

### Contents

Why super returns may be heading lower *Shane Oliver*

Should housing home people or money? *Nick Garvin*

Retirement income expectations hit new highs *Vanguard Investments Australia*

Mitigate or adapt: the climate challenge *Tony Dillon*

The three key drivers of a purposeful retirement *Giacomo Tarantolo*

Australia's moment? De-dollarisation gains momentum *Phil Strano*

AI is more smoke and mirrors than a revolution *Simon Cottrell, Chandra Krishnamurti*

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### Editorial

**First, I'd like to ask a favour of you.** Firstlinks has been nominated for a People's Choice, Industry Media of the Year award at the Australian Financial Industry Awards. If our insights and reporting have helped your decision-making, please consider voting.

**Cast your vote:** <https://ifpa.com.au/peoples-choice-australian-financial-industry-awards-2025/>

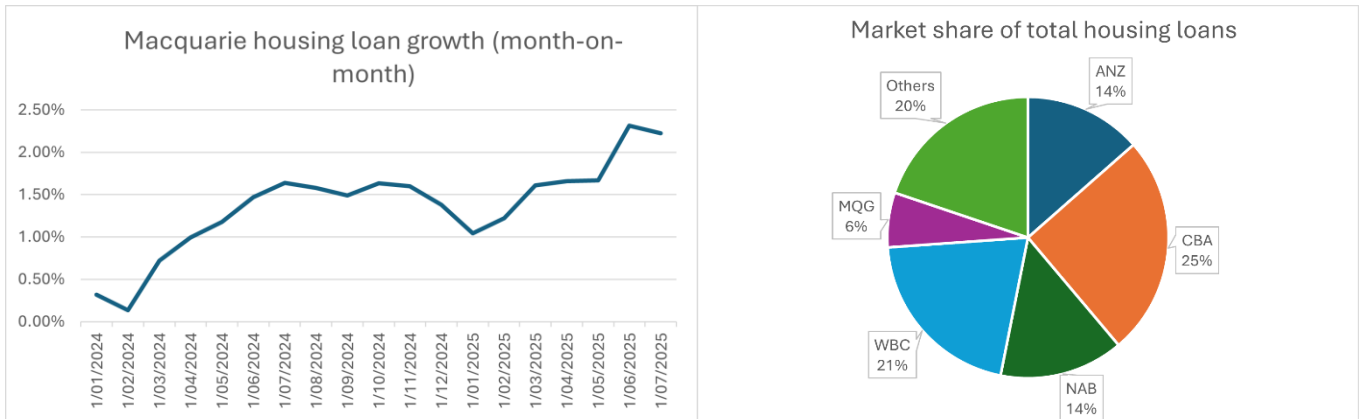
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Tim Carleton, CIO at Auscap Asset Management, has had success with his funds despite largely staying away from the banks and miners. And he sees no reason to pile back into the ASX's two largest sectors any time soon.

He says that the Big Four banks haven't grown earnings over the past decade and that trend may continue for the next 10 years. The reason? For the first time in a long while, the banks face a significant competitive threat – in the form of Macquarie Bank.

In July, Macquarie's home loan book grew at 6.4x the average of the major banks to stand at \$147.7 billion, according to APRA. It added \$3.2 billion in new business over the month, representing 39% of the growth in total mortgage balances across all banks.

July was the strongest monthly performance for Macquarie in the home loan market since February 2021. Over four years, Macquarie has increased its mortgage business by more than 3x the pace of the broader banking system, lifting its overall share from 4.7% to 6.3%.



