The cost of living and older Australians' financial wellbeing

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EXECUTIVE SUMMARY

Recent increases in the cost of living have been the largest in just over two decades [1]. Living costs are one of the strongest influences on financial wellbeing which is critical in determining people's overall wellbeing.

Older people are typically thought to be protected from the more severe impacts of increasing living costs due to their relatively high rates of home ownership. This means many do not experience the same hardships as those with large mortgages. However, older people may experience other less overt challenges to their financial wellbeing that undermine financial security and overall quality of life. National Seniors Australia in partnership with the investment management company Challenger sought to find out how increased living costs were affecting older Australians through a set of questions in the annual National Seniors Social Survey. The online survey was open to anyone living in Australia aged 50 years and older. It was conducted in early 2023 at a time when food prices had risen between nine and ten percent and utilities by eight and ten percent. Almost 6000 people responded to the survey with all states and territories represented. This report is based on the Cost of Living and Money Matters modules together with relevant demographic and other financial information provided by survey respondents.

Impacts of increasing living costs of on older Australians aged 50-plus

80% felt the increasing cost of living had impacted their lifestyle.
83% believed lifestyle impacts would continue over the next 12 months.

The three top concerns were the everyday expenses of health, energy and groceries.

- Women and younger age groups were more likely to be concerned.
- Cutting back on spending was the main way people managed increasing living costs.
- The wealthiest were also affected with 59% cutting back their spending.

Two-thirds of respondents were somewhat or extremely concerned about keeping up with the cost-of-living increase in the long term.

Compared to other factors, long term concern about living costs had the strongest effect on expectations and worry about outliving savings and investments.

Long-term concern was also associated with expectation of increased spending needs in the future.

The top financial priorities for respondents were:

- Having regular income available for essentials: 91% rated this as very important.
- Being able to afford care and medical costs: 86% rated this as very important.
- Nearly two-thirds prioritised income that increases with the cost of living.

People aged 50-plus have diverse experiences of increasing living costs. Effects vary according to socio-demographic factors including age-group, gender, health, wealth, and sources of income. For older people, managing current living costs undermines long-term financial security and overall financial wellbeing. Financial planning and advice must better account for the cost-of-living pressures on older people's finances.

BACKGROUND

Financial wellbeing has similar effects on overall wellbeing as the combined effects of relationship satisfaction, job sentiments and physical health [2]. Financial wellbeing is also critical to mental health. A recent systematic review found consistent relationships between poor financial wellbeing and symptoms of depression, stress and anxiety [3].

Financial wellbeing encompasses objective measures such as income, debt and savings, as well as subjective feelings about one's financial circumstances. Australian researchers have proposed that there are three main components of financial wellbeing:

- Being able to meet expenses with some money left over
- Being in control of finances
- Feeling financially secure now and into the future [4].

The cost of living is one of the strongest external determinants of financial wellbeing. The cost of living is the amount of money needed to cover basic expenses such as housing, food, fuel and energy in a certain place at a certain time. People describe the cost of living as whether they can meet current expenses and how they feel about their capacity to manage potential future increases. It takes into account household costs and the proportion of household expenditure allocated to these costs [4].

The broadest measure of changes in the cost of living is the Consumer Price Index (CPI) but CPI isn't representative of all households. The Australian Bureau of Statistics (ABS) measures the cost of living across different groups using the 'Selected Living Cost Indexes' (SLCIs) which capture the price change of goods and services (including home loan interest rates) and the effects on living expenses for various household types [5]. Over the 12 months from March 2022-2023 the SLCIs increased between 7.1% and 9.6% depending on household type. The highest increase on record of 9.6% applied to employee households. This was due primarily to substantial increases in home loan interest rates [5].

Understandably, media attention and public discourse is often focused on the debilitating financial pressure placed on younger people who are struggling with increased everyday expenses, job insecurity and rising home loan interest rates. The challenges faced by older people are less obvious. Many older people have been protected from increasing living costs because of the relatively high proportion who own their home outright. Retirees with savings can also benefit from higher interest rates which provide them with more income. Although all age groups have continued to prioritise post-covid discretionary spending, data from the Commonwealth Bank shows those aged 55-plus have increased their discretionary spending at greater rates than other age groups, and at or above the 7% inflation rate [6].

Despite the relatively smaller impact on older people's finances due to the current cost of living crisis, there are groups of older people facing particular threats to their financial wellbeing from rapidly increasing living costs. Prior to the rapid rise in interest rates, Age Pensioners experienced the highest annual increase in living costs compared to other households [7]. Although the Age Pension is indexed to inflation, the six-monthly timing of payment adjustments lags behind the rate of increasing living costs. This means Age Pension households may find their available income does not cover even essential items during periods of rapid increases [8,9].

Although most older people own their home, the one-in-eight who rent have much higher housing costs than others, leaving less of their income available to provide everyday living essentials. Of this group, in 2020, 49.7% were in poverty compared to 9.6% who owned or were purchasing their home. According to the Australian Council Of Social Services (ACOSS) older renters account for the average increase in poverty once people reach retirement age [9].

Clearly, rapid rises in the cost of living means older people who are dependent on the Age Pension and/or who rent their home will struggle to make ends meet and have limited opportunity to control their finances by saving or by setting other financial goals. The financial circumstances of these minority groups are not captured in the reports of greater spending on average by the relatively 'better off' over 55 age group.

Mid- to late-life is a time when people increase their focus on financial management, planning and goal setting as they transition from the workforce into retirement. In the face of increased living costs, the budget for a comfortable retirement has also increased [10]. But after meeting everyday expenses, there are unlikely to be surplus funds available for pre-retirees to boost super savings, particularly for those in lower paid or part-time employment. Returning to the workforce may alleviate the cost of living pressure for retirees [11], however, previous NSA research in 2022 found that two-thirds of retirees surveyed would not consider going back to work [12]. Physical and mental wellbeing can be adversely impacted by re-entering the workforce solely out of economic necessity, especially for those who are carers or who are managing multiple chronic diseases.

An important factor for retirement wellbeing is having the financial capacity to maintain living standards that were enjoyed before retirement. A study of younger retirees found maintaining living standards was more relevant to people's wellbeing than their absolute level of household income [13]. This suggests that even if additional income is available through extending or returning to work, it will not necessarily improve wellbeing if pre-retirement living standards remain comprised.

In general, older people's sense of financial resilience and financial security have fallen since the start of the pandemic and the increasing cost-of living undermines long-term planning and financial goal setting of older Australians. Unknown future health and age care costs are particular causes of financial concern [14] and retirees have the added pressure of financially assisting adult children and other family members who are struggling to make ends meet [15].

There is great diversity in the ways older people are experiencing the increasing price of most goods and services they need to live their lives. National Seniors Australia partnered with Challenger[1] to investigate how pressures from the cost of living are affecting the lifestyle, retirement finances and the financial security of people aged 50-plus living in Australia.

[1]Challenger Ltd. is an investment management company focused on financial security in retirement. The National Seniors Australia and Challenger partnership in research is a corporate partnership to support the NSSS, and broader advocacy activities.

STUDY METHODS

The National Seniors Social Survey

National Seniors Australia is a member-based not-for-profit research and advocacy organisation representing and promoting the views, values and beliefs of Australians aged 50 and over. Every year since 2012, except 2020 when focused on COVID research, National Seniors has conducted an online survey of older Australians' behaviours and views about topics relevant to lifestyle, health and wellbeing called the National Seniors Social Survey, or NSSS. The 11th NSSS (NSSS-11) was conducted in February 2023 and received ethical approval from the Bellberry Human Research Ethics Committee (2022-12-1325).

Anyone aged 50 years or over and living in Australia was eligible to participate in the NSSS-11. Invitations to participate were distributed to older Australians via the National Seniors membership database and online networks, and further distribution to other older Australians was encouraged. Questions were in 'point and click' multiple choice or short answer format accompanied by free text boxes so participants could elaborate on their responses if they wished.

As for previous National Seniors Social Surveys, we asked questions on multiple topics relevant to older people's lives, plus a range of demographic questions. This report draws on responses to questions in the 'Cost of living' and 'Money Matters' modules of the NSSS-11 (see Appendix 1). Responses were collected online via Survey Monkey. The number of respondents to each question or the number included in analyses is reported within tables and figures where appropriate. All percentages are rounded to the nearest whole number.

Survey data were collated, graphed and analysed using Microsoft Excel and the software package Stata v17. Statistical analyses methods and numerical output are provided in Appendix 2.

RESULTS

NSSS-11 Demographic and financial information

There were 5,956 respondents to the NSSS-11. Respondent demographic information and relevant financial characteristics are presented in Table 1. The total number who responded to each question is provided in brackets.

