The grocery receipt can reveal something your paycheck does not. You may be earning more dollars while bringing home less food, paying more for transportation, and finding that the same apartment takes a larger portion of your income. Nothing extravagant has entered your routine. The prices attached to ordinary life have changed. Purchasing power is the amount of goods and services your money can buy. When prices rise while the dollars available to you remain unchanged, your purchasing power falls (Investopedia investopedia.com). This gives you another way to evaluate financial progress: examine what your income can provide. A larger dollar amount is useful, but its practical value depends on the prices you must pay.

Inflation is an increase in the general level of prices over time. A price increase for one product does not, by itself, establish widespread inflation. A poor harvest can make a particular fruit expensive even while many other prices remain steady. Broader inflation involves increases across enough goods and services to raise the overall price level. It can develop when spending grows faster than businesses can supply products, when production and transportation become more expensive, or when several pressures occur together (International Monetary Fund, an international organization that studies economies and supports financial stability imf.org). For your household, the immediate effect is a higher cost to maintain the same purchases. If you respond by buying less, your spending might remain unchanged even though your living conditions have become tighter. An unchanged grocery bill can conceal a smaller amount of groceries.

The experience of Black households during the inflation surge of 2021–2022 shows why a national figure cannot describe everyone equally. Researchers at the Federal Reserve Bank of New York, one of the regional institutions in the United States' central banking system, estimated inflation experienced by different groups using their spending patterns. They found that Black and Hispanic households experienced higher inflation than the overall average during much of that surge. Transportation costs helped explain the gap: when a category consumes a larger share of a household's spending, sharp increases in that category have a greater effect. The researchers also found that these gaps narrowed as transportation inflation eased; by December 2022, their estimate for Black households was below the national average (Federal Reserve Bank of New York Liberty Street Economics). The findings describe changing exposure to particular prices. They do not suggest that every family within a racial group shops alike or experiences an identical increase.

One widely reported measure is the Consumer Price Index, abbreviated CPI. It tracks the average change in prices paid by urban consumers for a representative collection of goods and services. The Bureau of Labor Statistics, the federal agency that produces this measure, gathers prices and combines them according to how much consumers typically spend in different categories. Housing receives more influence than a small occasional purchase because it accounts for more household spending. Nevertheless, the resulting average cannot precisely match your individual experience (Bureau of Labor Statistics bls.gov). Someone who drives a long distance to work faces a different

exposure to gasoline prices than someone who walks. A family paying for childcare has expenses that a household without children may never encounter. National inflation figures provide context; your own bills show where the pressure reaches you.

Income also needs to be read in two ways. Nominal income is income stated in dollars without adjusting for changing prices. Real income is income adjusted for inflation so that you can compare its purchasing power across time (Investopedia investopedia.com). Suppose your pay rises by 3 percent while the prices of the things you purchase rise by 5 percent. You receive more money, yet maintaining the same purchases requires an even larger increase. Your real income has fallen. If your income and the relevant prices rise by the same percentage, your purchasing power is approximately unchanged. This is why a raise can bring relief without creating much room for additional saving. Part of the increase may simply cover what has become more expensive. When assessing a raise, compare the same period on both sides—annual income growth against annual price growth—rather than mixing a recent monthly change with a full year's increase.

Research published by the Federal Reserve Bank of Dallas in January 2023 examined the strain behind these calculations. Using household survey responses, the researchers found that roughly 54 percent of Black respondents reported being very stressed by inflation, compared with roughly 44 percent of white respondents. Their analysis indicated that income differences explained much of that racial gap. They also described why households with lower incomes had fewer ways to respond: more of their money went toward necessities, many already purchased inexpensive products, and limited available cash could prevent buying larger quantities at a discount (Federal Reserve Bank of Dallas, another regional institution in the United States' central banking system Dallasfed.org). A recommendation to "switch to cheaper brands" offers little additional savings to someone already buying them. For Black America, understanding this evidence helps explain how rising prices can intensify existing financial pressures without any increase in wasteful spending.

There is another term that can make financial news easier to interpret: disinflation, which means inflation is slowing. Prices can still be rising, just at a slower pace. Deflation means the general price level is falling (Investopedia investopedia.com). Consider an imaginary collection of groceries that rises from $100 to $110 during one year, then to $112 the following year. The second increase is smaller, but the groceries have not returned to their original price. A report that inflation has cooled can therefore be accurate while your shopping remains expensive. Earlier price increases remain built into the amount you pay unless prices subsequently decline. Lower inflation reduces the speed of additional increases; it does not automatically reverse the increases already experienced.

You can apply this understanding by comparing receipts and recurring bills for similar purchases over time. Keep quantities in view: spending more because you bought twice as much is different from paying more for the same amount. Record changes in rent, food, transportation, or other expenses that take substantial portions of your income.

Then compare those changes with the growth in the money available to cover them. The same approach applies to a savings goal. If you are saving toward a particular repair, course, or necessary purchase, obtain an updated price periodically; the dollar target may have changed while you were working toward it. A financial plan becomes more accurate when it tracks both the money accumulated and the current cost of what that money is intended to provide.