MARKET SNAPSHOT

Can Sitting in Cash Cost You?

Volatile markets have prompted many investors to invest in cash. While this may seem like a smart choice, inflation and taxes can eat into seemingly attractive cash returns. When accounting for inflation and tax rates, the return from investing in cash may be negative, as seen in the table below. In other words, cash investors may be losing money. While stocks and bonds have more risk than cash, they may also provide return potential that can help offset the impact of inflation and taxes.

You may not get what you think: Inflation and taxes determine the real rate of return

Hypothetical real rate of return after inflation and tax rates

		CASH RATE							
INFLATION	TAX RATE	1%	2%	3%	4%	5%	6%	7%	8%
2%	20%	-1.2%	-0.4%	0.4%	1.2%	2.0%	2.8%	3.6%	4.4%
2%	30%	-1.3%	-0.6%	0.1%	0.8%	1.5%	2.2%	2.9%	3.6%
2%	40%	-1.4%	-0.8%	-0.2%	0.4%	1.0%	1.6%	2.2%	2.8%
4%	20%	-3.2%	-2.4%	-1.6%	-0.8%	0.0%	0.8%	1.6%	2.4%
4%	30%	-3.3%	-2.6%	-1.9%	-1.2%	-0.5%	0.2%	0.9%	1.6%
4%	40%	-3.4%	-2.8%	-2.2%	-1.6%	-1.0%	-0.4%	0.2%	0.8%
6%	20%	-5.2%	-4.4%	-3.6%	-2.8%	-2.0%	-1.2%	-0.4%	0.4%
6%	**30%**	-5.3%	-4.6%	-3.9%	**-3.2%**	-2.5%	-1.8%	-1.1%	-0.4%
6%	40%	-5.4%	-4.8%	-4.2%	-3.6%	-3.0%	-2.4%	-1.8%	-1.2%
8%	20%	-7.2%	-6.4%	-5.6%	-4.8%	-4.0%	-3.2%	-2.4%	-1.6%
8%	30%	-7.3%	-6.6%	-5.9%	-5.2%	-4.5%	-3.8%	-3.1%	-2.4%
8%	40%	-7.4%	-6.8%	-6.2%	-5.6%	-5.0%	-4.4%	-3.8%	-3.2%
10%	20%	-9.2%	-8.4%	-7.6%	-6.8%	-6.0%	-5.2%	-4.4%	-3.6%
10%	30%	-9.3%	-8.6%	-7.9%	-7.2%	-6.5%	-5.8%	-5.1%	-4.4%
10%	40%	-9.4%	-8.8%	-8.2%	-7.6%	-7.0%	-6.4%	-5.8%	-5.2%

A CLOSER LOOK AT REAL RETURNS

4% CASH RATE

Inflation: **6%**

Tax rate: **30%**

Expected return: 4%

Real return: **-3.2%**

Inflation and tax rates impact cash returns which could make stocks and bonds a better fit for suitable long-term goals.

These hypothetical examples are for illustrative purposes only. It does not represent the performance of a particular MFS® investment product. This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

IMPORTANT RISK CONSIDERATIONS:

Stock: Stock markets and investments in individual stocks are volatile and can decline significantly in response to issuer, market, economic, industry, political, regulatory, geopolitical, environmental, public health, and other conditions. **Bond:** Investments in debt instruments may decline in value as the result of, or perception of, declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall), therefore the Fund's share price may decline during rising rates. Funds that consist of debt instruments with longer durations are generally more sensitive to a rise in interest rates than those with shorter durations. At times, and particularly during periods of market turmoil, all or a large portion of segments of the market may not have an active trading market. As a result, it may be difficult to value these investments and it may not be possible to sell a particular investment or type of investment at any particular time or at an acceptable price. The price of an instrument trading at a negative interest rate responds to interest rate changes like other debt instruments; however, an instrument purchased at a negative interest rate is expected to produce a negative return if held to maturity.

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