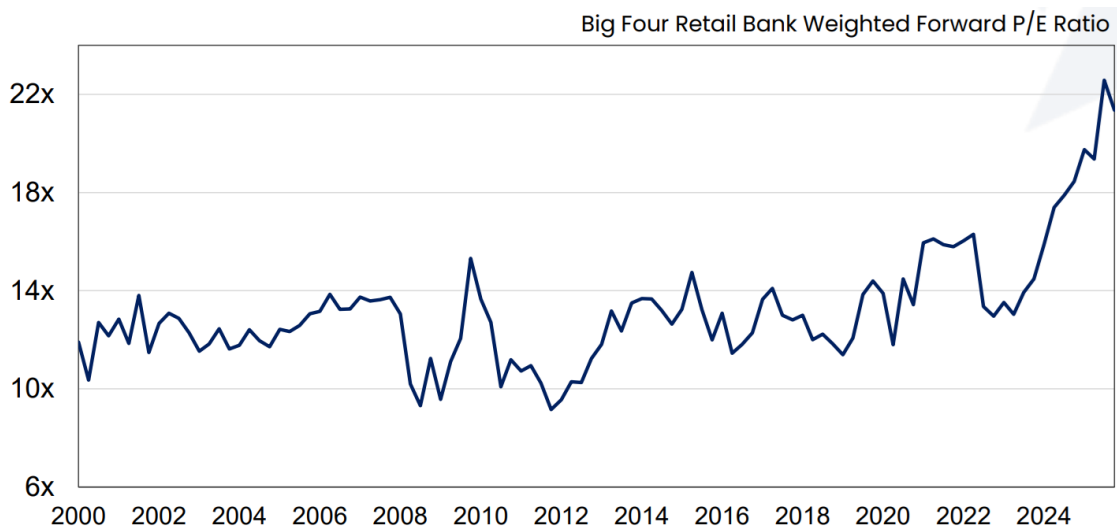
Source: APRA, Morningstar's Nathan Zaia

"We think this trend is going to continue and if you extrapolate their current rate of growth, they [Macquarie] will comfortably go past ANZ and NAB inside the next decade," Carleton says.

Carleton believes the major banks are already selling a commoditized product because they've outsourced their customer relationships to mortgage brokers.

Now, they must compete against a lean and efficient Macquarie Bank. Unlike the Big Four, Macquarie has new IT systems and it doesn't have a legacy cost structure – read: no bank branches. That means it has lower costs and can price loans aggressively, which is exactly what's happening.

Carleton says this structural challenge comes at a time when big bank valuations are near all-time highs. And that doesn't bode well for future returns.

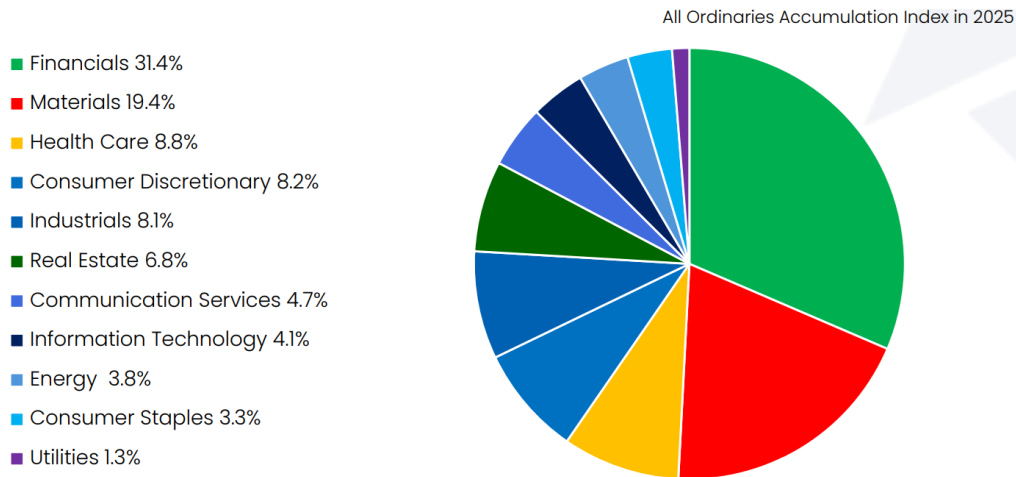


Source: Factset, Auscap

Meanwhile, Carleton says the iron ore miners have structural challenges of their own. China accounts for 56% of steel consumption and its consumption likely peaked in 2020.

Reduced Chinese demand for steel is happening as iron ore supply is about to pick up. The massive Simandou project in Guinea is targeting first ore shipments by the end of this year, ramping up to 120 million tonnes per annum. That represents about 5% of global iron ore production.

Carleton thinks the challenges for banks and miners are also challenges for the ASX more broadly, given that the two heavyweight sectors account for 50% of the All Ordinaries Index.

