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## **RISING COST OF 'BARE NECESSITIES' IS HITTING ELDERLY HARDEST**

**New update of Alliance Trust's annual study of 'Inflation and Age' reveals:**

- **Inflation rate facing the elderly is still running far higher than for the average householder.**
- **Over the last two years, the inflation rate facing homes run by over-75s was 46% higher than the official headline rate.**
- **The gap between inflation of the elderly and the young is still huge with an average gap of 53% over the two years.**
- **The very oldest householders were the hardest hit. The inflation rate of the over-75s was 20% higher than that faced by those aged 65 to 75.**

The Research Centre at Alliance Trust has found in a newly published update of its study into inflation and age that the elderly (over-75s) were still the age group who were hardest hit by inflation in the last two years.

The annual update out today (26 June) found that the inflation rate facing households run by pensioners (over-65s) was consistently higher than the inflation rate facing all households. Over 2004 and 2005, the inflation rate facing younger retirees was 21% more than the average.

Even among retirees, the hardest hit households are those run by the eldest. Alliance Trust found that the inflation rate facing the over-75s was on average 20% higher than that facing the 65 to 75-year-old householders.

Research Centre Head Shona Dobbie said, "In this third 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."

For instance, spending on food and drink accounts for more than 18% of outlays of the over 75s, but only 9% of an under-30s householder's average spend.

Dobbie said, "What's more, even among retirees we have found that it is the very oldest householders who are facing the highest rate of inflation and that the inflation rate of the over-75s is about a fifth higher than

retirees aged between 65 and 75. This is a cause for concern because many of these pensioners are on fixed or low incomes and inflation is eating into their income more quickly than younger groups.”

Alliance Trust first published its findings on inflation and age from 2003 and 2004 a year ago. Since then, the Research Centre has seen some changes in inflation trends among different age groups although the elderly remain the worst affected.

There are some signs that the inflation rate facing the under-30s, which was the group least affected by inflation in the previous study, is picking up as the amount they spend on housing and utilities has risen.

Dobbie said, “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. Although the government has recently said it will link pensions to earnings from around 2012 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.”

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**Alliance Trust’s full new report on ‘Inflation and Age’ is available on [www.alliancetrust.co.uk](http://www.alliancetrust.co.uk)**

**You can obtain a copy of the report by emailing [contact@alliancetrust.co.uk](mailto: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.