Table 1. Demographics and financial characteristics of NSSS-11 respondents

Respondent characteristics	Percent	Freq
Age group (5913)		
50-64	13.7	809
65-74	48.1	2847
76-84	33.1	1956
85+	5.1	301
Gender (5936)		
women	56.4	3347
men	42.9	2546
other term/non-binary	0.4	26
prefer not to say	0.3	17
Partnered (5927)		
yes	60.6	3593
no	39.4	2334
Self-reported location (5071)		
metro	62.1	3151
regional	28.9	1464
rural or remote	9.0	392
Home ownership (5328)		
own outright	69.4	3653
own with mortgage	10.3	540
renting	8.0	421
other	12.4	651
prefer not to say	1.1	63
Self-rated health (5832)		
excellent	12.4	723
good	55.1	3214
fair	26.3	1534
poor	4.7	274
very poor	1.2	73
prefer not to say	0.2	14

Respondent characteristics	Percent	Freq
Savings and investments (5820)		
$100k or less	26.5	1542
$100k-$200k	9.0	522
$200k-$500k	18.3	1064
$500k-$750k	10.5	609
$750k or more	21.1	1228
Don't know	1.6	92
Prefer not to say	13.1	763
Disposable household income per fortnight (5443)		
$0-$1000	17.0	925
$1001-$1500	18.8	1023
$1501-$2000	15.9	864
$2001-$2500	10.1	548
$2501-$3000	7.2	391
$3001-$3500	4.9	269
$3501-$4000	3.5	189
$4000 or more	5.5	299
Don't know	4.9	265
Prefer not to say	12.3	670
Source(s) of household income (5459)[1]		
Superannuation	60.7	3315
Other savings or investments	38.8	2119
Wage or salary from employment	22.6	1233
Age Pension	46.6	2545
Other government pension or payment	9.2	500
Other government allowance or supplements	5.3	291
Unsure	0.9	50
Prefer not to say	1.5	84

[1]Proportions for source(s) of household income according to Age Pension eligibility age are presented in Appendix 4.

Impact of the increasing cost of living on retirement finances

The cost of living and lifestyle

As shown in Figure 1 below, 80% of NSSS-11 respondents felt that the increasing cost of living had impacted their lifestyle with 83% believing lifestyle impacts would continue over the next 12 months. Higher proportions thought there would be a severe impact on lifestyle in 12 months compared to currently.

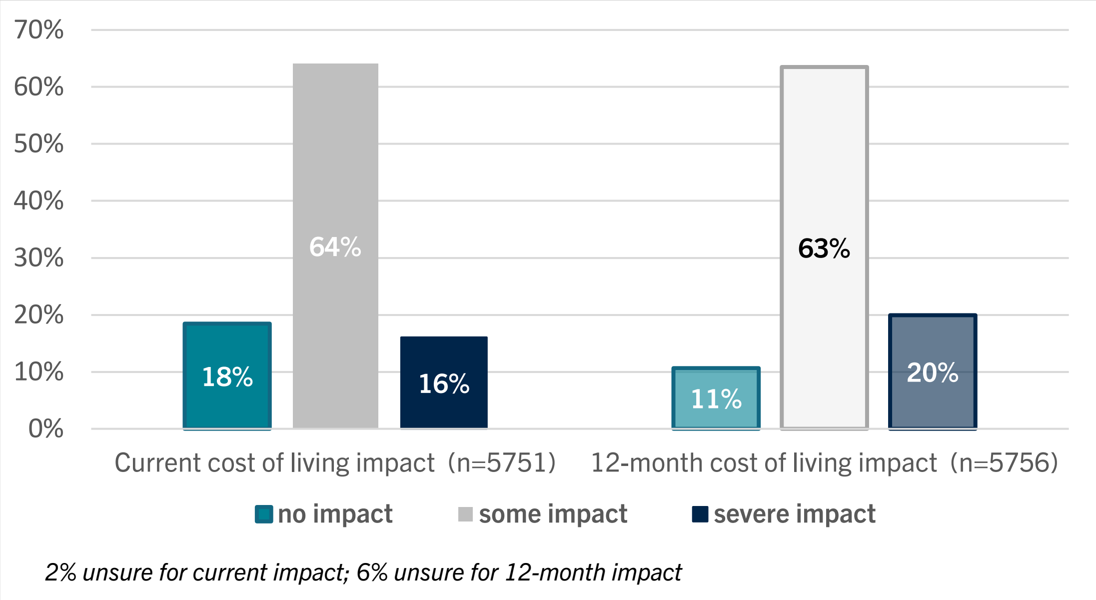

Figure 1 Lifestyle impact of current and 12-month cost of living on NSSS-11 respondents

The cost-of-living impact according to age showed a general trend for older age groups to feel less severely impacted than those aged under 75 years. Across all age groups, the impact was expected to increase over 12 months, represented by the lighter shaded columns in Figure 2 below.

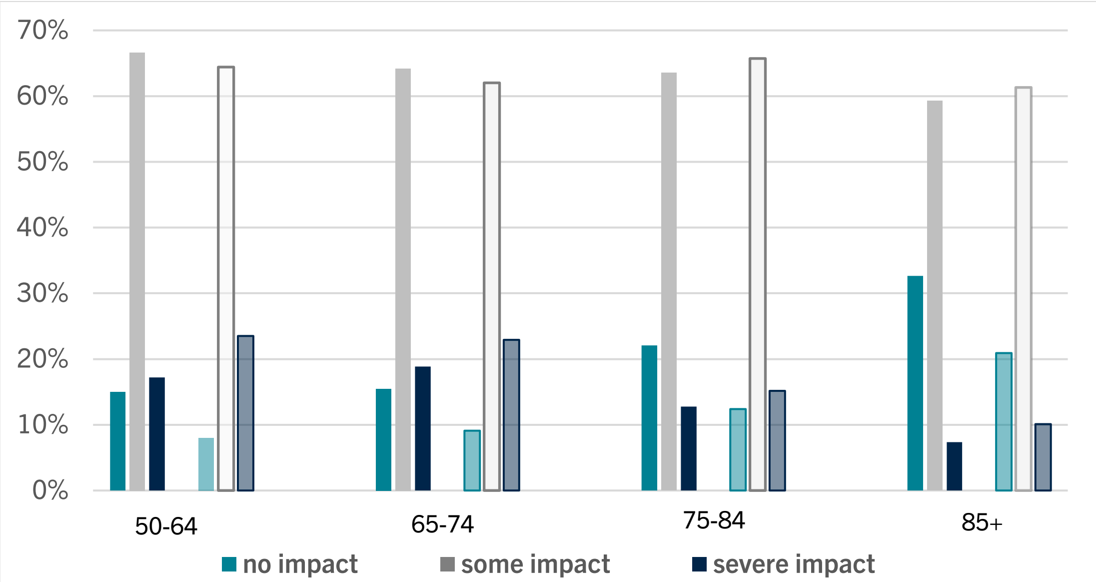

Figure 2 Current and 12-month cost of living impact according to age-group

To meet living costs, most households overall had a disposable (net after tax) income of between $1000 and $1500 a fortnight (Table 1). According to single versus partnered household, Figure 3 shows approximately 50% of single households had a fortnightly disposable income of $1500 or less and approximately a quarter had $1000 or less. For couples, 30% had between $1500 and $2500 available per fortnight.

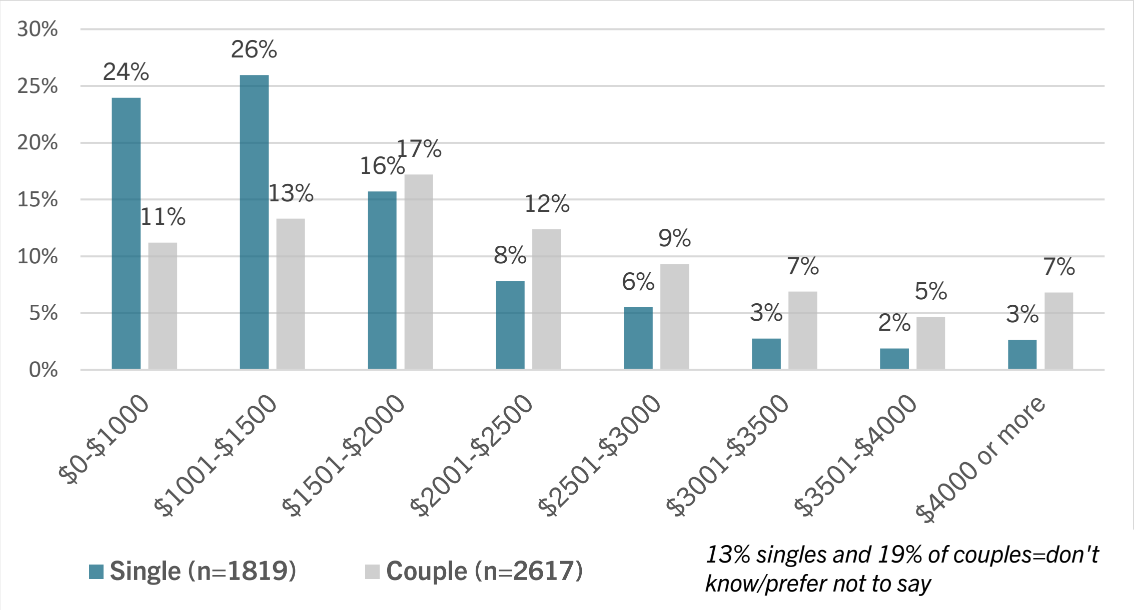

Figure 3 Disposable household income according to household size (single versus couples only)

Concern about the cost of living

Respondents were asked how concerned they were in the long-term about keeping up with the rising cost of living. Figure 4 shows that nearly everyone was concerned to some degree about rising living costs, with two-thirds feeling somewhat or extremely concerned.

