

Understanding the Fed



Planning for retirement means making smart financial decisions today. One often-overlooked factor in that planning? The Federal Reserve—commonly known as “the Fed.” Its decisions directly affect your savings, investments, and long-term financial security.

What is the Federal Reserve and Why Should You Care?

The Federal Reserve is the central bank of the United States. Its job is to keep the economy healthy by managing inflation, controlling interest rates, and stabilizing the money supply, as well as promoting maximum employment. While that might sound far removed from your day-to-day life, these decisions ripple down to things that matter to you—like how much you earn on your savings or how affordable it is to borrow money.

The FOMC: The Decision Makers Behind the Scenes

The Federal Reserve System comprises 12 independent, regional Reserve Banks throughout the United States, the Board of Governors in Washington, D.C., and the Federal Open Market Committee (FOMC). The FOMC meets throughout the year to determine whether to raise or lower interest rates based on the state of the economy. These rate decisions influence everything from the performance of your 401(k) to the interest you earn on your savings or fixed annuities.

What Fed Decisions Mean for Your Money

Here's how changes in interest rates can impact your retirement outlook.

WHEN THE FED RAISES RATES

- New mortgage and loan payments may go up (as well as the interest on adjustable rate loans), which can increase monthly expenses.
- Credit card interest rises, costing you more if you carry a balance
- Savings accounts, CDs, and fixed annuities may earn more interest, a win for conservative savers.

WHEN THE FED LOWERS RATES

- Borrowing may become cheaper, making it easier to refinance a mortgage or pay off debt.
- Savings accounts and conservative investments may earn less interest, posing a challenge if you're nearing retirement and relying on steady income.
- Stock markets often perform better, potentially boosting growth in retirement accounts like IRAs and 401(k)s.

Why This Matters for Retirement Planning

Understanding the Fed's role can help you:

- Time your big decisions - like refinancing or rebalancing your retirement portfolio more strategically.
- Adjust your financial portfolio mix based on where interest rates and inflation are heading.
- Stay confident when markets get volatile, knowing your plan is grounded in informed choices.

Bottom Line

What happens at the Fed might seem like financial fine print, but it can shape how soon you retire and how comfortably you live once you do. The more you understand how monetary policy affects your personal finances, the more empowered you'll be to make the right moves for your retirement future.

Your path *To and Through Retirement*® begins here.

Talk to your financial professional to learn more or contact us at [800.888.2461](tel:800.888.2461)

Additional Topics



How Do the Fed's Interest Rate Moves Impact Your Wallet?

Knowing what interest rate activity means can help you make informed decisions and explore savings vehicles that are right for you.

[Navigate Turbulent Rates](#)



Defeating the Downside

Understand the history of volatile stock markets, prepare for the future, and protect your savings...and peace of mind.

[Learn About Market Dips](#)

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SB-10076-48 | 2026-01-08