

Inflation is still soaring — but here's why it's less likely to hurt some retirees

PUBLISHED WED, JUL 13 2022•12:30 PM EDT | UPDATED WED, JUL 13 2022•1:22 PM EDT



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KEY POINTS

Annual inflation jumped by 9.1% in June, growing at the fastest pace since late 1981, according to the U.S. Department of Labor.

But some retirees won't feel the brunt of many soaring costs, experts say.

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Inflation has continued to rise, but some retirees won't feel the brunt of many soaring costs, experts say.

[Annual inflation jumped by 9.1% in June](#), growing at the fastest pace since late 1981, the U.S. Department of Labor reported Wednesday.

Higher prices have many worried, even those earning six figures. Some 65% of Americans making \$100,000 or more are “very concerned” about inflation, [according to a CNBC poll](#).

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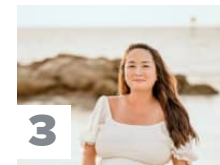
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But spending changes throughout people's golden years may reduce the impact of some rising costs, according to J.P. Morgan Asset Management's [2022 Guide to Retirement](#).

"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.

Older Americans spend less on key expenses

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

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4tem after his bank halts
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retirement spending decreases in 11 of the 14 core categories found in the U.S. Bureau of Labor Statistics Consumer Expenditure Survey.

VIDEO 02:58

Inflation impacting households with \$100K income

For example, despite [higher prices at the pump](#) through June, older households generally 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,” said Valega, explaining how price changes may be a chance to revisit budgets and long-term plans.

Most retirees’ expenses generally go down over time

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 lower-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.”