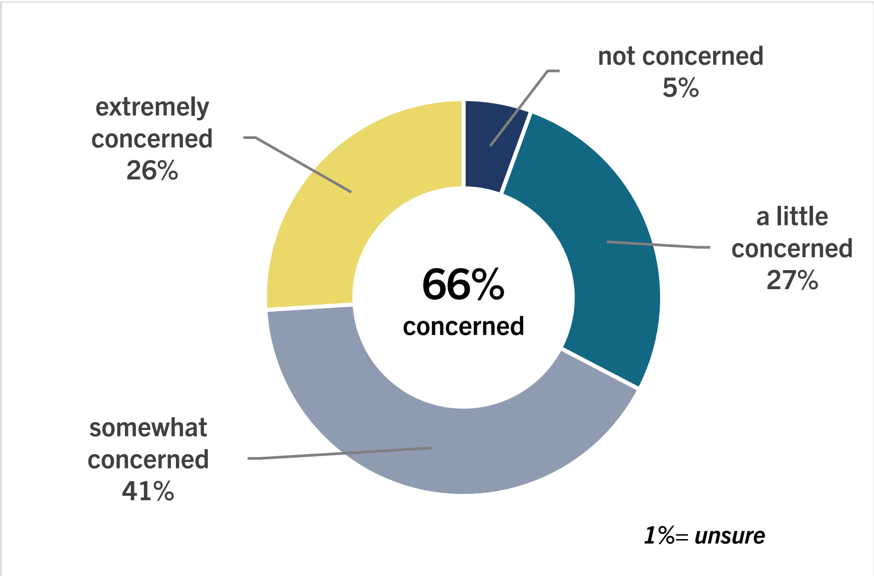

Figure 4. Long-term concern about the rising cost of living (n=5757)

The impact of demographic and financial factors on long-term concern was tested statistically. People were less likely to be somewhat or extremely concerned if they owned a home outright, if they had a higher level of savings or had income from multiple sources that included super, savings and either wages or the Age Pension. Having super and the Age Pension for income without additional savings did not reduce concern over the cost of living [Appendix 4, Supplementary Table 11 shows distribution of income combinations].

Those who depended solely on a wage or the Age Pension or a combination of the two were more likely to have long-term concerns about rising costs of living. The other demographics associated with long-term concern about the cost of living were younger age groups, being a woman or having poor health [Appendix 2, Supplementary Tables 1 and 2].

When asked to select up to three lifestyle expenses causing particular concern, Figure 5 shows the top three chosen by respondents were health, energy and grocery expenses. This suggests that the concerns are higher for essential spending, with discretionary spending such as travel and entertainment being a concern for a small proportion of older people.

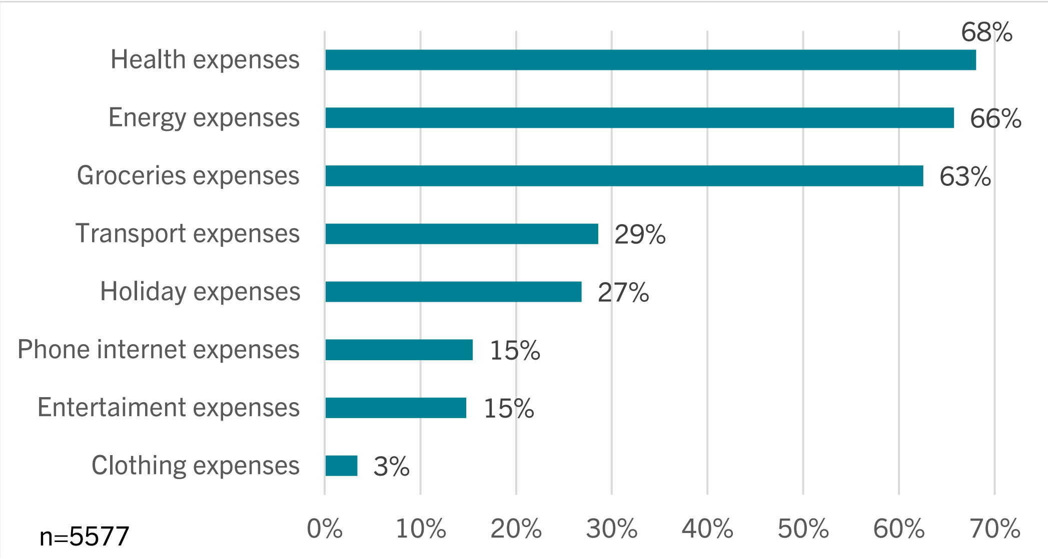

Figure 5. Proportions of respondents selecting each lifestyle expense of concern

There were minimal differences across age groups for the proportions concerned about clothing, energy or health. Concerns about other costs did differ according to age:

- Entertainment costs were a concern for approximately three percent more of those aged 75 and over compared to younger age groups.
- Proportions selecting grocery expenses decreased with age group. For the 50-64 age group, 66% selected grocery expenses. For those 85+, grocery expenses were a concern for only 52%.
- Not surprisingly, transport costs were most concerning for people aged under 75, a possible reflection of car use in younger age groups.
- Concern about holiday costs was stable at 27% across all age groups except the 85 and overs with only 17% of this group concerned.
- Concern about phone and internet costs showed the most striking age differences with 21.5% of those 85+ concerned compared to 17%, 15% and 10% respectively for the three younger age groups.

How are people adjusting to the higher costs of living?

NSSS-11 respondents were presented with a list of financial resources that might help them adjust to increasing living costs and were asked to select those they could potentially access 'now' (at the time of survey). They could select as many as applicable.

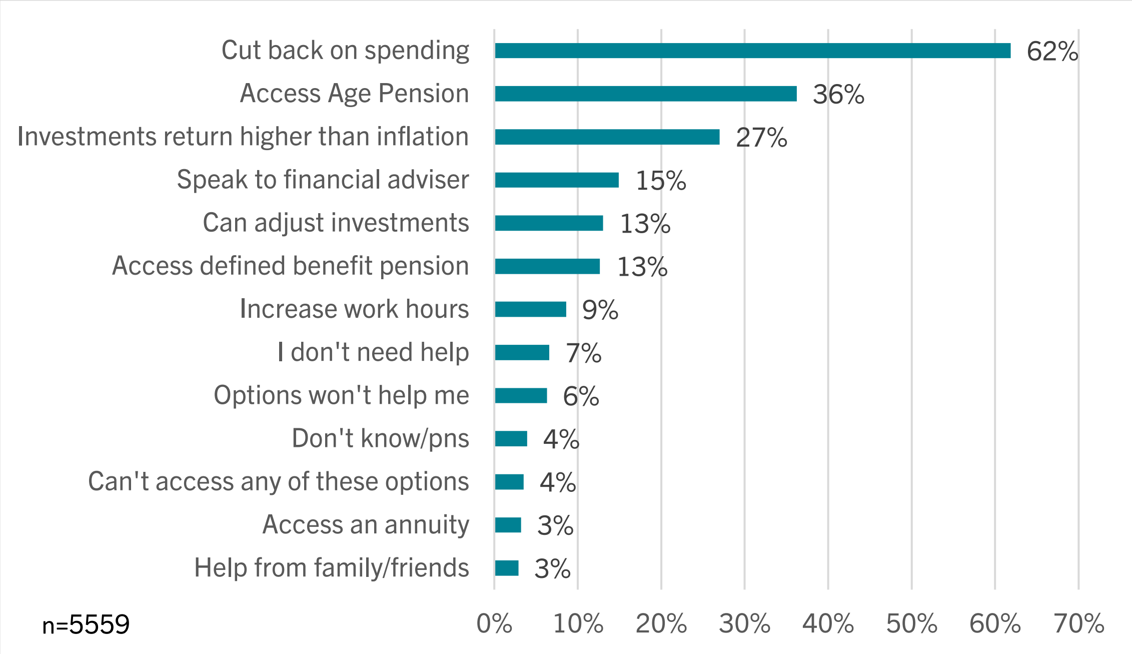

Figure 6. Proportions of respondents who thought they could access each type of financial resource listed, to help with increasing living costs

Numbers were approximately equal at the two extremes of need. Seven percent didn't need help and six percent believed none of the options would help them. There was also a small proportion (four percent) who couldn't access the options listed.

