

Your PERSONAL WEALTH

Autumn 2025

Welcome

In February 2025, the Reserve Bank of Australia (RBA) cut rates for the first time in 5 years and in this edition we look at what this could mean for you.

As we head into Autumn, Trump has surprised the world with the speed of implementation of his agenda.

Following an excellent year for investors, while there are considerable uncertainties for 2025, the key is to remain invested. While short-term volatility can be uncomfortable, maintaining a long-term perspective and diversified approach remains the best strategy for most investors.

We also take a look at what happens to your super if life gets in the way, and 5 great tips to thrive in 'unretirement'.

Happy reading!

Where are we now and where are we heading?

Following an excellent year for investors, we expect lower returns in 2025, with increasing opportunities for active managers.

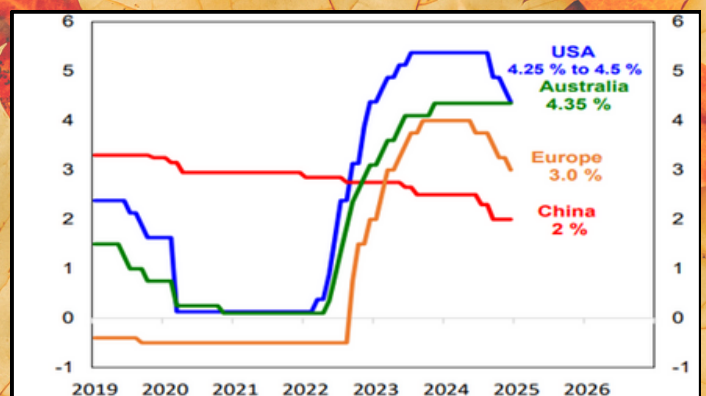
The major themes dominating markets:

- US stocks continue to dominate global markets, at 74% of global market capitalisation. The 'Magnificent 7' now equates to an unprecedented 34% of the US market and over 50% of the S&P 500 returns.
- Australian share market returns have been dominated by Bank and Technology stocks, however, the share market faces headwinds from weak economic growth and falling productivity.
- Continued weakness in the economies and markets of Europe and the UK.
- China's economy continues to suffer from a cautious consumer and weak property market.
- While short-term volatility is likely, active management opportunities are emerging outside the mega-caps.

- 1 Where are we now and where are we heading?
- 3 5 ways to build a successful unretirement
Interest rate relief
- 4 What happens to my superannuation if...?

Contents

Global central banks reduced interest rates in 2024, with Australia being an exception



Sources: Federal Reserve Economic Data (FRED), St Louis Fed and LSEG DataStream

Where are we now?

The December quarter was a reminder that markets never move in a straight line. Despite milder inflation and continued US and European Central Bank interest rate cuts, both global share market returns and the ASX 200 ended slightly down in US dollar (USD) terms. The significant fall in the Australian dollar (AUD) against the USD, turned the Q4 global share market return of -0.9% in USD into a solid 11.1% in AUD.

The 12-month returns were exceptional for global, US, and emerging markets.

Despite a solid performance, the ongoing weakness in the Australian economy explains the relative underperformance of Australian shares.

In February 2025, the Reserve Bank of Australia (RBA) cut rates for the first time in 5 years reducing the cash rate from 4.35% to 4.10%. The positive move in bond prices in Australia reflected optimism that the RBA will cut rates several times in 2025.

It is unclear whether long-term rates will fall in the US.

Implications of the Trump presidency

Commentators expect that while the Trump presidency will be pro-growth within the US, the impact on global growth may be negative. Trump has surprised the world with the speed of implementation of his agenda.

While there are considerable uncertainties for 2025, our base case is that there will be negotiated/delayed tariffs and a soft landing in the US. This implies that the US Federal Reserve would continue to reduce rates, the US economy should grow modestly (2.5%), and inflation will moderate slightly. However, should US inflation increase significantly, or a trade war occur, this would hurt global share markets.

Geopolitical tensions remain high and much depends on Trump's approach.

Outlook for economies and markets

Most feel that investor sentiment is unlikely to send large cap share prices much higher in the US as this would require high and very optimistic company earnings to materialise. The Wall Street consensus is for a stock market return of 8-10% in the next 12 months.

Similarly, the outlook remains difficult for Europe, the UK, and China. Australia is in a more difficult position because, despite some evidence that we have hit the bottom, our economic outlook is uninspiring, with GDP growth and productivity continuing to fall.

