If you follow the news, you know that inflation is rising, and so are long-term interest rates.

It's been so long since both of those things happened, in a significant, long-term way, that many people unsure what to do with the information. Here's my take on why we're seeing inflation and interest rates rising, and what you should do in response.

The economic recovery is accelerating, both because the Covid-19 vaccines are helping consumers return to their normal behavior, and because of the continuing, multi-trillion-dollar stimulus from the federal government. As consumer demand picks up, it's spurring price inflation. In March, consumer prices rose .6%, their biggest gain since 2012.

Accelerating inflation, meanwhile, is pushing long-term bond rates higher. Essentially, the bond market is predicting that higher future prices of goods and services will make bonds' fixed income payments less valuable. Accordingly, bonds are trading at lower prices. Bonds' yields move in the opposite direction of their price, which is why yields have been rising. The benchmark 10-year Treasury is now yielding about 1.6%, up from half a percentage point in August of 2020.

Rising Treasury yields rise are mortgage lenders' cue to charge higher interest on their loans. That means taking out a new mortgage loan or refinancing an existing one could soon get more expensive. The rate increases generally don't apply to short-term consumer loans such as home equity lines of credit. That's because these loans are pegged to short-term interest rates controlled by the Federal Reserve, and the Fed has vowed to keep short-term rates low indefinitely.

The bottom line: You should make real estate decisions sooner rather than later. You might be able to manage the $1,185 monthly payment on a $300,000, 30-year loan at 2.5%, but not a $1,520 monthly payment, at 4.5%, for example. And over 30 years, that higher-rate loan would add in excess of $100,000 to your total payments.

Rising Treasury yields also have implications for the stock market, which makes this a good time to review your investment portfolio. As Treasurys' yields rise, so does their attractiveness

as a safe alternative to stocks. That can create volatility in the stock market.

Which stocks are most vulnerable to this volatility? Generally speaking, I believe it's those that have been the past year's highest fliers. Big gainers are always the most prone to sharp pullbacks, possibly as much as 10% to 20%. If you own some of the hotter stocks from the past year or so, their price appreciation means they now likely account for a larger percentage of your portfolio than they originally did. And that means your portfolio is much more risky than it should be.

Investors should review their holdings, potentially take some money off the table and redeploy it into undervalued companies, especially those that might pay a dividend. Think insurance companies, banks energy companies, for example.

If you need to do selling within taxable accounts, do not delay doing it because you're afraid of the tax bill. A big pullback could wipe out much more than you'd likely owe in taxes. And as you review your investments, you might even find that you're closer than you anticipated to being able to retire. You won't know until you take a close look and run all the calculations. That's where we can come in. Don't hesitate to call if you'd like to review your investments and your financial plan.