- Clearly, cutting back on spending was the strategy chosen by the largest proportion of respondents, but it varied according to respondent characteristics.
- Age-group: Cutting back on spending steadily decreased across age groups with 68% of 50-64s, 64% of 65-74s, 59% of 75-84s and 46% of those 85+ able to cut back on spending.
- Remoteness: Higher proportions could cut back on spending according to self-identified geographical area: 69% could cut back in remote areas, 67% in rural areas, 65% in regional areas and 60% in metro areas.
- Wealth: Overall, higher proportions of people with lower wealth indicated they could cut back on spending. The exception was for those with the lowest level of savings (100k or less). Only 60% of this group could cut back on spending compared to 70% of those with 100k to 200k.
- It is noteworthy that even for those with the most financial resources (savings of 750k or greater), 59% said they could cut their spending to adjust to the cost-of-living increases.
- Cutting back on spending did not differ according to gender or partnership status.

The other two main financial resource options that assisted with living costs related directly to respondents' existing financial circumstances, i.e., being able to access the

Age Pension and having investments that return higher than inflation. Statistical tests indicated that:

- Higher proportions of those who are older, unpartnered and women access the Age Pension.
- Significantly more men than women reported access to investments with higher returns than inflation.
- Only nine percent of those under 65 indicated they could adjust investments to receive higher returns. Of those that could adjust their investments, a higher proportion had wealth of 750k or more (25% v 13% overall).
- The only demographic factor associated with speaking to a financial advisor or adjusting investments was level of savings wealth. Most who sought financial advice (23%) had savings/investments of $500k-$750k.

Outliving savings and investments

Figure 7 shows the proportions of respondents who thought it likely they would outlive savings and investments. Of those who had savings and investments, 53% felt it was likely they would outlive them.

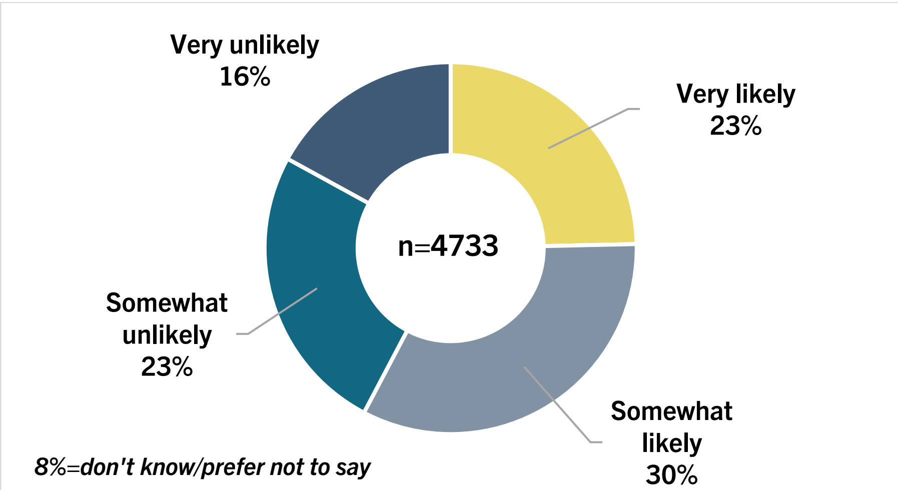

Figure 7 Likelihood of outliving savings and investments

Respondents who thought they would outlive their savings and investments (n=2486) were then asked how worried they felt about this prospect. Although most (85%) were somewhat or very worried, a small group (15%) were not worried, even though they had already acknowledged that outliving their savings was likely.

To better understand the drivers of these associations, additional tests were undertaken to determine what factors were associated with:

1. The likelihood of outliving saving and investments.
2. Feeling worried about outliving savings and investments.

The variables included were age group, binary gender, partner status, wealth and concern about the long-term cost of living. Younger age group and having a lower level of savings were both associated with respondents thinking they would outlive their savings.

Of those who believed they would outlive their savings, women were more likely than men to be worried about it. In both models, the strongest effect was concern about the long-term cost of living. Those who were concerned were 350% more likely to believe they were going to outlive their savings and investments. The association with feeling worried about outliving savings was even stronger; those who were concerned about the long-term cost of living were 530% more likely to be worried about outliving savings [Appendix 2, Supplementary Tables 3 and 4].

Spending expectations

There is a tendency for people to believe they will spend less in later life than in their earlier years of retirement, but concern about long term increases in the cost of living might have changed spending expectations. Although just over one third thought they would spend less in the future, a similar proportion thought they would spend the same and one in six expected to spend more (Figure 8).

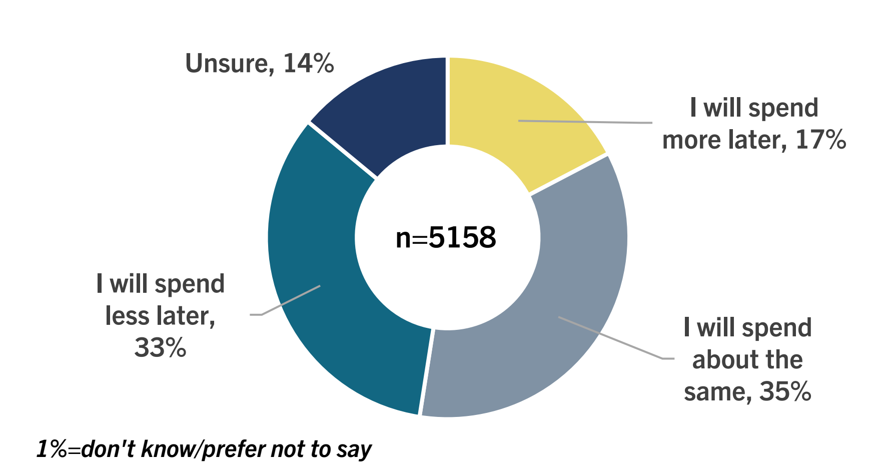

Figure 8 Future spending expectations

What factors influenced people’s spending expectations?

Statistical analysis tested whether long-term concern about the cost of living, likelihood of outliving savings, age group, gender, savings level, or partner status were associated with spending expectations [Appendix 2, Supplementary Tables 5-7].

- ***Spending more in future***: Long-term concern about the cost of living had the strongest positive association with thinking spending would increase in the future. Being older and not having a partner were also significant. There was no association with gender or savings level.
- ***Spending the same in future:*** The strongest positive association was with being older. Being **not concerned** about the cost of living in the long term was the only other significant association.
- ***Spending less in future:*** The strongest association was with the younger age groups. Having a partner was also significantly associated with an expectation of spending less in future, which is also more common at younger ages. Lower savings had a weak association with spending less in the future. There was no association with concern about the long-term cost of living.
- ***Unsure about future spending:*** Women were more likely than men to be unsure about future spending expectations. People with lower savings were also more likely to be unsure of future spending. Concern about the long-term cost of living was also associated with being unsure.

Financial preferences in retirement

Feeling financially comfortable is important for ensuring quality of later life. The NSSS-11 included a set of questions asking respondents to rate the importance of various financial outcomes with the aim of providing a snapshot of the financial priorities and needs that contribute to financial comfort. Figure 9 shows the relative importance given to each outcome by respondents.

