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SUMMER 2025 EDITION

Cruising into retirement with confidence

With longer days and sunshine aplenty, Australians are embracing the outdoors, planning getaways and enjoying a renewed sense of freedom. The same spirit should extend to retirement, yet too many retirees still hesitate to spend, despite having built substantial wealth through superannuation.

Australia's super system has been a global success in helping people save, but the industry must now focus on giving retirees the confidence to enjoy their savings, by rethinking the mix of investment and income structures that can deliver greater certainty, flexibility and peace of mind.

According to the Cruise Lines International Association, 34.6 million passengers cruised across the globe in 2024, among them about 1.3 million Australians, a near 10% increase from the previous year. Baby Boomers represented nearly a third of these travellers, embracing spending more time with multigenerational family and friends. This growth reflects how Baby Boomers are redefining retirement. No longer content to slow down, they're more active and intent on living well.

There are lots of different ways your retirement expenditure pattern can play out: are you going to need the same amount of income each year, slowly replacing travel with medical expenses? Is it going to be L-shaped – enjoying holidays when you've just retired before settling into a quieter life? Or will it be U-shaped – big holidays early, then a quiet life, followed by higher medical costs? None of us can predict the future, so staying flexible is important.

Helping more Australians to enjoy the wealth they've built

Arguably, the current minimum drawdown rates may no longer reflect how Australians want to live in later life. Increasing them could reinforce super's purpose: to fund life after work, not accumulate indefinitely.

The industry is responding, spurred by the government's Retirement Income Covenant, which requires super funds to offer strategies and products that help members convert savings into sustainable income. It has been a crucial step towards building greater confidence. However more collaboration across government, advisers, super funds and product providers may still be needed to help Australians feel secure enough to spend their savings with confidence.

One important part of the solution lies in products that provide lifelong income, such as lifetime annuities. For many, combining super with a lifetime annuity can deliver that sense of security, layering income guaranteed for life on top of market-based returns. It's a model that can also cushion retirees against future policy shifts, helping them enjoy the lifestyle they've worked for without fear of outliving their savings.

Ultimately, retirement confidence isn't just about how much money you have – it's about knowing you can use it to make the most of every season ahead. By working together, the government, advisers, super funds and other product providers can help Australians truly cruise through retirement, with the sun on their faces and peace of mind in their plans.

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In this issue

Five ways that could make your life insurance more affordable

Life insurance can be central to a good financial plan, to help shield your family from life's unexpected shocks. It's crucial then that your life insurance cover is right to meet the costs that you and your family would not otherwise be able to afford.

But what happens when your premiums grow larger than you're entirely comfortable with? Over time, increases in the cost of claims, medical care, along with changes in your risk profile and broader economic factors can cause your premiums to rise.

Yet rising premiums doesn't mean you need to or should, abandon your cover. In fact, those same changing circumstances that may push your premiums up can also be good prompts to review your cover to ensure it remains right for your current needs.

Here are five ways you may be able to reduce your premiums without compromising your cover.

1. Right-size your cover

If your life has changed considerably since you last reviewed your insurance, you may no longer need the same types or levels of cover – especially if:

- your mortgage has reduced
- your children are financially independent
- you've built up savings or other assets.

Assessing your current needs and adjusting your insurance to ensure you're covered only for what you need could help you save.

2. Pause automatic inflation increases

Your policy may have an indexation feature which automatically adjusts your sum insured in line with inflation. This helps to maintain your level of protection as living costs change.

Yet an increasing sum insured is one of the reasons that your premiums also increase. But these inflation indexed increases aren't mandatory.

If you're happy with your current level of cover, you may be able to opt out of indexation increases – just remember your sum insured will not increase for each year that you opt out.

3. Review optional extras and old loadings

Your policy may also include extras you no longer need and removing these could help you save on your premiums. For instance, if you selected an option to increase your claim amount each year, it might be worth reviewing whether that still suits your needs.

Similarly, if you've taken steps to improve your health (quitting smoking for example), there may be some loadings (additional costs) on your policy which can be removed.

This can help you save without compromising your core protection.

4. Change how often you pay

Depending on your insurer, paying annually instead of monthly can reduce the amount you pay. Check your policy to see whether your insurer offers different payment frequencies that would cost you less overall.

5. Adjust your waiting and benefit periods

If you have income protection insurance, consider reviewing:

- your waiting period (how long you wait before payments start)
- your benefit period (how long payments continue).

A longer waiting period or shorter benefit period can often lower premiums while still ensuring your safety net is there when you need it.

Ready to review your cover?

Insurance can feel complex, but you don't have to figure it out alone! If you're concerned about the cost of your cover, ask your adviser about ways they can keep your insurance affordable, relevant and aligned with your goals.

Understanding volatility: What causes volatility and how to spot the signs?

Understanding how different events affect volatility can help you better understand the long-term and short-term movements of company share prices.

Let's look at the types of events that can trigger volatility.

