



Inflation worries spreads to retirees

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Anxiety over higher living costs has spread from the mortgage belt to retirees, with most citing inflation as their biggest financial worry, research shows.

An online survey of 974 retirees last November by wealth management researcher Investment Trends found almost half regret not saving more for retirement and most wanting stable investment returns after suffering losses during the global financial crisis.

Thirty-five per cent of retirees reported they had 'somewhat less' income than before the crisis, and 14 per cent reporting their income had dropped 'substantially' Investment Trends chief operating officer Tim Cobb said.

Like mortgage borrowers and consumers, many retirees also feel anxious about inflation further eroding their purchasing power, he told AAP on Thursday.

'One of the questions we asked was what is your biggest financial worry', and overwhelmingly among retirees it was inflation,' he said.

The findings show people are increasingly worried about inflation, with credit information agency Veda Advantage on Thursday reporting that 77 per cent of Australians were worried about their ability to repay bills.

Corporate credit ratings agency Standard Poor's (SP) this week said arrears on mortgage loans underlying Australian residential mortgage-backed securities jumped 1.59 per cent in January.

SP attributed the rise to natural disasters taking their toll, as well as higher interest rates and living costs.

Investment Trends found 46 per cent of retirees wished they had saved more before retiring, and there was overwhelming support for an increase in the superannuation levy from nine to 12 per cent, Mr Cobb said.

But both retirees and pre-retirees put stable returns and income transparency above high returns when they consider what retirement income products offer.

'These results turn established wisdom on its head, with stable returns proving much more important than higher returns or lower costs,' Mr Cobb said.

Seventy-seven per cent of survey respondents now want their retirement income products to offer protection against market falls, while 86 per cent want stable returns and 91 per cent want tax effectiveness.

Investment Trends' survey also revealed a big mis-match between Australians' expectations before retirement and the reality of life for retirees.

Most Australians anticipate they will need an income of \$56,000 a year during retirement - \$17,000 more than the average annual living expenses of retirees.

They also underestimate their life expectancy and the associated retirement savings needed, the researcher said.

Retirees currently in their 80s expect to live to 95 years of age, with only one in eight reporting they are in poor health.

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