

Portfolio Manager Insights

Inflation and Social Security COLA: Managing Purchasing Power

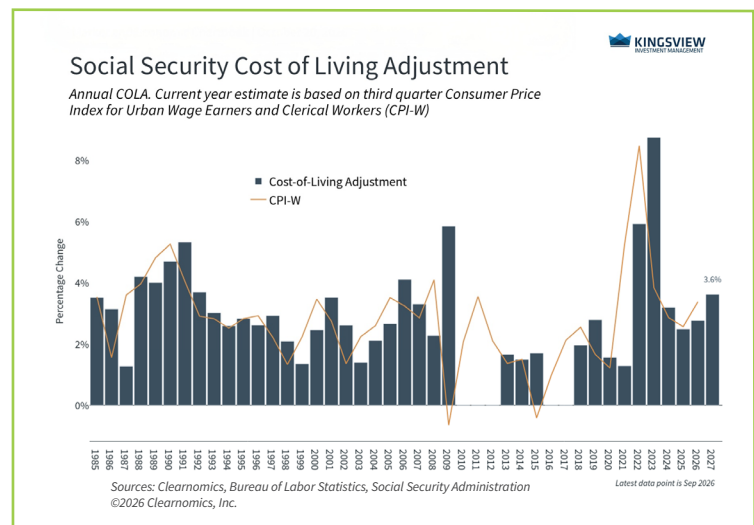
Weekly Investor Commentary | October 21, 2026

Investment Committee

The annual Social Security cost-of-living adjustment (COLA) is one of the most important developments for retirees and consumers. Not only does it affect Social Security recipients directly since it determines the increase in benefits next year, but it also reflects the broader inflationary trends affecting all consumers and investors. This is especially important today as inflation continues to add pressure to many households.

The Social Security Administration recently announced a 3.6% COLA for 2027, one of the highest in recent decades. While this is a healthy increase on paper, the reality is that this adjustment is one part of an overall strategy for maintaining purchasing power as prices rise. For long-term investors, it is important to understand what is driving inflation, what it means for cash yields, and how it affects portfolios.

THE 2027 COLA REFLECTS HIGHER ENERGY PRICES



Inflation has faced two competing trends over the past year. Overall inflationary pressures from the pandemic period have been improving, with the Consumer Price Index decelerating from a peak of 9.1% year-over-year in 2022 to 2.7% at the start of 2026. However, rising energy prices due to the war in Iran have pushed inflation higher in recent months, with the latest CPI figure showing that prices have risen 3.7% over the past year.¹ So, while the overall inflation trends have been positive, higher energy prices have raised costs for consumers more recently.

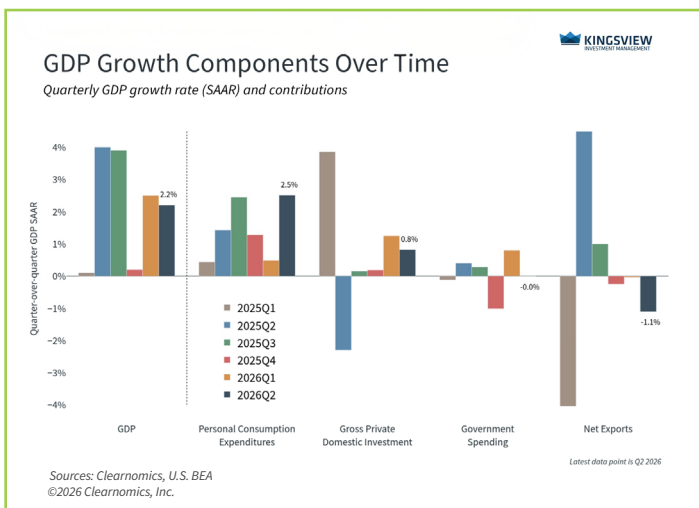
This is why the COLA adjustment for 2027 of 3.6% is the fifth-largest increase in over 35 years, and the highest since the 8.7% adjustment that took effect in 2023. To put this figure in historical context, it is also well above the 3.1% average COLA over the past decade.²

COLA is calculated using a version of the Consumer Price Index known as the CPI-W, which focuses on “urban wage earners and clerical workers.” This index compares price levels in the third quarter of the current year against the same period a year earlier. The challenge is that it’s difficult for one number to reflect the needs of all retirees. For example, the latest COLA figure means that the average Social Security recipient will see approximately \$75 more per month beginning in January 2027.³ While this is positive, it may not be enough to fully offset inflation for many retirees due to rising costs for healthcare, prescription drugs, and other necessities.

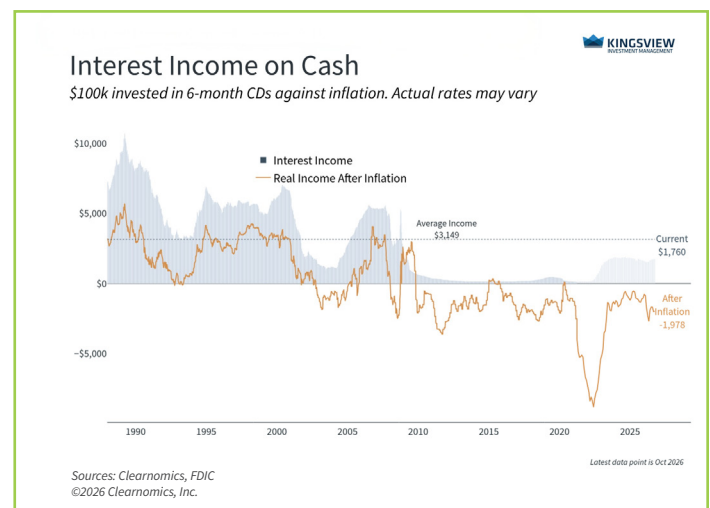
By comparison, there is also an experimental measure known as CPI-E, or the Consumer Price Index for the Elderly. Its objective is to track households headed by adults aged 62 and older, and it has been proposed by some as a more appropriate benchmark of spending patterns among seniors. Since seniors spend a larger share of their income on inflation-sensitive areas such as healthcare and housing, CPI-E generally rises faster than CPI-W. For example, from January 1985 to January 2025, CPI-E rose 221% while the CPI-W increased 197%.⁴ That said, no single index can perfectly capture every household's experience.

