

# CPI vs PCE: Which Gauge Rules Your Dollars?

Three gates decide which inflation gauge your money is actually tied to.

Run each plan or payment through the gates in order. The first gate that fits names your gauge.

## GATE 1

**Is your dollar amount set by a rule?**

A statute, lease, pension, or Social Security COLA names CPI.

→ Use CPI-W

## GATE 2

**Is this a long-horizon projection?**

Retirement or real returns, decades out, with no rule attached.

→ Use PCE

## GATE 3

**Is your basket unusual?**

Your spending looks nothing like the national average.

→ Track your own

### THE ONE RULE

Deflate long-run plans by PCE.

Switch to CPI wherever a statute names your dollars.

Your own basket is the reality check.

### THE NUMBERS

≈ **0.4 pt**

a year hotter: CPI vs PCE

≈ **half**

of the gap is formula math

**2%**

the Fed targets PCE, not CPI

### WHEN CPI ACTUALLY WINS

- **Social Security recipients**

Your COLA is set from CPI-W, the hotter gauge, not from PCE.

- **Renters in hot markets**

Shelter-heavy CPI can track your real costs better than PCE.