Investment opportunities

The good news is that there are positive signs for a broadening out of returns beyond the large cap stocks globally (especially for the US). Likewise for Australia, as interest rates are cut and the Chinese Government stimulates the economy. This provides opportunities for active managers to find stocks, especially in the mid and small cap sectors.

We think Australian bonds could provide good returns at current income levels of 4.5-5% with the potential for capital gains when long-term rates fall. Likewise, investment-grade credit provides good returns for the low level of risk

Conclusion

While headline index returns may be modest, we remain positive as there are increasing opportunities for active managers who look beyond the obvious

Returns of major asset classes to 31 January 2025

Asset Class %	3 months	6 months	1 year	Ann.3 year	Ann. 5 Year	Ann.10 year
Global Shares in USD	5.55	8.24	21.94	10.07	12.61	11.11
Global Shares in AU	10.84	13.31	29.23	14.63	14.22	13.60
S&P 500 TR in USD	6.22	10.12	26.38	11.91	15.17	13.76
S&P 500 TR in AU	11.55	15.28	33.93	16.54	16.81	16.31
Emerging Markets in AU	2.98	6.56	22.25	3.87	4.93	6.50
S&P ASX 200 TR in AU	5.11	7.32	15.17	11.44	7.97	8.65
S&P ASX Small Ordinaries TR	2.70	6.57	12.32	3.10	4.25	7.66
S&P ASX 200 A-REIT (Sector) TR	0.86	5.36	22.41	8.63	5.59	8.09
S&P ASX 200 Industrial TR	7.42	9.53	23.47	13.06	8.18	8.42
S&P ASX 200 Resources TR	-3.04	-0.44	-8.52	5.75	7.44	9.84
Australian Bonds	1.84	1.44	2.91	-0.39	-0.60	1.83
Global Bonds	3.69	4.02	6.25	0.31	-0.70	2.47

Source: FE Analytics

mega-cap names. However, the combination of high starting valuations and economic uncertainty means diversification is crucial.

Our preferred approach is:

- Quality stocks over speculation.
- Active management over passive.
- Maintain exposure to bonds and high-quality credit for income and stability.
- Regular rebalancing to maintain target allocations.

The key is to remain invested. While short-term volatility can be uncomfortable, maintaining a long-term perspective and diversified approach remains the best strategy for most investors.

5 ways to build a successful unretirement

Many clients look for guidance to help them chart their next stage of life; combining part-time work, volunteering or mentoring, exploration, friendship, family, and fun. While most feel they are in pretty good shape financially, many are unnerved by the idea of not being busy and needing to find ways to fill up their days in fulfilling ways. Let's call this 'unretirement[1]' or semiretirement - working part-time or volunteering in retirement. Among the most important aspects of unretirement are finding meaning and purpose.

Here are five great tips for thriving in unretirement.

1. Try to figure out not just what you want to retire from, but what you want to retire to.

Few people seem to do that, which causes some of them to flounder, get bored, get depressed, or just get spooked in unretirement. Spend some time thinking about what would give you pleasure in unretirement and what you need to do to make that happen.

2. To transition from full-time work to unretirement, try to be a 'purposeful pathfinder[2]'.

A 'purposeful pathfinder' as described in the 'Longevity and the New Journey of Retirement' report is the type of retiree who is most fulfilled, most liberated, and most prepared. Purposeful pathfinders often want to volunteer and go back to school.

3. When determining when, how, and whether to retire, try the six-word idea.

List six words that best describe you and then consider how retiring might change that description. If your identity is wrapped up in your job, you may not be ready to retire quite yet. Repeat the exercise in a few months while undertaking alternate activities to help prepare yourself for a transition to unretirement.

4. To find part-time work in retirement, go local and age-friendly.

Pitch yourself to local businesses and nonprofits for an unretirement job, freelance, gig, or consulting work. You likely won't need to go through HR bureaucracy, and you may be a strong candidate simply because you've been a loyal customer, client, patient, or supporter.

5. Finally, don't underestimate the importance of looking for meaning and purpose in unretirement.

Overcoming the challenge of redefining your sense of purpose in retirement involves a deliberate shift in perspective and a journey of self-discovery. It can be a great opportunity to explore interests you shelved over the years due to work commitments. Or it can be a chance to discover new passions - like volunteering, pursuing hobbies or learning new skills.

