



Featured News, CIO Insights

The Not-So-Silent Risk Impacting Retirement Income

11 March 2026

Inflation is often described as the biggest risk in retirement, and when your retirement could last well over 20, 30 years or more, that statement carries weight. This is because inflation does not arrive with a bang, but because it works quietly, steadily eroding purchasing power year after year. Left unchecked, it can turn what looks like a comfortable income today into a constrained standard of living tomorrow.

For much of the past two decades, inflation barely featured in retirement conversations. Interest rates were low, prices were relatively stable, and investors could afford to focus on headline returns rather than real, after inflation outcomes. That world has changed. COVID shocked inflation back to life, and with it comes an important question for retirees: is your income keeping up?

At La Trobe Financial, we believe that preserving the real value of income is one of the most critical issues facing retirement portfolios today.

What inflation really means in retirement?

Inflation is simply the rising cost of everyday goods and services, food, electricity, insurance, healthcare, housing. It is measured through indices like the Consumer Price Index (CPI), which track changes in the price of a representative basket of goods over time.

For retirees, inflation is often felt more acutely. Spending is typically concentrated in essentials, many of which rise faster than headline CPI. Retirees do not have the luxury of waiting for wages to catch up, they rely on their portfolios to fund their lifestyle.

The danger is not just high inflation, but persistent inflation and even inflationary shocks. Modest inflation, compounded over a 20 to 30-year retirement, can materially erode purchasing power. Moments in time like COVID, and now looking into a potential inflationary shock with the burgeoning war in Iran, the income stream that looked adequate at age 65 may struggle to meet the same needs at 75 or 85 if its real value has not kept up.

Inflation, interest rates, and the role of central banks

Central banks, including the Reserve Bank of Australia (RBA), play a critical role in managing inflation. Their mandate is to balance price stability with employment, a delicate task at the best of times.

When inflation rises, central banks typically respond by increasing interest rates to slow economic activity and dampen price pressures. When inflation falls too far, they may cut rates to stimulate growth. Over extended periods, this results in cycles – not straight lines.

We are seeing that dynamic play out again in 2026. With inflation proving more persistent than expected, the RBA recently increased the official cash rate and is suggesting more may be ahead of us. Importantly for our investors, La Trobe Financial has passed on that latest RBA rate increase in full, effective from 1 March, lifting investment rates across our investment portfolios in line with the higher interest rate environment.

This matters, because how your income responds to these cycles can make a meaningful difference to retirement outcomes.

The retirement risks inflation amplifies.

Inflation does not exist in isolation. It interacts with several well-known retirement risks:

Longevity risk: Australians are living longer. A 20 to 30-year retirement is now common, which means inflation has far more time to do damage if portfolios are not built to respond.

Sequencing risk: The order in which negative events impact your portfolio returns are received matters. High inflation early in retirement can permanently impair portfolio sustainability if income fails to keep pace.

Retirement transition risk: The shift from accumulation to income makes investors more sensitive to volatility, but also more exposed to inflation if portfolios become overly defensive.

Inflation can also trigger behavioural risk. Investors may lock in fixed returns for “certainty” at exactly the wrong time, sacrificing long-term purchasing power for short-term comfort.

Why fixed income can struggle in an inflationary world.

Fixed rate investments have a superficial appeal in retirement: predictability. But predictability comes at a cost.

When income is fixed, purchasing power is not. Rising inflation means each dollar buys less, even though the nominal income remains unchanged. Over time, this can quietly undermine your retirement lifestyle.

What matters is flexibility.

The role of floating rate income in retirement portfolios

Floating rate incomes work differently. Instead of being locked in, returns adjust as interest rates change. When central banks raise rates to combat inflation, floating rate income rises alongside them.

This is why floating rate strategies can play a key role in retirement portfolios. They offer the potential for income that responds to the economic environment, rather than remaining static.

At La Trobe Financial, floating rate incomes are a core feature of our private credit portfolios. As interest rates move, portfolio income adjusts accordingly, helping you maintain your real, inflation-adjusted income over time.

The recent RBA rate increase provides a practical example. As noted above, we have already passed that increase on in full, from 1 March, ensuring our investors benefit directly from the higher rate environment.

Taking the long view

Inflation will rise and fall. Interest rates will move up and down. What matters for retirees is not predicting the next decision by the RBA but building portfolios that adapt over decades.

A retirement that lasts 20 or 30 years will likely span multiple inflation events, economic cycles, and market disruptions. Portfolios that are responsive, diversified, and income-focused are better placed to thrive across that journey.

At La Trobe Financial, our focus has always been on delivering dependable income and preserving capital across good times, and bad. In an environment where inflation has reemerged as a genuine risk, that discipline matters more than ever.

Inflation may be the biggest destroyer of wealth, but with the right portfolio construction, it does not have to be.

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CEO Chris Andrews on Sky News: Australia's Productivity Challenge

La Trobe Financial CEO Chris Andrews spoke with Sky News' Ross Greenwood about key themes shaping Australia's economy. The message was simple: technology will reshape how businesses operate, but productivity gains only matter when they translate into real-world outcomes – jobs, investment, and sustainable growth.

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