

“Tarrifying”: How Retirees Can Navigate Tariffs, Inflation and Market Volatility

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What can retirees expect—and how can they prepare for what’s ahead?

By Robert Powell

If you’re a retiree, you might be in a state of panic. And no one would blame you given that the markets are in a free fall and the uncertainty over tariffs.

So what can retirees expect—and how can they prepare for what’s ahead?

To get perspective, we consulted both AI—specifically *Gemini Deep Research*, an advanced AI that synthesizes economic and financial analysis—and seasoned certified financial planners. One planner summed up the current moment in a single word: “tarrifying.”

Impact on Everyday Expenses

Under the Trump administration’s tariffs, retirees and other consumers have already seen price increases across a range of essentials—from groceries to gasoline, electronics to automobiles. For those living on fixed incomes, these price hikes erode purchasing power and strain already-tight budgets.

Here’s what *Gemini Deep Research* and economic analyses estimate for price impacts in key categories:

These increases disproportionately affect retirees, especially those with limited income or high medical costs.

Retirement Savings and Investment Portfolios

Tariffs have also added volatility to the markets—an issue that hits retirees with equity

exposure especially hard.

According to *Gemini Deep Research*, sustained tariffs could reduce S&P 500 earnings by 2–3%, a move that would drag down stock valuations and potentially retirement portfolios. Bond yields and credit markets may also be affected, further complicating retirement planning.

In response, those planning for or living in retirement may need to:

- Trim expenses where possible;
- Delay retirement or consider returning to part-time work;
- Explore reverse mortgages;
- Or adjust investment strategies to reduce risk.

Thomas Van Spankeren, a certified financial planner with Rise Investments, recommends taking advantage of the market downturn by considering a Roth conversion. “The downdraft in the stock market is providing an opportunity to convert a larger proportion of a traditional IRA to a Roth IRA,” he said.

He also advises retirees to:

- Diversify into high-grade fixed income;
- Add dividend-paying equities;
- Increase exposure to international developed markets.

The Bucket Strategy

Additionally, both Van Spankeren and other planners recommend using the bucket strategy, which segments savings into three distinct time horizons:

1. **Bucket One** – Day-to-day living expenses (held in cash or ultra-short bonds)
2. **Bucket Two** – Medium-term needs
3. **Bucket Three** – Long-term/longevity investments

“The key for retirees is to protect their short-term cash flow and avoid any emotional decisions that could do more harm than good,” said Ben Loughery, CFP at Lock Wealth Management.

Health Care Costs and Access

Retirees are also vulnerable to another key area affected by tariffs: health care. *Gemini Deep Research* noted that tariffs on pharmaceuticals and medical devices raised costs and introduced vulnerabilities in global supply chains.

This could reduce access to essential medications and equipment—especially problematic for retirees with chronic conditions. Moreover, if health care costs rise faster than the inflation adjustments applied to Social Security and Medicare, retirees could see the real value of those benefits erode over time.

Distributional Effects: A Regressive Tax on Retirees

Tariffs function like a regressive tax—one that hits lower-income households harder. Studies from the Yale Budget Lab and the Peterson Institute for International Economics found that retirees and others on fixed incomes experienced larger percentage declines in disposable income due to tariff-related price increases.

Because many retirees rely heavily on health care and imported goods, they were disproportionately affected. This dynamic underscores how trade policy, while aimed at broader economic goals, can unintentionally burden some of the most financially vulnerable.

What Economists Say

The broad consensus among economists is clear: Tariffs increase consumer prices and risk slowing economic growth—both of which present challenges to retirees.

Experts from the Cato Institute and the Tax Foundation warned that tariffs effectively act as a tax on consumers, reducing GDP and eroding purchasing power. Retaliatory tariffs from other countries further compound the risks by disrupting global trade, reducing productivity, and lowering living standards over time.

While some argued that tariffs could boost domestic manufacturing, most experts—including *Gemini Deep Research*—agree the long-term consequences for retirees are negative.

Bottom Line

Tariffs have had a tangible financial impact on retirees—raising costs, increasing health care expenses, and adding volatility to investment portfolios. Because these effects fall hardest on those with fixed or modest incomes, retirees are among the most exposed.

What can retirees do?

- Adjust budgets to account for higher prices.
 - Maintain a diversified portfolio to weather market swings.
 - Follow a bucket strategy to protect short-term cash flow.
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- Consider a Roth conversion if appropriate.
- Stay informed on trade policy—and consult with a competent financial adviser.

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Robert Powell, CFP®, is an award-winning financial journalist whose work appears regularly in MarketWatch.com, USA Today, TheStreet.com, The Wall Street Journal, and AARP. He is the editor and publisher of TheStreet's Retirement Daily and editor of TIFIN's RetirementInvestor.io.