For retirees enrolled in Medicare, it is also worth noting that the monthly Part B premium, which covers outpatient care, is projected to rise by \$6.60 to \$209.50.⁵ Since this amount is typically deducted from Social Security checks, it could partially offset the COLA increase for those affected. Part D prescription drug plan costs are also rising, and while lower-cost options remain available, these increases add another layer of complexity to the net benefit calculation. The actual increase in purchasing power for many retirees could be smaller than the headline percentage suggests.

CONSUMER SPENDING IS SUPPORTING BROAD ECONOMIC GROWTH



CASH YIELDS ARE STILL LAGGING BEHIND INFLATION



When it comes to broader economic trends, inflation continues to impact many parts of the economy. Headline CPI rose 3.7% year-over-year in September, with gasoline prices accounting for more than half of the monthly increase with a surge of 9.1%. In contrast, core CPI, which excludes food and energy prices, rose only 2.6%.⁶

These figures suggest that the primary driver of today's inflation is still energy, rather than broad-based price pressures spreading across the entire economy. An even narrower measure of the Consumer Price Index, sometimes called "supercore" inflation since it excludes food, shelter, and energy, rose only 2.0%.⁷ Other inflation measures paint a similar picture.

It's natural for higher inflation to hurt consumer sentiment, which has fallen to historic lows. Despite this, many measures of consumer spending continue to be strong. Retail sales, for example, showed a significant growth rate of 6.3% over the past year in September.⁸ However, this is also in part due to inflation, since gasoline accounted for approximately 71% of the monthly increase.

All of these factors influence real Gross Domestic Product (GDP) growth, which is calculated to exclude the effects of inflation. Despite higher inflation and uncertainty in the labor market, consumer spending has been strong, as shown in the chart above.⁹ Business investment has also remained steady, supported in part by ongoing AI-related capital spending on data centers and infrastructure. Together, these factors have helped to support broad economic growth, corporate profits, and financial markets, despite many ongoing challenges.

While economic growth continues to be stable, the combination of inflation and higher interest rates creates additional challenges for long-term investors. Even though nominal interest rates are elevated compared to much of the past decade, the inflation-adjusted yields on cash remain lower than many investors might expect, especially with the Fed raising policy rates.

For example, the chart above shows the interest income on cash, calculated using the average yields on six-month certificates of deposit, according to the FDIC. While these rates are higher than in the past, they are still not keeping pace with inflation. Of course, specific products and vehicles may have higher-than-average rates, but managing these products, ensuring that they are rolled over properly, and monitoring the overall rate environment are necessary. This means maintaining the purchasing power of savings continues to be a challenge, underscoring the importance of sticking to a long-term financial plan and holding a portfolio that can generate inflation-adjusted returns.

This is why, for many investors, looking beyond cash and annual benefits adjustments remains important for overcoming inflation. A balanced portfolio including allocations to stocks and bonds, when structured properly, can potentially offer more attractive real returns than cash alone. Investment-grade corporate bonds, for example, currently offer yields that are well above their long-run historical averages.

The bottom line? The 2027 Social Security COLA of 3.6% is a reminder that inflation remains a real challenge due to higher energy prices. Maintaining a balanced portfolio that doesn't only rely on cash or benefit adjustments alone continues to be the best way to maintain and grow purchasing power.

References

1. <https://www.bls.gov/news.release/cpi.htm>
2. Clearnomics research using Social Security Administration data, as of October 18, 2026
3. <https://www.ssa.gov/news/en/press/releases/2026-10-14.html>
4. <https://www.congress.gov/crs-product/IF12675>
5. <https://www.cms.gov/oact/tr/2026>
6. <https://www.bls.gov/news.release/cpi.htm>
7. <https://www.bls.gov/news.release/cpi.htm>
8. Clearnomics research using U.S. Census Bureau data, as of October 18, 2026
9. Clearnomics research using BEA data, as of October 18, 2026

Historical references do not assume that any prior market behavior will be duplicated. Past performance does not indicate future results. This material has been prepared by Kingsview Wealth Management, LLC. It is not, and should not, be regarded as investment advice or as a recommendation regarding any particular security or course of action. Opinions expressed herein are current opinions as of the date appearing in this material only. All investments entail risks. There is no guarantee that investment strategies will achieve the desired results under all market conditions and each investor should evaluate their ability to invest for the long term. Investment advisory services offered through Kingsview Wealth Management, LLC ("KWM"), an SEC Registered Investment Adviser. (2024) The illustrations, charts, and other visual materials included in this marketing material are provided by third-party sources. These illustrations are for informational purposes only and do not represent the actual performance of any specific investment, product, or strategy. The third-party information presented herein has been obtained from sources believed to be reliable; however, Kingsview Wealth Management makes no warranty or representation, expressed or implied, as to its accuracy or completeness. The inclusion of this material does not imply an endorsement of any third-party content, nor should it be construed as financial advice.