

# Your personal inflation rate

When the government reports on inflation rates, the numbers can sometimes seem disconnected from everyday life. In part that may be due to the fact that “core inflation” rates exclude volatile items, such as food and fuel, in order to present a steady picture from month to month. Another factor is that inflation includes the value of big-ticket items, such as major appliances or housing, that most people purchase infrequently.

An alternative measure of inflation has been developed by the American Institute for Economic Research. Dubbed the Everyday Price Index, or EPI, this index focuses on those items that Americans must routinely purchase on a regular basis. As the website detailing the index explains, “Technology and globalization have restrained prices on big-ticket items. But they caused fewer price breaks for frequently purchased goods. Toothpaste ain’t so high tech.”

The EPI tracked the traditional Consumer Price Index fairly closely until 2003, when significant divergences began to appear. For 2011, when the CPI registered a 3.1% increase, the EPI gained 8%. Here are some notable items:

## Price changes in 2011

Item	Change
Meats	9.4%
Milk	9.2%
Peanut butter	27.2%
Coffee	19.3%
Frozen vegetables	9.1%
Fuel oil	18.0%
Gasoline	9.9%
Televisions	-17.1%
Personal computers	-12.5%

Source: M.A. Co.; [www.aier.org/article/7557-epi-reflects-basic-economic-change](http://www.aier.org/article/7557-epi-reflects-basic-economic-change)

When one budgets for retirement expenses, building in an inflation factor is important. The tricky part is determining just what inflation factor to employ. Government statistics are just a starting point. For example, from 1987 to the present day, the items in the EPI whose prices grew the most, by more than 600%, were tobacco products. However, this is simply irrelevant, useless information for nonsmokers. Child care prices have been growing smartly, but retirees will likely be unconcerned. Prescription drug prices rose significantly, which is worrying to those who need them, less so for those who are still healthy.

Sources of inflation-indexed retirement income, such as Social Security, may not keep up with your personal inflation experience.

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