

Older Britons 'Face Financial Pressures'

Older people are set to see pressure on their finances increasing, new figures indicate.

January 28, 2008 (FPRC) -- In research carried out by Newcastle Building Society, it was revealed that pensioners are currently facing inflation costs at more than twice the estimated national rate. Such consumers, it was claimed, will see inflationary rates of up to seven per cent over the course of 2008.

According to the financial services firm, food and fuel cost increases are set to drive inflation costs. It was suggested that, according to the weightings of the government's pensioner price index, these two areas make up more than a third (36 per cent) of expenditure for such consumers. EDF Energy, npower and British Gas were all signified as implementing increases on the cost of their electricity and gas, due to rising values of fuel in the wholesale markets.

In addition, the firm pointed to research by the Office for National Statistics indicating that wholesale food costs surged by 7.4 per cent during the course of last year - more than three times the headline inflation rate and the highest increase since records began. Overall, the typical basket of groceries was indicated as rising by 12 per cent over the past 12 months, with further price hikes predicted to take place.

Following on from such increases it is possible that consumers could also encounter difficulties in making repayments on areas such as credit cards and personal loans, as well as meeting mortgage or rent costs.

Furthermore, council tax bills are expected to rise by four per cent in April to stand at £1,380, while an estimated 1.27 million Britons will have to work beyond the age at which they predicted they would retire, due to surges in living costs.

Commenting on the news, Bob Mottershead, retail sales executive for Newcastle Building Society, claimed that such rises in living costs could have a great impact upon older consumers' ability to manage their money. He went on to state that more people are looking to use home equity to help combat this and to fund their retirement.

Mr Mottershead said: "These findings paint a bleak picture for pensioners in 2008. The rising cost of living is undoubtedly a concern for us all, however, commonly it is those in later years who suffer the most. For the many relying on the basic state pension of just £87.30 per week, these increases could negatively impact everyday quality of life.

"There are many ways those approaching their golden years can fund their retirement and equity release is one such option. Over the past year alone we have found this type of product is becoming increasingly popular as more asset-rich, cash-poor retirees struggle to make ends meet."

The financial expert also pointed to research by the building society indicating that 59 per cent of people are looking to use the money they receive from a home equity loan to improve the quality of their everyday life.

Research conducted by the north-east based firm earlier this year indicated that using equity release as a means of debt consolidation was one of the most popular reasons for taking out such a home loan. In taking out this product it is possible that borrowers will be able to merge numerous financial demands, such as credit cards, utility bills and loans, into a single low-cost repayment. The study also indicated that reducing inheritance tax bills and funding a holiday were other popular reasons to opt for equity release.

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