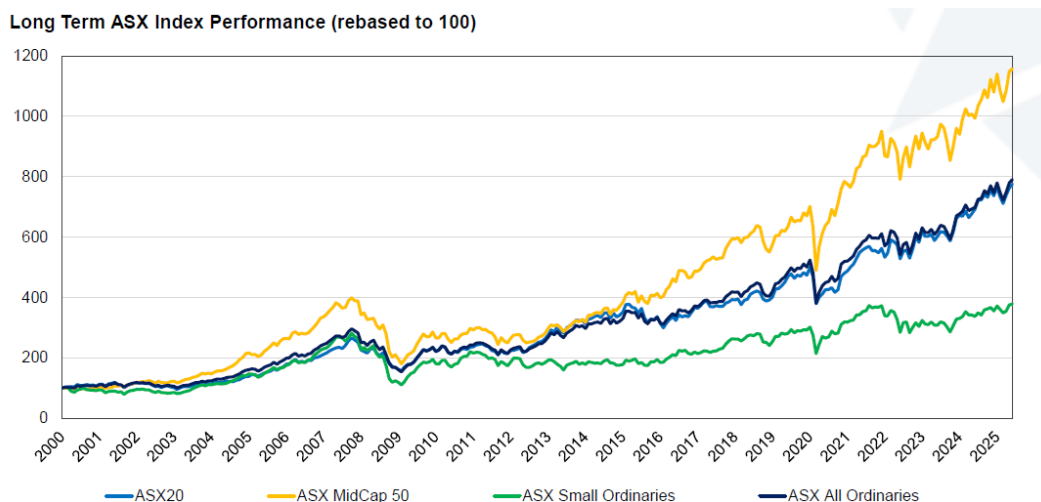


Source: Bloomberg, Auscap

If investors should stay away from the large-cap banks and miners, then where should they go? Carleton doesn't think the answer lies with small caps. He says the smaller end of the market is full of unprofitable companies and speculative resource shares. Instead, he reckons mid-cap stocks may be your best bet as they have a track record of faster earnings growth and superior share price performance.

	ASX All Ordinaries	ASX 20	ASX Mid-Cap 50	ASX Small Ords
<b>FY15-25 Annualised Dividend Yield (A)</b>	4.0%	4.7%	3.1%	2.9%
<b>FY15-25 Annualised EPS growth (B)</b>	2.8%	1.2%	6.1%	2.2%
<b>Implied Annualised Total Return (A+B)</b>	6.8%	5.9%	9.2%	5.1%
<b>Actual Annualised Total Return (FY15-25)</b>	9.1%	8.3%	11.7%	7.6%

Source: IRESS, Bloomberg, Auscap



Source: IRESS, Auscap

Carleton will have his critics. Whether Macquarie proves a genuine competitor to the Big Four banks remains to be seen as it's mainly taken share from smaller banks so far. And he's undoubtedly talking his own book by advocating mid-cap exposure.

Nevertheless, he makes some relevant points about how investors should think carefully about the construction of their Australian-based portfolios.

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The number of AI sceptics seems to be growing and *Firstlinks* has featured a few of them in recent editions. So, it's a good time to hear from one of the bulls.

Nick Griffin, the CIO of Munro Partners, has made a name for himself by backing major technological trends and the companies best exposed to them. When he speaks on tech, investors listen.

And Griffin thinks concerns about a bubble in AI are way overblown:

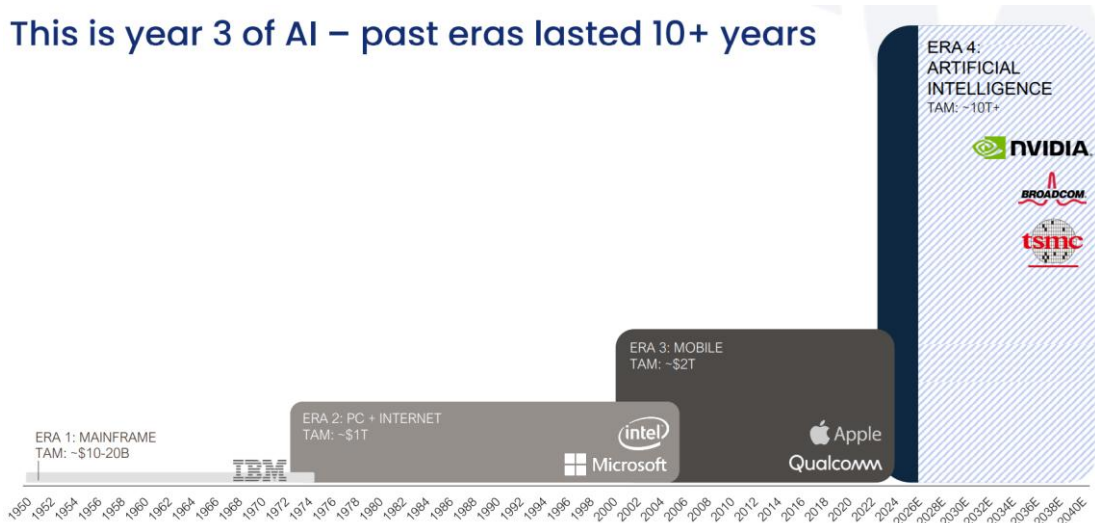
"This is not a bubble, this is a boom. This is a boom that's literally two-and-a-half years old and it's probably going to last for the next five to 10 years."