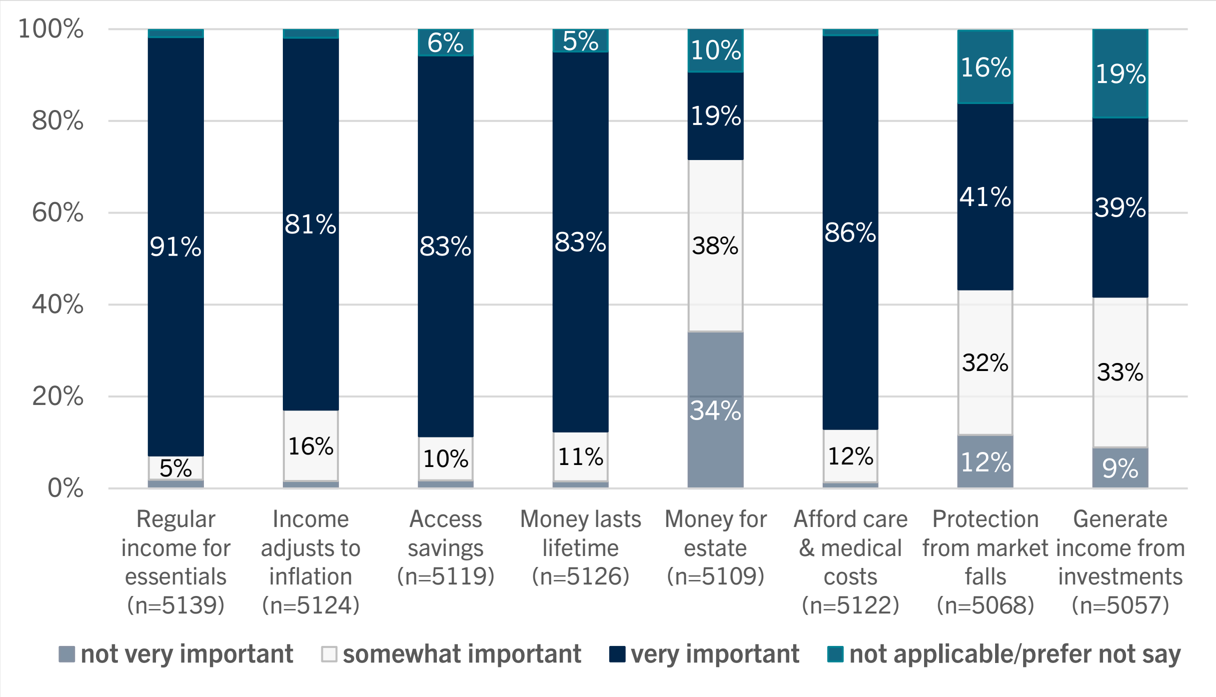

Figure 9 Financial priorities of NSSS-11 respondents

The preferences of retirees were consistent with the preferences noted in 2018 when a similar question was asked in the National Seniors Social Survey [16]. The recent cost of living impacts may have increased the focus on adjusting for inflation, but the other most important priorities remained: regular income for essentials and being able to afford care and medical costs. Respondents' other top financial priorities were:

- Income that adjusts for inflation;
- Money that lasts for a lifetime; and
- Access to savings.

The lowest priority remained leaving money to the next generation with only one in five considering it to be a very important priority.

The survey also asked about income preference and changes in investment markets. The figure below shows the proportion of respondents who nominated each of the income preference options. Negligible proportions of people preferred income that didn't change, or income changing with the rise and fall of markets.

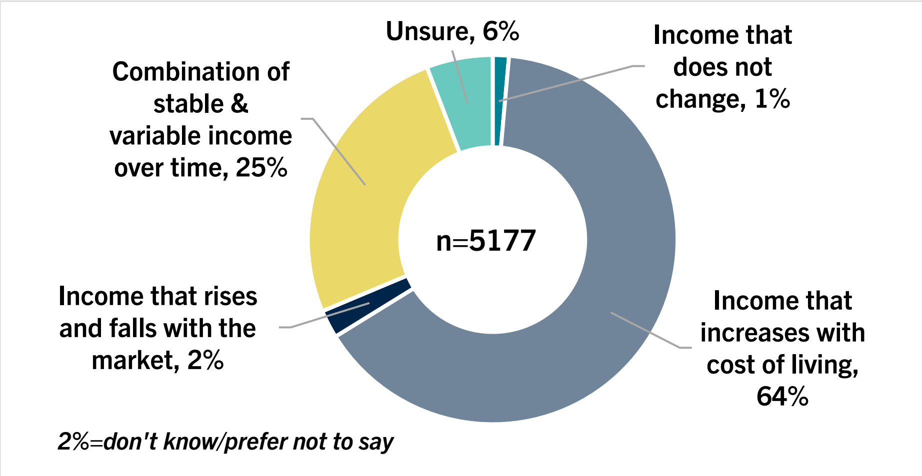

Figure 10 Retirement income preferences of NSSS-11 respondents

Figure 10 shows the dominant preferences were income that increases with the cost of living and income that combines stability and variability over time. For these outcomes, statistical analysis tested associations with relevant demographics and the long-term cost of living concerns [Appendix 2, Supplementary Tables 9 and 10].

- ***Income that increases with the cost of living:*** Respondents with less savings were more likely to prefer in income that increases with the cost of living. Each level of decreased savings level was associated with being 27% more likely to prefer income that increases with the cost of living. Being concerned about long-term living costs was also associated with being 21% more likely to prioritise income that increases with the cost of living. Age group, gender and partner status were not significant in the model.
- ***Combination of stable and variable income:*** Wealthier respondents were more likely to want a combination of stable and variable income. Each level of savings increase was associated with being 40% more likely to want income that combines stability with variability. Those with concerns about the long-term cost of living were 17% less likely to want a combination of stable and variable income. Age group, gender and partner status were not significant in the model.

Summary of results

- Survey findings showed 80% of respondents felt that the increasing cost of living had impacted their lifestyle with 83% believing lifestyle impacts would continue over the next 12 months. The three top expenses causing particular concern were the everyday expenses of health, energy and groceries.

- Two-thirds of respondents were somewhat or extremely concerned about keeping up with the cost-of-living increase in the long term. Women and younger age groups were more likely to be concerned. Financial security in the form of outright home ownership and additional savings buffered against long-term concern.

- Those who drew their income from a combination of super, savings and the Age Pension were 56% less likely to feel concerned in the long-term about increasing living costs.

- Cutting back on spending was the main way people said they could manage the increasing cost of living. Even in the wealthiest group (those with savings of $750k or more) 59% said cutting their spending was a strategy they could use to adjust to increasing costs.

- Long term concern about the cost of living had the strongest effect on expectations and worry about outliving savings and investments. Those who were concerned were 350% more likely to think they would outlive their savings and investments and 530% more likely to be worried about it. Expectations that spending needs would increase in the future, or feeling unsure about future spending, were also associated with long-term concern about living costs.

- The top financial priorities for respondents were:
    - Having regular income available for essentials: 91% rated this as very important.
    - Being able to afford care and medical costs: 86% rated this as very important.
    - Nearly two-thirds prioritised income that increases with the cost of living with a quarter preferring a combination of stable and variable income.

DISCUSSION

Survey responses showed that recent rapid increases in living costs have adversely affected older people's financial wellbeing. Although the maturing superannuation system provides some retirees with more financial assets than previous generations, financial wellbeing in older age is not guaranteed. Recent increases in the cost of living in Australia have impacted older people's financial wellbeing across all three of its components: meeting expenses, being in control of finances and feeling financially secure.

Impact on lifestyle

Approximately two-thirds of the survey respondents were concerned about the costs of everyday essentials – energy, groceries and healthcare, and a similar proportion were somewhat or extremely concerned about keeping up with the rising living costs in the long-term. For most, managing their financial situation meant cutting back spending. This means a reduction in lifestyle which might be manageable over the short term but is likely to be an undesirable outcome over the duration of retirement. Ongoing increases in the cost of living will make cutting back an unsustainable option.

Even if living costs stabilise, without an increase in income, the unaffordability of essential items means people's lifestyle will be adversely affected. Even the wealthiest respondents indicated they may (or have already) cut spending to manage the cost-of-living increase. Having more money might support a better lifestyle, but it doesn't halt the impact from the rising cost of living. Other research has shown that the quality of later life becomes difficult to maintain for everyone if there are inadequate funds available to ensure a reasonable standard of living and participation in health-related and other activities [17].

Impact on financial expectations

After nearly 30-years of relative stability in the cost of living, retirement planning does not always account for the potential effects of inflation undermining people's control over their finances. Generally, people expect to spend less in older age compared to the earlier years of retirement when travel and other expensive discretionary activities are more frequent. Previous findings reflect this expectation with only five percent or less thinking they would need to spend more as they got older or feeling unsure about their spending pattens [18]. In this year's survey, 17% thought they would be spending more later in life and a further 14% were unsure about their spending. The strong association between spending expectations and long-term cost of living concern highlights the effect of the cost-of-living crisis on older people's financial control. Those who thought they would spend more in later life or were unsure about spending were also more concerned about the long-term cost-of-living compared to those who believed their spending would remain the same.

