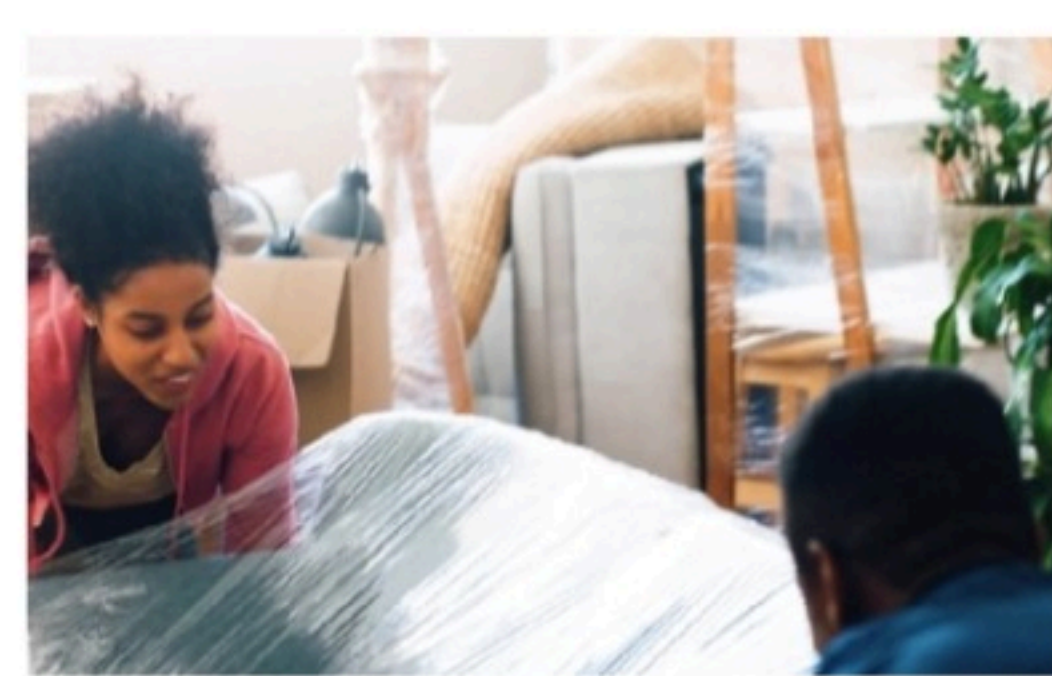
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