Why does he say this? Because Griffin believes we're witnessing an intelligence revolution. If the industrial revolution replaced muscle with machines, then intelligence revolution will augment your brain as well as the brain of every machine around the globe.

He says every company is going to take their data and put intelligence on top of it to get improved outcomes. And they'll either do that using a so-called hyperscaler or via their own data centre.

Why do the trends last a long time? When the first PC came out, it was five or six years later that workplaces started to get PCs.

Similarly, only some people and businesses use AI right now. There are a lot more who will end up using it, hence why there is a long runway for growth.

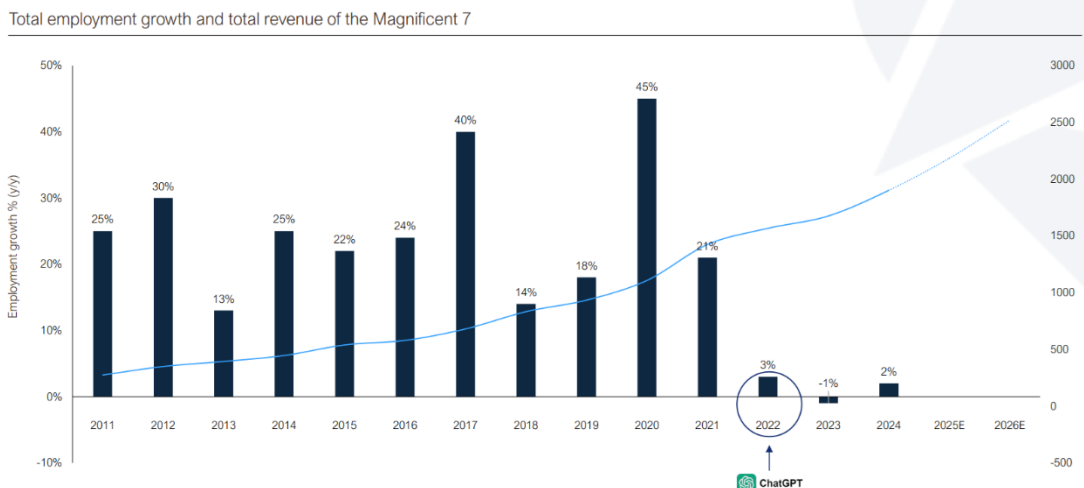


*For illustrative purposes, the companies shown may or may not be held in the Munro Funds. Numbers are in USD. TAM stands for total addressable market. Slide prepared September 2025.*

It's why Griffin isn't concerned with the rapid construction of data centres. He quotes Nvidia which expects data centre capital expenditure of US\$3-4 trillion by 2030, up from around US\$1 trillion today.

And Griffin is also unfazed about returns from this massive capex bill.

He says investors need only to look at the Magnificent Seven stocks to see where productivity gains will be made. He says AI has helped these companies grow revenue by more than 50% over the past three years, while keeping their headcounts relatively flat.