Impact on financial security

Long-term concern about living costs also undermined respondents' sense of financial security. Just over 50% thought it likely they would outlive their savings and investments and of those, 86% were worried about it. This is a higher proportion than the approximately 50% feeling worried in 2018 [19] and 2019 [20]. Some of the difference could be due to differences in the wording of the question. Nonetheless, the statistics highlight that long-term cost-of-living concern is related to people's expectations and worry about outliving their savings.

The association between cost-of-living concerns and outliving savings may be driven by a sub-group of 'worriers' who are concerned about a lot of issues. However, even if this is the case, finding ways to mitigate worry will improve people's wellbeing and quality of later life. This could be via alternative approaches to retirement planning that build a more resilient investment portfolio and/or improved financial support for those who are struggling. Greater confidence about meeting later expenses will increase people's peace of mind to enjoy the lifestyle they can afford in the early stages of retirement.

Unsurprisingly, the main buffer for older people against cost-of-living concerns was wealth. Wealth could take the form of home ownership, savings and/or income type. People who derived their income from the multiple sources of super plus other savings and either wages or the Age Pension were less likely to be concerned about long-term cost of living. Super was a source of household income for 60% of respondents and 64% of those over retirement age. This highlights the increasing importance of superannuation to retirees' financial security.[1] While the super system has been in place for 30 years, many current retirees had most of their working career without the benefit of receiving employment-based super contributions. Hence having multiple sources of income available provides financial security during a cost-of-living crisis. It will be interesting to see, as the super system fully matures, if super and access to the Age Pension are adequate to reduce the concerns of future retirees.

Financial priorities with increased living costs

The top two financial priorities for nearly all respondents were having a regular income for essentials and being able to afford care and medical costs. This is consistent with responses to cost of living concerns focused on the affordability of groceries, energy and health. With this high priority on meeting essential spending, older Australians are likely to benefit from having confidence that they will always have the income to meet these essential expenses.

Interestingly, respondents' priorities for their retirement finances were not markedly different from when this question was asked previously, including in 2016 [18]. At both time-points more than 90% of respondents prioritised most options as very or somewhat important to financial wellbeing. This is likely due to ceiling effects; that is, the priorities were important to everyone, whatever their circumstances. Two items had a higher priority in 2023 than in previous years. In 2023, a higher proportion of people prioritised protecting themselves from market falls (73% vs 65% in 2016) and leaving assets for their estate (57% versus 50% in 2016). These shifts are understandable in the context of current cost-of-living concerns and the weak markets through 2022, both of which highlight the importance of maintaining income levels.

[1]Appendix 4, Supplementary Table 12 highlights the differences in sources of income according to age eligibility for the Age Pension and the accompanying increasing importance of super.

The preference of respondents for income that adjusts for inflation and money that lasts a lifetime align with two of the three risk mitigation priorities of the Retirement Income Covenant [21]. Super funds are required to maximise their members' retirement income for the duration of their lives. The third risk identified in the Covenant relates to income instability due to market movements. Protecting income from market forces was rated as important by most but was not prioritised in comparison to most other options. As noted in Figure 11, there was a strong preference for income that increased with the cost of living. Very few opted for income linked to market swings.

Older people are not a financially homogeneous group

Previous NSSS-11 analyses [22] highlighted the groups of older people most affected by cost of living increases. These included renters, those with mortgages, people in their 50s and those living in rural and remote areas. Higher proportions of these groups said they were experiencing 'severe impact' of increasing living costs. Approximately one-third of respondents had a net household income of $1500 or less per fortnight and of these approximately 30% said the impact of increasing costs was severe [See Appendix 3 for infographic].

The survey findings showed that people aged 50-plus are very diverse in terms of the impact of the increasing cost of living on their financial wellbeing. Effects varied according to socio-demographic factors including age group, gender, partner status, health, wealth, home ownership and sources of income. Age Pension recipients who did not have additional income from super as well as people in poorer health were particularly affected by long-term cost of living concerns. In the media and other communications, these nuances are generally not considered or widely reported. Older people are often classified as one homogeneous wealthier group whose spending is driving up inflation for everyone else [23–25].This distortion misrepresents the cost of living reality for many people aged 50 years and older and risks promulgating intergenerational conflict and misunderstanding. It also ignores the impact of increased costs on older people's long-term financial planning and wellbeing in terms of ensuring they have income that will adequately meet their needs for the rest of their lives and cover the increasing health and aged care costs that are a reality for most.

Concluding remarks

The highest inflation rate Australia has seen in more than three decades has created a cost-of-living crisis in Australia. These concerns are very real for older Australians. To cope with the increase in the cost of living, the majority said they could cut back on their lifestyle. This may stabilise the household budget but is not sustainable.

Protection from the rising cost-of-living is highly sought by retirees and those approaching retirement. The Age Pension provides some inflation protection but is inadequate as a sole income source. It is also not the solution for most retiree households, whose income is drawn from super. However, there is the potential for super funds to provide a better outcome that ensures retirees' peace of mind in the face of increasing living costs.

Financial wellbeing is essential to quality of life in older age and rapidly increasing living costs are undermining older people's financial wellbeing. Affordable and accessible financial advice, products and services are required to address the cost-of-living pressures for people moving into and through later life. These services need to be tailored to individuals' and households' circumstances. Generic approaches will not capture the diversity of older people's requirements to ensure their financial wellbeing. ●

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APPENDICES

Appendix 1: NSSS-11 questions analysed for this report

This report is based on responses to the following questions from the Cost of Living and Money Matters modules of the NSSS-11.

Question 1

How much has your lifestyle been impacted by recent cost of living increases?

- There has been no impact on my lifestyle
- There has been some impact on my lifestyle
- There has been severe impacts on my lifestyle
- Unsure
- Prefer not to say

Question 2

Over the next 12 months, how much do you expect cost of living increases to impact your lifestyle?

- There will be no impact on my lifestyle
- There will be some impact on my lifestyle
- There will be severe impacts on my lifestyle
- Unsure
- Prefer not to say

Question 3

In the longer term, how concerned are you about keeping up with the rising cost of living?

- Not at all concerned
- Only a little concerned
- Somewhat concerned
- Extremely concerned
- Unsure
- Prefer mot to say

Question 4

Please select **up to three** expenses from the list below that you are particularly concerned about if living costs continue increasing,

- Clothing
- Entertainment costs
- Health
- Holiday travel costs
- Household energy
- Phone and internet
- Transport costs
- Other (please specify)

Question 5

Which of these resources or options can you access now to help adjust to the increasing cost of living? Please select all that apply.

- I can increase work hours or am hoping to find work
- I receive or can access the Age Pension or other government payment that increases with inflation
- I receive or can access a defined benefit pension that increases with inflation
- I receive or can access an annuity that increase with inflation
- I have investments and/or super that should provide a return higher than inflation
- I can adjust my investments to get more return with help from my financial planner
- I can cut back spending
- I can ask family or friends for financial help
- I can speak to a financial adviser
- I can't access any of these option
- None of these options will provide adequate help to me
- I don't need to adjust to the increasing cost of living
- Don't know or prefer not to say

Question 6

People are generally spending longer in retirement than ever before. Now that living costs are also increasing, how likely do you think it is that you will outlive your savings and investments?

- I have no savings or investments
- It is very likely that I will outlive my savings and investments
- It is somewhat likely that I will outlive my savings and investments
- It is somewhat unlikely that I will outlive my savings and investments
- Don't know or prefer not to say

Question 7

How worried do you feel at the thought of outliving your savings and investments?

- Not at all worried
- Somewhat worried
- Extremely worried
- Don't know or prefer not to say

Question 8

When thinking about your total spending now and in the future, how do you expect it to change?

- I will spend more later in life than I do now
- I will spend about the same late in life as I do now
- I will spend less later in life than I do now
- Unsure
- Prefer not to say

Question 9

When think about your finances in retirement, how important are each of the following to you?

For each statement, respondents selected one of the following:

- *Not very important; Somewhat important; Very important; Not applicable or prefer not to say*
- Having a regular income that covers my essential needs
- Having an income that adjusts to rising prices (inflation) over time
- Being able to access my savings when I need them
- Ensuring that my money will last my lifetime
- Leaving something for my children/estate (other than my home)
- Being able to afford aged care and medical costs
- Protecting myself from short-term, falls on the markets
- Generating more income from my investments

Question 10

Which of these options would you prefer for your income in retirement?

- Income that does not change over time, even if the cost of living increases
- Income that increases in line with the costs of living
- Income that increases when investment markets rise and falls if they fall
- A combination of income that is stable and income that varies over time
- Unsure
- Prefer not to say

Appendix 2: Analyses methods and output

All variables in analyses were ordinal or categorical. 'Don't know or prefer not to say' responses were coded as missing for all tests of difference or association between variables.

