

Name _____



**MONEY AND INFLATION
ACTIVITY SHEET 1**



When Prices Rise

Nikki is still dreaming about one of her biggest goals—owning her own home—but the reality of inflation is really putting a wrench in things! She wonders how she will plan for rising housing prices, along with all the other expenses that come with homeownership, like property taxes, utilities (gas, electric, water), and insurance. Plus, as Grandma reminded her, there are unexpected costs, like a roof repair. Although many mortgages have payments that stay the same for the life of the loan, all the other costs could increase due to inflation.



Nikki planned to spend a total of \$1,150 per month for housing. If she takes inflation into account, will \$1,150 be enough for all her housing costs? If not, how much will she need to budget?

Hint: Inflation is an economic force that reduces purchasing power, meaning that a dollar buys less than it used to. Inflation is expressed as a percentage increase. If the price of an item was \$100 on January 1, 2019, and \$110 on January 1, 2020, the annual inflation rate for that item was 10%.

Directions to calculate inflation are on page 25 (second page of Money & Inflation Lesson 1)



NIKKI'S MONTHLY HOUSE BUDGET

Expense Type	Current Year Cost	Projected Annual Inflation Rate	Cost Three Years From Now
Mortgage	\$600	None	_____
Property tax	\$300	2%	_____
Gas	\$100	1%	_____
Electricity	\$50	2%	_____
Water	\$25	3%	_____
Insurance	\$50	5%	_____
TOTAL	\$1,125		

Answer Key (third column): Mortgage, \$600; Property tax, \$318.36; Gas, \$103.03; Electricity, \$53.06; Water, \$27.32; Insurance, \$57.88; Total: \$1,159.65. Nikki's housing budget of \$1,150 is sufficient for the current year, but it will be less than her projected costs in the third year, when she will have to increase her housing budget to \$1,160 per month.