

Hardly a day goes by that someone doesn't say to me, "I'm putting off a decision until the Fed changes interest rates."

But I'm quick to remind people that the "rate dominoes" don't always fall as you may expect. Here's what could happen if the Fed makes a change following its September meeting.

**Home Mortgages:** When the Fed adjusts the federal funds rate, it's a signal to banks that its monetary policy is charting a new course. In the current business cycle, it would indicate the Fed wants to spark the economy to help create jobs because it's okay with the rate of inflation. Home mortgage rates initially may adjust on Fed news, but they may continue to change depending on the Fed's overall message.

**Credit Cards:** Consumer loans also may respond to the Fed's direction, but with things like credit cards, it's best to see the Fed's action as an overall trend rather than a big cliff. Banks can be expected to respond over time to remain competitive as other credit card companies adjust rates. However, your existing credit card interest rate may take a few billing cycles to reflect any Fed decision.

**Auto Loans:** Auto buyers may benefit if the Fed makes an adjustment, but they already received some good news when Congress passed the One Big Beautiful Bill Act. The new law allows car buyers to write off up to \$10,000 a year in interest paid on qualified loans. The new rule runs through 2028, and limits apply. So car loan rates may adjust, but the OBBA may offer some other incentives worth checking out.

## Who's the Optimist, Pessimist, and Realist?

Expectations for inflation in the second half of 2025



Schwab.com, 2025. "Q3 2025 Trader Client Sentiment Report."

Have you ever heard the phrase, "If 'ifs' and 'buts' were candy and nuts, we'd all have a Merry Christmas?" It suggests that if wishes came true, everyone would get what they wanted.

However, wishing is not a good way to approach personal finances.

Putting off decisions while Fed Chair Powell & Crew deliberate on rates may not be a good approach. What works best is a proactive strategy that's based on your future.

Schwab.com, 2025. "Q3 2025 Trader Client Sentiment Report."



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