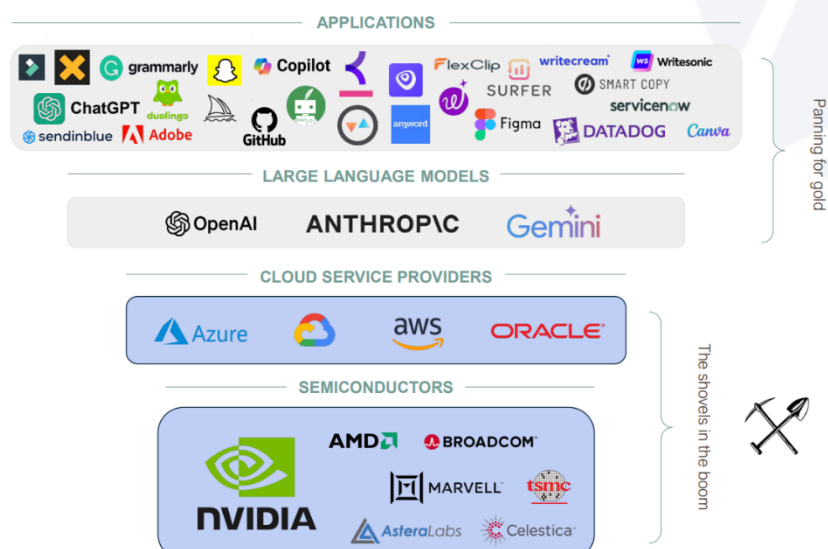
Source: Munro Partners and industry research as at 31 May 2025. Revenue (\$b) is in USD. The companies mentioned may or may not be held in the Munro Funds.

He says what's happened with the Magnificent Seven will spread to all sectors:

"Every company on the planet ... right now is sitting around the boardroom saying how can we use AI to either reduce people, save time, or improve customer satisfaction, and all of that basically equals productivity."

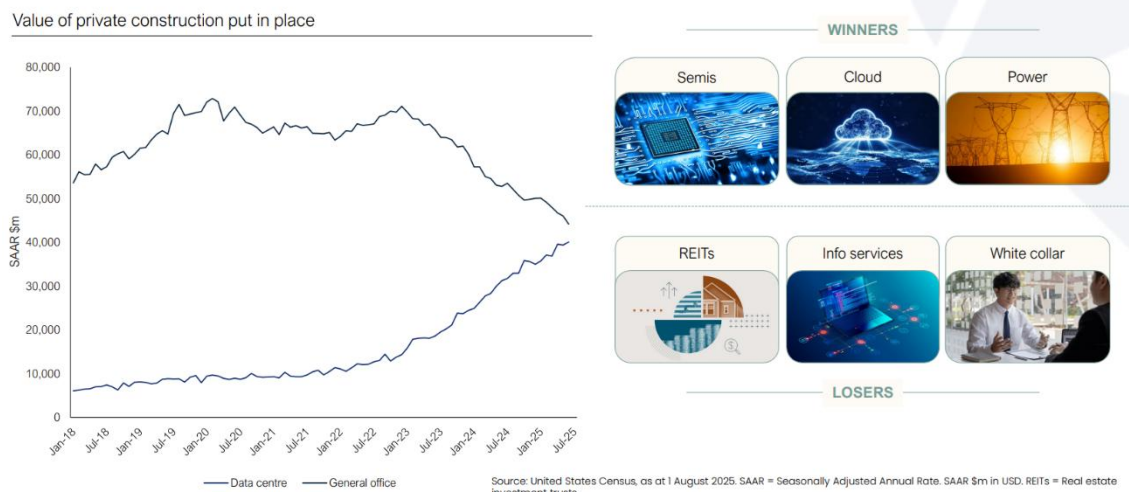
As to the best way to get exposure to AI, Griffin advocates buying the "shovels" to the boom, including semiconductor and cloud service companies. The largest holdings in his Munro Global Growth Fund (ASX: MAET) are Nvidia, Microsoft, Amazon, Meta, and TSMC.

## The AI stack – lots of players but only a few enablers



For illustrative purposes, the companies shown may or may not be held in the Munro Funds.

The losers from the AI boom will include office property and white collar services, Griffin believes.



**\*\* Disclosure: Auscap and Munro Partners are affiliates of GSFM – a Firstlinks sponsor. Tim Carleton and Nick Griffin spoke at a recent media briefing hosted by GSFM.**

## James Gruber

### In this week's edition...

**Shane Oliver** thinks five mega trends point to risks of a [more inflation prone and lower growth environment](#) than pre-pandemic. Taken together, and along with rich share market valuations, he says it will likely constrain medium term superannuation returns to around 5% per annum.

