



PERSONAL FINANCE

Here's why inflation may be less costly for some retirees

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KEY POINTS Annual inflation rose by 8.3% in April, hovering near a 40-year high, the U.S. Department of Labor reported.

But some retirees may be shielded from certain swelling costs, according to J.P. Morgan.

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Inflation is a growing concern as Americans [spend hundreds more every month](#). But some retirees may avoid the sting of price hikes for gasoline, groceries and other costs.

[Annual inflation rose by 8.3% in April](#), hovering near a 40-year high, according to the U.S. Department of Labor.

More than half of Americans expect rising expenses to have a [“big negative impact” on long-term financial goals](#), such as retiring comfortably.

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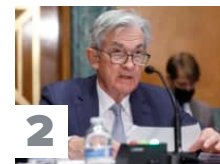
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But spending changes throughout people’s golden years may reduce the impact of

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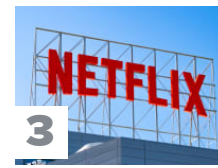
some rising costs, according to J.P. Morgan's [2022 Guide to Retirement](#).

“It’s getting below the headline,” said Katherine Roy, chief retirement strategist at J.P. Morgan, explaining how the basket of goods retirees purchase may shift over time.

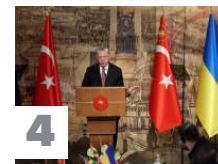
Although gasoline prices spiked to [another record high this week](#), older households tend to spend less on transportation than families ages 35 to 44, making them less vulnerable, the report found.

And some retirees may have the flexibility to buy less gas by combining trips or sharing rides, said certified financial planner Catherine Valega, a wealth consultant at Green Bee Advisory in the greater Boston area.

“I don’t think we need to panic,” added Valega, explaining how price changes may be a chance to revisit budgets and long-term plans.



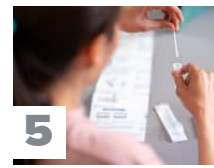
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While J.P. Morgan suggests using a separate line item for the rising cost of health care, with a 6% growth rate, other spending categories may only inflate by 1.5% to 2% annually, Roy said.

If you pull out health care, retirees tend to spend less in real terms until age 80 on other categories, she said.

These findings align with a [SmartAsset analysis](#) showing retirement spending decreases in 11 of the 14 core categories found in the U.S. Bureau of Labor Statistics Consumer Expenditure Survey.

Although the rising cost of health care is a concern, it's not enough to offset the decreases in retirees' spending on housing, food and transportation, said CFP Anthony Watson, founder and president of Thrive Retirement Specialists in Dearborn, Michigan.

“For the majority of people, those other expenses go down over time,” he said.

Of course, rising costs may currently be hardest on lowest-income households, which tend to experience higher inflation rates, according to a [working paper](#) from the National Bureau of Economic Research.

However, it's important for retirees to have a long-term perspective when it comes to inflation, the J.P. Morgan report contends.

“It’s just a point in time and what matters is the average,” Watson said.

“Yes, we’re experiencing high inflation right now,” Roy added. “But we’ve come out of a historically low period for a really long time.”



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