The Chi-square statistic tested the differences between response options on a variable of interest according to relevant demographic or financial variables. Significance was set at $p<.05$.

Chi-square tests also determined the selection of variables included in multiple logistic regression models. A relevant demographic or financial variable was included if the differences between groups for the binary outcome variable were significant at $p<.05$.

Supplementary tables

Supplementary Table 1: Multiple logistic regression model 1:
Sociodemographic and single sources of income associations with long-term cost of living concern for NSSS-11 respondents.

Long-term cost of living concern	Odds ratio	Std. err.	z	*p*	95% conf. interval of OR	
age group	0.68	0.03	-7.78	0.000	0.62	0.75
home owner	0.73	0.06	-3.75	0.000	0.62	0.86
partnered	1.18	0.09	2.1	0.036	1.01	1.37
binary gender	0.82	0.06	-2.7	0.007	0.70	0.95
health	0.59	0.05	-6.7	0.000	0.51	0.69
savings	0.70	0.02	-13.73	0.000	0.66	0.73
super income only	1.19	0.13	1.55	0.122	0.96	1.48
savings income only	1.00	0.20	-0.01	0.993	0.68	1.47
wage income only	1.66	0.27	3.13	0.002	1.21	2.28
Age Pension income only	2.43	0.38	5.68	0.000	1.79	3.30
constant	29.24	5.45	18.11	0.000	20.29	42.13

Outcome variable
Long term cost of living concern: 0=not or a little concerned, 1= somewhat or extremely concerned
Demographic variables
age group: 50-64; 65-74; 75-84; 85+; **home owner**: 0 doesn't own home, 1 owns home outright; **partnered**: 0 not partnered,1 partnered; **binary gender**: 1=women, 2=men; **health:** 0=fair or poor health, 1= good or excellent health; **savings:** 1=100k or less, 2=100k-200k, 3= 200k-500k, 4= 500k-750k, 5=750k or more
household income variables as binaries where 0=not in receipt of income type(s) and 1= receiving income type(s)

Supplementary Table 2: Multiple logistic regression model 2:
Sociodemographic and combination sources of income associations with long-term cost of living concern for NSSS-11 respondents.

Long-term cost of living concern	Odds Ratio	Std. err.	z	*p*	95% conf. interval of OR	
age group	0.70	0.03	-7.34	0.000	0.63	0.77
home owner	0.75	0.06	-3.49	0.000	0.64	0.88
partnered	1.17	0.09	1.98	0.048	1.00	1.36
binary gender	0.82	0.06	-2.67	0.008	0.70	0.95
health	0.59	0.05	-6.58	0.000	0.51	0.69
savings	0.72	0.02	-11.99	0.000	0.68	0.76
super & savings	0.54	0.05	-6.14	0.000	0.44	0.65
super & wages	0.60	0.11	-2.8	0.005	0.42	0.86
super & Age Pension	0.98	0.10	-0.19	0.850	0.79	1.21
wages & Age Pension	2.02	0.66	2.14	0.032	1.06	3.84
super savings & wages	0.56	0.10	-3.22	0.001	0.39	0.79
Age Pension, super & savings	0.45	0.06	-5.92	0.000	0.35	0.59
super, savings, wages & Age Pension	0.51	0.18	-1.91	0.056	0.25	1.02
constant	34.54	6.27	19.50	0.000	24.19	49.32

Outcome variable
Long term cost of living concern: 0=not or a little concerned, 1= somewhat or extremely concerned
Demographic variables
age group: 50-64; 65-74; 75-84; 85+; **home owner**: 0 doesn't own home, 1 owns home outright; **partnered**: 0 not partnered,1 partnered; **binary gender**: 1=women, 2=men; **health:** 0=fair or poor health, 1= good or excellent health; **savings**: 1=100k or less, 2=100k-200k, 3= 200k-500k, 4= 500k-750k, 5=750k or more
household income variables as binaries where 0=not in receipt of income type(s) and 1= receiving income type(s)

Supplementary Table 3: Multiple logistic regression model 3:
Sociodemographic associations with belief in likelihood of outliving savings and investments

Likely to outlive savings	Odds Ratio	Std err.	z	*p*	95% conf. interval of OR	
long-term cost of living concern	3.61	0.28	16.72	0.000	3.11	4.20
age group	0.73	0.04	-6.23	0.000	0.66	0.81
binary gender	0.91	0.07	-1.16	0.247	0.78	1.07
health	1.23	0.10	2.5	0.012	1.05	1.44
partnered	0.98	0.08	-0.27	0.791	0.83	1.15
savings	0.68	0.02	-14.35	0.000	0.65	0.72
constant	4.43	0.87	7.55	0.000	3.01	6.52

Supplementary Table 4: Multiple logistic regression model 4:
Sociodemographic associations with worry about outliving savings and investments (only includes those who thought it likely they would outlive their savings and investments).

Worry about outliving savings	Odds Ratio	Std err.	z	*p*	95% conf. interval of OR	
long-term cost of living concern	5.30	1.33	16.22	0.000	7.26	12.53
age group	0.65	0.06	-4.53	0.000	0.53	0.78
binary gender	0.48	0.07	-4.85	0.000	0.35	0.64
health	0.72	0.12	-2.02	0.043	0.52	0.99
partnered	1.20	0.19	1.19	0.233	0.89	1.64
savings	0.82	0.04	-3.97	0.000	0.75	0.91
constant	23.20	8.69	8.39	0.000	11.13	48.35

Outcome variables
Likelihood of outliving savings & investments: somewhat/very unlikely =0, somewhat/very likely=1
Worry about outliving savings & investments: not at all worried=0, somewhat/very worried =1

Long-term concern and demographic variables
Long term cost of living concern: 0=not or a little concerned, 1= somewhat or extremely concerned
age group: 50-64; 65-74; 75-84; 85+; **binary gender**: 1=women, 2=men; **health:** 0=fair or poor health, 1= good or excellent health; **partnered**: 0 not partnered,1 partnered; **savings**: 1=100k or less, 2=100k-200k, 3= 200k-500k, 4= 500k-750k, 5=750k or more

Supplementary Table 5: Multiple logistic regression model 5: Sociodemographic associations with spending more later in life

Spending more in later life	Odds ratio	Std. err.	z	P>z	95% conf. interval of OR	
long-term cost of living concern	1.25	0.07	3.79	0.000	1.12	1.41
outlive savings	1.05	0.11	0.49	0.621	0.86	1.28
age group	1.16	0.07	2.42	0.015	1.03	1.31
binary gender	1.16	0.11	1.48	0.139	0.95	1.40
health	0.66	0.06	-4.3	0.000	0.55	0.80
partnered	0.74	0.07	-3.09	0.002	0.61	0.89
savings	1.07	0.04	2.14	0.032	1.01	1.15
constant	0.07	0.02	-8.33	0.000	0.04	0.13

Supplementary Table 6: Multiple logistic regression model 6: Sociodemographic associations with spending same in later in life

Spending same in later life	Odds ratio	Std. err.	z	P>z	95% conf. interval of OR	
long-term cost of living concern	0.82	0.04	-4.39	0.000	0.75	0.90
outlive savings	0.97	0.07	-0.39	0.698	0.83	1.13
age group	1.33	0.06	6.02	0.000	1.21	1.46
binary gender	1.07	0.08	0.89	0.375	0.92	1.24
health	1.25	0.10	2.85	0.004	1.07	1.45
partnered	1.09	0.08	1.06	0.291	0.93	1.26
savings	1.02	0.03	0.75	0.455	0.97	1.07
constant	0.38	0.09	-4.1	0.000	0.24	0.60

Supplementary Table 7: Multiple logistic regression model 7: Sociodemographic associations with spending less in later in life

Spending less in later life	Odds ratio	Std. err.	z	P>z	95% conf. interval of OR	
long-term cost of living concern	0.99	0.05	-0.18	0.858	0.91	1.08
outlive savings	1.00	0.08	-0.05	0.964	0.86	1.16
age group	0.66	0.03	-8.67	0.000	0.60	0.72
binary gender	1.12	0.08	1.54	0.124	0.97	1.30
health	1.22	0.10	2.59	0.010	1.05	1.43
partnered	1.17	0.09	1.98	0.048	1.00	1.36
savings	0.94	0.02	-2.34	0.019	0.90	0.99
constant	1.22	0.29	0.82	0.410	0.76	1.95

Supplementary Table 8: Multiple logistic regression model 8: Sociodemographic associations with being unsure about spending

