

 **ADJUSTED FOR INFLATION**

Why Those Three Words Matter

“Adjusted for inflation.” It’s a phrase that may sound technical or even forgettable—but when you see it in action, it becomes clear just how powerful those words can be. Over time, inflation changes the value of money, and whether or not rules and benefits keep up with that change can have a major impact on your financial life.

Let’s look at a few examples.

When the Rules Didn’t Keep Up

Investment Loss Deductions



Since 1978, taxpayers have been allowed to use up to **\$3,000** in investment losses to offset ordinary income. That’s **the same \$3,000** that’s still in place today. If that number had been adjusted for inflation, it would be closer to **\$15,000**.

Home Sale Capital Gains Exclusion



In 1997, Congress set the exclusion at **\$500,000 for married couples** (and **\$250,000 for single filers**) when selling a primary residence. More than 25 years later, those amounts haven’t budged. If they had been adjusted for inflation, the exclusion would now be about **\$1,000,000 for couples** and **\$500,000 for individuals**.

Alternative Minimum Tax (AMT)



The original AMT was created in 1969 to make sure **155** high-income taxpayers paid at least some federal income tax. Because the rule wasn’t initially indexed for inflation, millions of middle-income families eventually got pulled into the tax—**5.2 million** by 2017—even though they were never the intended target.

When the Rules Did Keep Up

Social Security Benefits



Here’s an area where inflation adjustments have worked as intended. Since 1975, Social Security benefits have included an annual Cost of Living Adjustment (COLA). In 1975, the average monthly retirement benefit was just **\$207**. By 2025, the average check had risen to **\$1,976**. While inflation has eroded some of that growth, retirees would be in much worse shape today if benefits had been frozen at 1970s levels.

Why This Matters to you

Whenever you hear—or don’t hear—the phrase “*adjusted for inflation*,” it’s worth paying attention. A lack of adjustment can quietly shrink the value of a tax break or benefit over time, leaving you with fewer dollars in your pocket. On the other hand, rules that do keep pace with inflation can help protect your long-term financial well-being.

Planning Smarter

Inflation quietly reshapes the rules of money. By noticing where policies adjust—and where they don’t—we can uncover both hidden risks and valuable opportunities. Some rules keep pace, others fall behind, and knowing the difference is key to protecting wealth and maximizing growth.

We keep a close eye on how inflation interacts with tax rules, investment planning, and retirement benefits. It’s part of helping you stay ahead, so your money works as hard as you do. If you’d like to see how this applies to your personal plan, schedule a time using the link below or simply reply to this email—we’re always glad to help.

[Schedule a Meeting](#)



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