



## Economic Review

# Spending Patterns and Cost of Living for Younger versus Older Households

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Older households have faced slightly higher inflation rates than younger households over the past 40 years, though this gap is narrowing.

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Aggregate measures of inflation can mask large differences in the actual cost of living faced by households with different spending patterns. For example, older houses typically spend more on health-related services, while younger households spend more on education. If prices in the health-care and medical services sectors rise at a faster pace than prices in the education sector, older households may, in turn, experience a higher inflation rate than younger households.

Jun Nie and Akshat S. Gautam use a rich household-level expenditure data set along with price data to measure and examine differences in spending patterns and the cost of living across different age groups. They find that older households in general have faced slightly higher inflation rates than younger households over the past four decades due to health-related expenses. However, they also find that the inflation gap between older and younger households has narrowed significantly over the same period as the inflation rate of health-related expenses has declined.

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