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### ADVICE AND THE ADVISOR

# Retirees likely shielded from inflation hit on these expenses, report finds

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### KEY POINTS

Annual inflation rose by 7.9% in February, the U.S. Department of Labor reported, which is a new 40-year high.

However, some retirees may not feel the brunt of certain rising costs, according to J.P. Morgan.



High gas prices at stations in Garden Grove, California, on Monday, March 7, 2022.

*Jeff Gritchen | Medianews Group | Getty Images*

Inflation has continued to increase amid the Russia-Ukraine conflict and ongoing supply chain issues. But certain retirees may not feel the brunt of rising costs, financial experts say.

[Annual inflation rose by 7.9% in February](#), a new 40-year high, the U.S. Department of Labor reported, covering everyday expenses like energy, food, shelter and more.

However, spending changes throughout people's golden years, reducing the blow of some rising costs, according to J.P. Morgan's [2022 Guide to Retirement](#).

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Although gasoline prices have spiked by about 24% over the past month, according to AAA, 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, 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.



**VIDEO** 03:20

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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.



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.

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—Anthony Watson

FOUNDER AND PRESIDENT OF THRIVE RETIREMENT SPECIALISTS

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Of course, rising costs may currently be hardest on the 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 argues.

“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.”