Unsure of spending in later life	Odds ratio	Std. err.	z	P>z	95% conf. interval of OR	
long-term cost of living concern	1.23	0.09	2.74	0.006	1.06	1.42
outlive savings	1.03	0.13	0.26	0.792	0.81	1.32
age group	1.12	0.09	1.45	0.146	0.96	1.30
binary gender	0.48	0.06	-5.75	0.000	0.37	0.61
health	0.68	0.08	-3.25	0.001	0.54	0.86
partnered	0.89	0.11	-0.94	0.345	0.70	1.13
savings	0.99	0.04	-0.12	0.901	0.92	1.08
constant	0.18	0.07	-4.38	0.000	0.08	0.39

Outcome variables
Spending more in later life: not spending more=0, spending more=1
Spending same in later life: not spending same=0, spending same =1
Spending less in later life: not spending less=0, spending less=1
Being unsure about spending in later life: not being unsure=0, being unsure=1
Long-term concern and demographic variables
Long term cost of living concern: 0=not or a little concerned, 1= somewhat or extremely concerned **age group**: 50-64; 65-74; 75-84; 85+; **likelihood of outliving savings**: somewhat/very unlikely =0, somewhat/very likely=1 **binary gender**: 1=women, 2=men; **health:** 0=fair or poor health, 1= good or excellent health; **partnered**: 0 not partnered,1 partnered; **savings**: 1=100k or less, 2=100k-200k, 3= 200k-500k, 4= 500k-750k, 5=750k or more

Supplementary Table 9: Multiple logistic regression model 9:
Sociodemographic associations with preference for income that increases with the cost of living

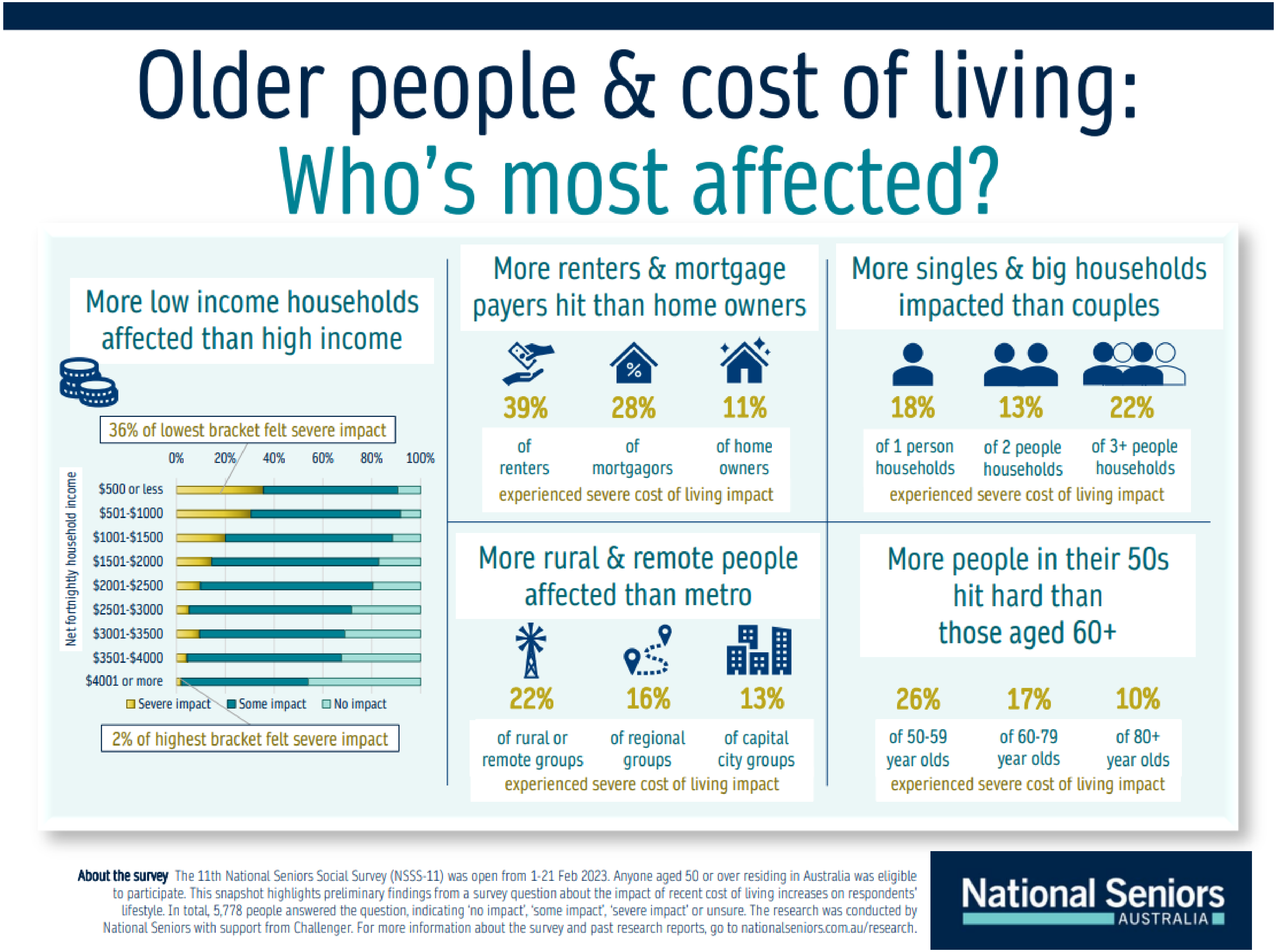
Preference: Income rises with cost-of-living	Odds ratio	Std. err.	z	P>z	95% conf. interval of OR	
long-term cost of living concern	1.21	0.05	4.63	0.00	1.12	1.32
age group	0.97	0.04	-0.75	0.45	0.88	1.06
binary gender	1.00	0.07	-0.04	0.97	0.87	1.15
partnered	0.97	0.07	-0.44	0.66	0.84	1.12
savings	0.74	0.02	-12.79	0.00	0.70	0.77
constant	3.14	0.69	5.21	0.00	2.04	4.82

Supplementary Table 10: Multiple logistic regression model 10:
Sociodemographic associations with preference for a combination of stable and variable income

Preference: A combination of stable and variable income	Odds ratio	Std. err.	z	P>z	95% conf. interval of OR	
long-term cost of living concern	0.84	0.04	-3.94	0.00	0.77	0.91
age group	0.98	0.05	-0.38	0.71	0.89	1.08
binary gender	0.95	0.08	-0.62	0.54	0.82	1.11
partnered	0.98	0.08	-0.28	0.78	0.83	1.15
savings	1.40	0.04	12.74	0.00	1.33	1.48
constant	0.22	0.05	-6.35	0.00	0.14	0.35

Outcome variables
Preference for retirement income that rises with cost of living: doesn't prefer income that rises with cost-of-living=0, does prefer income that rises with cost of living=1
Preference for a combination of stable and variable retirement income: doesn't prefer a combination of stable and variable income=0, does prefer a combination of stable and variable income =1
Long-term concern and demographic variables
Long term cost of living concern: 0=not or a little concerned, 1= somewhat or extremely concerned
age group: 50-64; 65-74; 75-84; 85+; **binary gender**: 1=women, 2=men; **health:** 0=fair or poor health, 1= good or excellent health; **partnered**: 0 not partnered,1 partnered; **savings**: 1=100k or less, 2=100k-200k, 3= 200k-500k, 4= 500k-750k, 5=750k or more

Appendix 3: Infographic 'Older people & cost of living'



Appendix 4: Supplementary tables for sources of household income tables

Supplementary Table 11 Proportions of households receiving single and combined sources of income

Combinations of household income	Percent	Freq
Superannuation only	10.7	585
Other savings or investments only	0.3	166
Wage or salary from employment only	7.3	400
Age Pension only	11.7	640
Super and savings income	16.0	875
Super and wage income	3.2	173
Super and Age Pension income	13.4	731
Savings and wage	1.7	92
Savings and Age Pension income	4.5	221
Wage and Age Pension income	2.2	122
Super, savings and wage income	3.1	168
Savings, wage and Age Pension income	0.4	21
Wage, Age Pension and super income	1.9	103
Age Pension, super and savings income	6.1	334
Super, savings, wage and Age Pension income	0.7	45

Supplementary Table 12: Source(s) of household income according to Age Pension eligibility age

Source(s) of household income	Aged under 67 years		Aged 67-plus: Eligible to receive Age Pension	
	Percent	Freq	Percent	Freq
Superannuation	46.7	591	64.3	2798
Other savings or investments	32.4	359	40.4	1760
Wage or salary from employment	52.3	580	15.0	653
Age Pension	*10.2	113	55.9	2432
Other government pension or payment	16.8	186	7.2	314
Other government allowance or supplements	4.0	45	5.6	246
Unsure	0.7	8	1.0	42
Prefer not to say	1.7	19	1.5	65

*An individual may be under the Age Pension age but the household receives Age Pension income

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