

## Salary Value Calculator

We all know that a constant money salary will buy less after inflation takes its bite. Inflation in the U.S. has been tame recently, but over a few years even at low rates it can make a noticeable difference. You can evaluate the purchasing power of your salary by using the adjustment factors in the table below. Multiply your current salary by the adjustment factor to calculate a purchasing power equivalent (i.e. “real” income) relative to 2003. An example using a constant salary of \$40,000 is shown for illustration.

These salary adjustment factors are the inverse of the national urban Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor and converted to a base year of 2003. The factors show the purchasing power equivalent of one dollar. Thus in 2003 a dollar had purchasing power of a dollar. A dollar in later years bought less. If your salary had been adjusted upward by the rate of inflation, your purchasing power would have remained constant. If your salary had no adjustment since 2003, by 2006 your purchasing power decreased by about 8 per cent. If you had received a salary adjustment of, say, 12 percent in 2006, your purchasing power would have increased by about 3 percent.

$$\text{Purchasing Power Equivalent} = \text{Current Salary} \times \text{Adjustment Factor}$$

A \$40,000 salary in 2003 had purchasing power equivalent to \$40,000 in 2003:  $40,000 \times 1 = 40,000$

A \$40,000 salary in 2006 had purchasing power equivalent to \$36,855 in 2003:  $40,000 \times 0.92 = 36,855$

A salary of \$40,000 adjusted upward by a raise of 12% for 2006 would come to \$44,800. Its 2003 purchasing power equivalent would be  $\$44,800 \times 0.92 = \$41,216$ , about a 3% increase.

Year	Adjustment Factor	Real 2003 Equivalent of \$40,000
2003	1.00	40,000
2004	0.98	39,023
2005	0.95	37,958
2006	0.92	36,855