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OLDEST HOUSEHOLDS STILL HIT BY THE HIGHEST LIVING COSTS

Inflation for elderly households in 2006 was 56% higher than headline figure

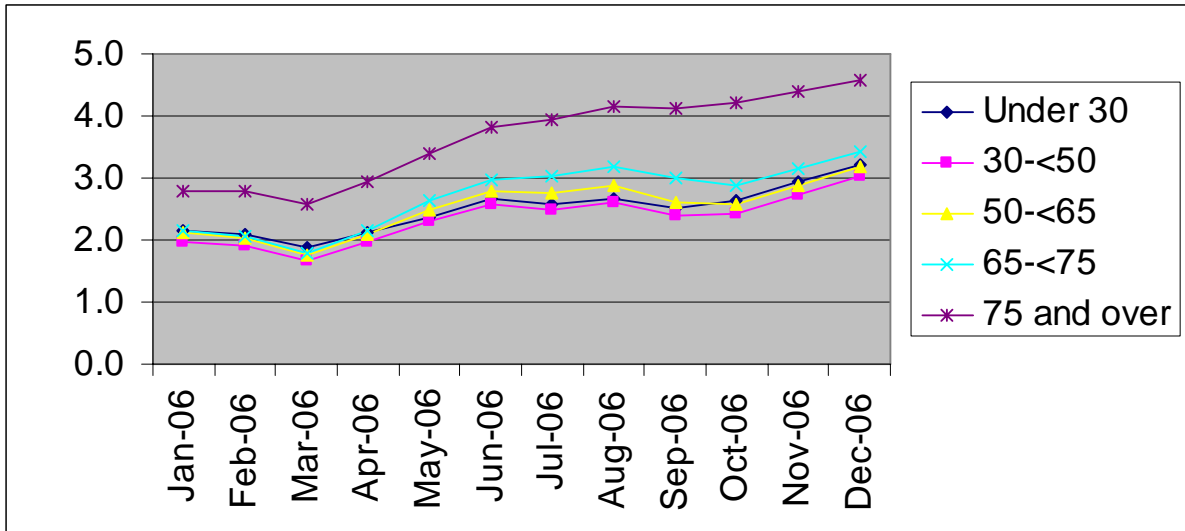
The inflation rate facing households over 75 is consistently higher than any other age group reveals latest figures from the Alliance Trust Research Centre's ongoing 'Age and Inflation' study.

Alliance Trust's annual study on the relationship between inflation and age highlights:

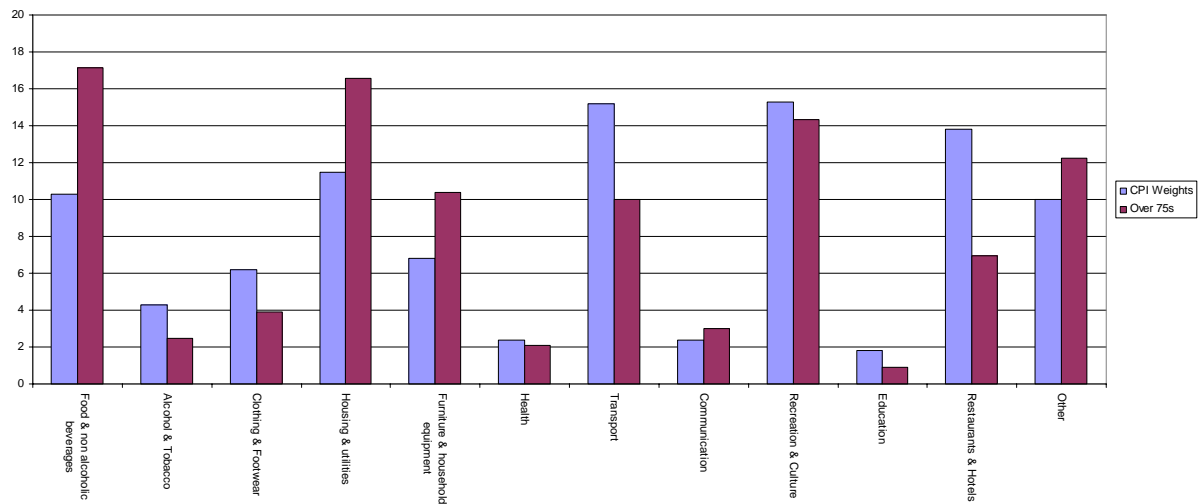
- **Inflation rate facing households run by people aged over 75 is consistently higher than any other age group**
- **On average, in 2006 inflation rate for the elderly was 56% higher than the headline rate of inflation (Consumer Price Inflation)**
- **During 2006, the oldest households saw their rate of inflation increase from 2.8% in January to 4.6% in December – an increase of 64%**
- **Inflation rate facing the youngest age group increased from 2.1% to 3.2%, resulting in an increase of 52% over the whole year, and the group was hit by the sharp increase in prices of basic goods and services**
- **30-50 year old households consistently face the lowest level of inflation – on average 55% lower than that facing the over 75s**

The levels of inflation are so high for the elderly because these households spend the highest proportion on necessities. Food and beverages account for over 17% of spending in the case of the oldest households, but for less than 10% in the case of the youngest households, even though the latter group spends slightly more in monetary terms. In addition, housing and utilities account for just less than 17% of the total spending, and so rising gas and electricity prices have had the biggest impact on the oldest households.

Inflation and Age 2006



Breakdown of spending



Shona Dobbie, head of the Alliance Trust Research Centre said: *“In this fourth year of our study of how inflation affects different age groups, we have found the eldest householders are still the ones who are suffering the highest inflation rate. This is because they spend a far higher proportion of their outlays on basic necessities such as food and drink, housing, electricity and gas, and these are among the goods that have been rising in price most steeply.*”

“Our findings, which show clear differences in the way inflation affects people in various age groups, suggest that it is inappropriate to link age-related benefits, such as pensions, to a national average for inflation. We are concerned about the higher inflationary pressures facing older households today, whose effect is often masked by the focus on the average headline rate of inflation.”

– ends –

Alliance Trust's latest full report on 'Inflation and Age' is available on www.alliancetrust.co.uk
You can obtain a copy of the report by emailing contact@alliancetrust.co.uk or phoning 08000 326323.

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Notes to editors

1. Alliance Trust PLC is the largest generalist investment trust company listed on the London Stock Exchange. Through its subsidiaries, Alliance Trust offers investment dealing, self-invested personal pensions and a choice of investment wrappers.
2. The Research Centre is part of Alliance Trust and was formed to carry out economic and social analysis to deepen our understanding of economies, markets and socio-economic issues.
3. Photographs of Shona Dobbie are available.