Pensions, super and bank deposits rise but retirement still a struggle

Superannuation pensions are up, age pensions are up and cash deposits are up, so why are so many seniors still finding it tough going?

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Fresh changes to pensions and superannuation are showering extra cash on retirees, but for many the financial benefits are being swallowed by the surging cost of living.

Centrelink assets test threshold changes on July 1 delivered extra age pension income to many seniors, high interest rates are finally paying retirees decent interest on their bank deposits, and the minimum drawdowns for people receiving superannuation pensions have doubled.

The super pension drawdown change returns them to normal after the government halved minimum withdrawals three years ago to help people cope with Covid-affected financial market impacts.

The result is that a 65-year-old must now take out 5 per cent of their account-based pension balance annually, while an 85-year-old must draw down 9 per cent each year.

SUPERANNUATION PENSION DRAWDOWN RATES

Age on 1 July	Minimum per cent of account balance that must been withdrawn	
	For 2022-23	**From 2023-24**
Under 65	2%	4%
65 to 74	2.50%	5%
75 to 79	3%	6%
80 to 84	3.50%	7%
85 to 89	4.50%	9%
90 to 94	5.50%	11%
95+	7%	14%

* People aged under 65 with transition to retirement pensions can withdraw 2%-10% each financial year.

Source: MLC, ATO.

The impact of the extra cash varies dramatically depending on retirees' individual financial situations.

Financial strategist Theo Marinis said a lot of clients were saying "they don't need that amount of money" after getting used to smaller drawdowns.

"All of a sudden your account-based pension has doubled and your age pension has gone up," he said.

Association of Independent Retirees president Wayne Strandquist said many seniors were using the extra cash simply to cover the higher cost of living.

"Increased food, fuel and travel costs have really absorbed any additional money," he said.

"More retirees are travelling this year, and that additional drawdown is combating inflation."

The latest Australian Bureau of Statistics CPI data revealed that international and domestic holiday prices were among the 10 fastest-rising costs in 2022-23, up 23 per cent and 14 per cent respectively.

“Younger retired people like to travel, they hung around for three or four years unable to go overseas, and now that they can get away they find that prices are significantly higher for just about everything,” Mr Strandquist said.

Later Life Advice founder Brendan Ryan said income received from account-based pensions was not generally taxable income so did not impact retirees’ tax.

“It can go straight to your bank account and there can be opportunities to recontribute it back,” he said.

“Call your fund and ask if you can put it back.”

Mr Ryan said pensioners were also benefiting from 5 per cent interest on their cash in the bank and higher pension rates, plus an ability to borrow against their home equity at 3.95 per cent, so had more options than younger generations struggling with huge mortgage bills.

Seniors have experienced a huge surge in travel costs. Picture: iStock

Mr Marinis said some seniors felt the psychological impact of higher living costs more than the physical effects.

“We feel losses more than we appreciate the gains,” he said.

“We feel the pain of inflation more than the income upside.”

Extra money landing in retirees' bank accounts was unlikely to deliver most people a higher tax bill, thanks a tax offset for people aged over 67 that allowed a single person to earn $32,279 tax-free and each member of a couple $28,974, Mr Marinis said.

"And whether it is in an account-based pension or a bank account, Centrelink is going to deem it regardless," he said.

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