



How rising interest rates can affect you

INTEREST RATES HAVE stayed fairly stable over the last few years, but financial planners believe that will soon change. Higher interest and mortgage rates in particular can have an impact on the overall housing market. Credit card rates always automatically tick up when overall interest rates go up. But there is a silver lining: "Higher interest rates also make for a stronger dollar," Ken Robinson, president of KCR Wealth Management, says. "And typically that stronger dollar can also impact the economy with making exports more expensive and imports cheaper."

Angela Bender, president at AMJ Financial, agrees that rising interest rates are not always a bad thing, and how interest rates are established by the Fed is not as much a mystery as some people would think. "The Federal Reserve puts out a dot-plot after every meeting that shows the path that the voting members and other members believe the interest rate policy in the U.S. should take," she says. "And so you then look at the dot-plot and look at the spread between the 10-year and the two-year interest rate and that gives you a market sentiment (going either Bull or Bear)—if the market actually believes that will happen or not. So it does actually give you quite a good view of what should happen."

She says that her company just had a forecast meeting in July to discuss how things are stacking up and talked about the fact that the Fed would probably raise interest rates soon. This will be not one, but two interest rate hikes to come in 2018. "They are really just taking a measured approach so I don't think that they want to go too far too fast," she says.

Bender says that there are plenty of fixed-income options that like rising interest rates. If you have an adjustable or balloon-type home mortgage, now might be the time to lock in a fixed rate before the overall interest rate goes up. "And there are alternative strategies as well," she says. "Like other types of real estate, where you have rentals that turn over and can really keep pace with inflation.

"You don't have to be a victim to rising interest rates," she says. "Just remember what the Fed's mandate is: keeping inflation in check and keeping markets stable."