

## How Is A Wage Freeze A Wage Cut?

Make no mistake about it – a wage freeze is a concession that costs you money. This is due to inflation. Whereas our wages remain frozen, the prices of goods and services continue to rise. Inflation is forecast between 1.9% and 2.0% for the next three years.

The administration proposal calls for 0-0-0 in raises and their attorney suggested they would refuse any in the three following years also. Wouldn't it be nice if you had the ability to tell your utility company, your Internet Service Provider, your local grocery store, and the gas station that you have decided not to pay their higher prices? Of course life doesn't work that way. Each year, we see prices increase.

The following table illustrates what happens to the value of \$50,000 from 2017-2022, assuming no raises and an inflation rate of 2%. Take your salary and divide by \$50,000, then multiply by the "value at end of year 2022" to see how much real money you are losing.

**Value of \$50,000 Over Time  
Assuming 0% Raises**

	<b>Value at Start of Year</b>	<b>Projected Inflation</b>	<b>Value At End of Year</b>
2017	\$50,000	2.00%	\$49,000
2018	\$49,000	2.00%	\$48,020
2019	\$48,020	2.00%	\$47,060
2020	\$47,060	2.00%	\$46,118
2021	\$46,118	2.00%	\$45,196
2022	\$45,196	2.00%	\$44,292

Over a 6-year period, your \$50,000 is only worth \$44,292 due to inflation.

Unfortunately, the ramifications do not end there. This table does **not** include the long-term compounding effects of the loss of contributions toward retirement.