Research has shown that finding meaning and purpose can be good for your mental and physical health. You may find this through reconnecting with old friends or bolstering relationships with your family and relatives. Or by leaving a legacy as a mentor, passing along what you've learned over the years. Volunteering is an excellent way of finding meaning and purpose since it lets you spend time assisting a mission that matters to you. You could even find purpose through part-time work in unretirement.

Here's hoping these suggestions help make your unretirement a spectacular one.

[1] <https://www.marketwatch.com/story/6-ways-to-build-a-successful-retirement-3ec635b>
[2] Longevity and the New Journey of Retirement Age Wave Report



Interest rate relief

February 2025 saw the Reserve Bank of Australia (RBA) lower the official cash rate for the first time since 2020. The cut to 4.1% is a 0.25% reduction from the 4.35% it had held since 2023 and signals the RBA's shift towards stimulating economic growth. Whether this is a small relief or the first cut of many remains to be seen.

This offers potential relief for homeowners, as variable mortgage rates are likely to decrease and ease repayment pressures. Whether fixed rates become more competitive is still uncertain.

What is certain is that you should discuss any rate changes with your lender, to understand their specific impact on your circumstances. If you're unsure how to approach this, give us a call.



What happens to my superannuation if...?

The premise behind Australia's superannuation scheme is simple: regularly contribute to a complying superannuation fund to provide financial support upon retirement. Well, that's the plan. But what happens if your savings strategy is disrupted before you get to retirement? Knowing how super is affected when life doesn't go to plan can help you determine your approach.

So, what happens to your superannuation if...

1. You pass away?

Superannuation is governed by Superannuation law, meaning your Will does not determine how the benefits are distributed unless you have made a nomination to pay your superannuation to your estate. This is usually done by the nomination of a beneficiary. If you die without completing any form of nomination, the trustee will decide how to distribute the superannuation proceeds. The proceeds at that time may also include your Life insurance proceeds.

There are two types of nominations:

- **Binding Nomination:** specifies one or more dependents to receive the death benefits. Trustees must follow your nomination.
- **Non-Binding Nomination:** records your preference although trustees retain discretion and distribute the benefits according to what is deemed most appropriate.

2. You pass away without a Will (intestate)?

Fund trustees refer to nominations of beneficiaries whether a Will exists or not. If there is no binding nomination of beneficiary, the trustee assesses your relationships to determine entitlement. If there are no beneficiary nomination, the death benefit may become part of your estate and be distributed according to intestacy laws.

3. You get divorced?

Superannuation, in Family Law, is considered an asset and entitlements are determined between you and your former partner through negotiation or court order. In the event of divorce or a relationship

breakdown, there may be a need to split your superannuation benefits and share the amount with your former partner.

Your former partner may then:

- Add the amount to their superannuation benefits
- Invest the amount as they like
- Access the amount as a super benefit if they meet standard release conditions.

Tax-free and taxable components are calculated and divided proportionately between the two entitlements.

4. You move overseas?

Moving permanently overseas was once a condition of the early release of super. The Australian government removed this option in 2002, the logic being that your savings can be maintained in Australia, where normal preservation and release conditions apply.

5. You retire early?

To be able to access your retirement benefits, you must meet one of the specified conditions of release, eg attain age 65 or reach your preservation age (currently age 60) and retire. If you decide to retire earlier, you may need to access your investments outside of superannuation environment or apply for government payments until you meet these specified conditions of release.

Your superannuation is a valuable asset, and regardless of what life throws your way, making informed decisions about how your super is managed, can greatly impact your financial security.

Seek professional advice and plan for success!



AFSL 229892 ABN 23 065 921 735 lifespanfp.com.au
Level 24, 1 Market Street, Sydney, NSW, 2000
Phone: 02 9252 2000 Email: advice@lifespanfp.com.au
Your financial planner is an Authorised or Corporate Authorised Representative of Lifespan Financial Planning Pty Ltd

Disclaimer: The content in this newsletter is of a general nature only and are not to be taken as recommendations as they might be unsuited to your specific circumstances. The contents herein do not take into account the investment objectives, financial situation or particular needs of any person and should not be used as the basis for making any financial or other decisions. Your Lifespan adviser or other professional advisers should be consulted prior to acting on this information. This disclaimer is intended to exclude any liability for loss as a result of acting on the information or opinions expressed.