1. Supply chain disruptions

Events such as natural disasters, pandemics, or geopolitical tensions can cause significant supply chain disruptions which can lead to severe share price volatility. The COVID-19 pandemic is as a prime example of an extensive supply chain disruption. Industries such as travel, hospitality, and manufacturing faced unprecedented challenges, with the Qantas share price falling by 52% in just two months. But not all the news was negative. The semiconductor industry experienced severe shortages due to factory shutdowns. The limited supply caused stock prices in certain technology companies to surge. For example, leading Taiwanese semiconductor manufacturer TMSC's share price reached an all-time high in 2021 due to increased demand.

2. Geopolitical events

Global events such as elections, trade agreements, or conflicts can introduce uncertainty and volatility into financial markets. The recent US-China trade tariff war is a good example of a geopolitical event that caused industry-specific volatility. The US technology sector, which relies heavily on China for production, was severely impacted, with the technology index (NASDAQ) falling 15% in the weeks following President Trump's tariff announcements.

3. Regulatory changes

Industries are often subject to regulations or government policies that can impact operations. Sudden changes in regulations can introduce volatility in sectors heavily reliant on compliance. One example is the impact of the Australian Banking Royal Commission in 2019. The release of the final report led to significant volatility in the share prices of major Australian banks due to the potential of increased compliance cost and changes to business models, with the price of Commonwealth Bank (CBA) shares falling close to 7% in one week.

4. Technological innovations

Rapid technological advancements can disrupt entire industries by changing how products are made or delivered. Companies that fail to adapt may face a sharp decline in market share, leading to increased volatility in their stock prices.

Companies that can innovate often benefit. The rise and subsequent fluctuations of electrical vehicles (EVs) driven by battery technology is a good example. Tesla's stock price surged over 700% in 2020, making it one of the most valuable automakers in the world, surpassing giants like General Motors.

5. Market sentiment and consumer behaviour

Changes in consumer preferences, often influenced by social trends, technology or economic conditions, can lead to volatility in industries such as retail and consumer goods. One notable example is Nokia. At one point Nokia was the world's largest mobile phone manufacturer. However, as consumer preferences shifted to smart phones, Nokia was unable to compete, resulting in a fall of 92% in the company's share price and their eventual acquisition by Microsoft.

6. Natural disasters

Natural disasters, such as hurricanes or earthquakes, can cause abrupt share price volatility. The aftermath of the Australian bushfires of 2019-20 exemplifies this, particularly in the insurance and building sectors. QBE Insurance, one of Australia's largest insurers, saw its share price decrease by 21% in the months following the fires due to concerns about a rise in insurance claims. Boral, a major construction company, saw its share price rise in 2020 as the rebuilding efforts gained momentum.

7. Earnings reports

Earnings announcements often lead to increased volatility, as investors react to the results compared to market expectations. Stocks can experience significant price movements in the days following earnings report announcements, due to changes in earnings forecasts, guidance, or sentiment. For example, when Netflix released its Q1 earnings report in 2022 the company surprised the market by announcing that subscriber numbers had fallen for the first time in 10 years. The share price dropped 25% in one day.

8. Monetary policy announcements

Changes in interest rates and monetary policy can drive significant volatility in the markets. Investors should be particularly attentive to Central Bank announcements, as these can result in rapid price movements across various asset classes.

9. Sector sensitivity to economic cycles

Some industries are more sensitive to economic cycles than others. For example, consumer discretionary sectors, such as retail, tend to be more volatile during economic downturns compared to consumer staples, which generally remain stable as they provide essential goods.

Understanding volatility can offer valuable insights into both short-term shifts and long-term trends. If you are curious about how this affects your financial strategy, get in touch with your financial adviser.

Mental bandwidth matters: How simpler choices support better thinking

Most of us make hundreds of decisions a day, some big, some barely noticeable. What to eat, when to respond to that email or phone message, how to plan the week ahead. Over time, this constant stream of choices can quietly wear down our mental energy.

This is where cognitive load theory offers a useful lens. Originally developed to improve learning outcomes, the theory explains that our working memory, the part of the brain responsible for holding and processing new information has limited capacity. When we try to juggle too much at once, our ability to think clearly and make sound decisions can be impacted.

This isn't just relevant in classrooms or boardrooms, it shows up in everyday life like when we're navigating change, managing responsibilities, or trying to make thoughtful plans for the future.

One Strategy: Reduce Decision Complexity

One practical way to manage cognitive load is to simplify the decision-making environment. This doesn't mean avoiding important choices, it means making them easier to navigate. For example:

- Silencing non-essential notifications on your phone to protect attention
- Batching emails or messages at set times to avoid constant mental switching
- Scheduling similar tasks together to reduce mental switching

These small adjustments reduce the number of decisions we need to make in the moment, freeing up mental space for more meaningful thinking. They also help prevent decision fatigue, a common issue when life feels full or fast-moving.

Why It Matters Across Life Stages

Whether you're managing a household, building a career, supporting others, or preparing for a new chapter, mental bandwidth matters. Everyone experiences moments of overload. And while the context may differ, the solution often looks the same – simplify where you can, so you can focus where it counts.

In practice, managing cognitive load isn't about doing less, it's about doing things more deliberately. By reducing complexity and designing routines that support mental clarity, we create space for better decisions, calmer responses, and a greater sense of control. In a fast-paced world, simplicity isn't just a luxury, it's a strategy.

Thinking ahead? Let's talk about strategies for creating a positive financial future.