After years of ultra-low inflation, costs are rising at their fastest rate since 2008. The poster child this time around is lumber, where prices have risen more than 85% this year and 280% in the past 12 months. So you might not want to rush into building that new home, or even that deck you've been planning. But what does consumer price inflation mean for you as an investor? First of all, inflation helps to explain why tech and other high-flying "growth" stocks have had a rough year. Rising inflation is seen as a headwind for stocks generally because it increases companies' costs—everything from wages to materials to borrowing costs. That puts pressure on earnings growth—and fast earnings growth is a core attraction of companies like Netflix, Amazon and Facebook.

Companies like these are heavily represented in market indexes like the S&P 500 and the Nasdaq, and their recent performance has dragged these indexes down. At the same time, "value" stocks, like utilities, consumer staples and banks, have mounted a big comeback this year as investors have dumped growth stocks. Value stocks tend to trade at lower prices relative to their earnings, sales and other fundamentals. They also tend to carry low debt and pay dividends, and they're known to withstand inflation better than growth stocks.

I believe that inflation is likely to persist throughout 2021 and maybe longer, in large part because of the $7 trillion in pandemic stimulus money the federal government has pumped into the economy. Likewise, I think the rotation from growth stocks to value stocks has legs. I wouldn't be surprised to see some tech stocks pull back 10% from their highs in coming weeks, while some value stocks soar. So for many investors, it's time to rebalance away from high-flying growth stocks and toward value investments.

That doesn't mean you should get out of the market altogether; doing so is almost always a mistake because no one can predict when markets will rise and fall. Nor should you dump all your growth stocks and back the truck up for value stocks. Selling appreciated stocks triggers taxes, for one thing. For another, many growth stocks are worth holding on to—particularly those that have the potential to be transformative over time. A little over 20 years ago, Amazon.com was just an online book seller; it went on to disrupt the way consumers buy just about every kind of good, and today it's a behemoth.

No one can identify the next Amazon with any certainty, of course. But investing in a number of less-mature companies with promising stories increases your odds of owning a stock that can really impact your investment portfolio if you're patient. This is where a seasoned investment advisor who really knows how to analyze companies can make a difference.

While investors are rotating to value stocks, and selectively holding on to growth stocks, one

area to be extremely cautious about is long-term bonds. Inflation can decimate the value of fixed-rate bonds because it erodes the buying power of the income stream the bonds provide.

Instead, look to short-duration bonds of five years or less. Fixed-income investments with variable interest rates are also inflation resistant because their payments can adjust upward.

As with stocks, a really skilled investment advisor can identify durable sources of fixed income in different market environments. And he or she can help you stay calm and rational when markets are volatile, stress increases, and your fear and greed instincts rear their heads. But you need to be smart about choosing which advisor to work with. As I wrote a few years ago, most advisors are actually brokers, who are legally permitted to place their financial interests ahead of yours. Registered Investment Advisors like Copeland Wealth Management have chosen to operate under a legal framework that requires us to put your interests first.

Please don’t hesitate to contact us if you’d like to discuss inflation and your investments.