We hear a lot about supply being the key to fixing our housing affordability crisis though **Nick Garvin** believes that's too simplistic as tax incentives, easy credit, and expectations of capital growth also play a part. Treating housing as a wealth-building asset distorts prices far beyond what rent fundamentals suggest and real reform may require a [cultural shift in how we view property](#), he says.

**Vanguard's How Australia Retires 2025** report reveals younger Australians expect higher retirement incomes than current retirees receive and many remain financially unprepared. It also highlights a growing trend to work part-time in retirement, underscoring the need for [holistic planning beyond just money](#).

**Tony Dillon** isn't impressed with Labor's climate targets. He says our climate policy focuses heavily on emission cuts despite its minimal global impact, while underinvesting in essential adaptation measures to prepare for inevitable climate effects. He reckons this imbalance risks economic harm and leaves communities vulnerable, highlighting the need for a [better balance in how we tackle climate change](#).

**UniSuper** research shows a growing number of retirees want to stay engaged through part-time work or new pursuits. 'Practising' retirement while still working - through hobbies, study or reduced hours - is emerging as a [valuable way to transition with confidence](#), writes **Giacomo Tarantolo**.

**Yarra Capital's Phil Strano** thinks the global credit market is quietly shifting as the US dollar's long-standing dominance begins to erode, prompting a slow but steady reallocation of capital. He believes Australia's AAA-rated credit market, offering attractive spreads and strong fundamentals, [stands to gain](#).



While many are enamoured with AI's abilities, **Dr Simon Cottrell** and **Chandra Krishnamurti** aren't. They think much of its output is simply [high-volume pattern replication](#) rather than genuine insight. And the real risk lies not in sentient machines, but in AI's potential to flood markets with noise, erode trust, and displace human judgment without accountability or understanding.

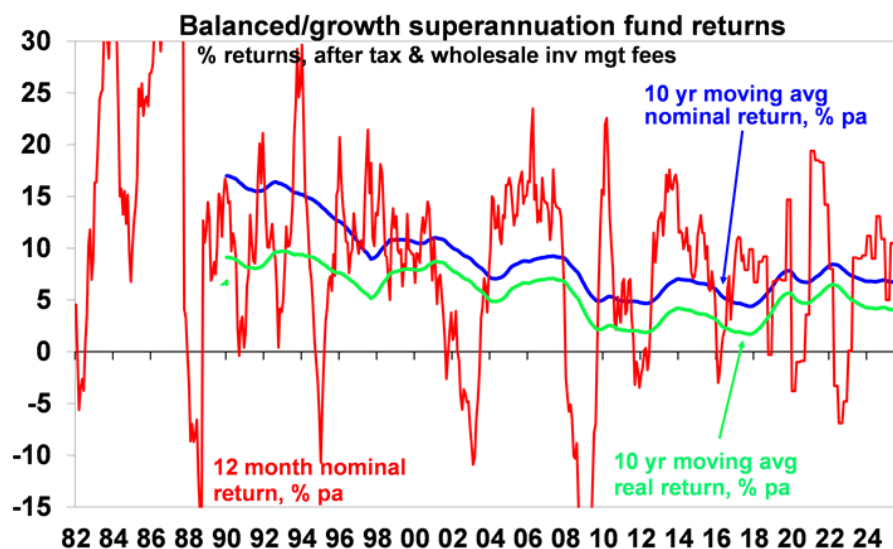
In this week's whitepaper, **RQI Investors** - part of **First Sentier** - outlines the lessons from 2018-2020 when quantitative funds underperformed and investigates whether [another 'quant winter' could recur](#).

**Curated by James Gruber and Leisa Bell**

## Why super returns may be heading lower

Shane Oliver

From the early 1980s investment returns were spectacularly strong. Despite some bumps, like the 1987 crash, this was reflected in Australian balanced growth superannuation funds returning an average 14.1% pa in nominal terms and 9.4% pa after inflation between 1982 and 1999. And that was *after* taxes and fees.



Source: Mercer Investment Consulting, Morningstar, Chant West, AMP

Since 2000 nominal super returns have been more constrained averaging 6.5% pa with real returns averaging 3.8% pa. This is still pretty good. Returns are likely to be similarly constrained over the next 5-10 years.

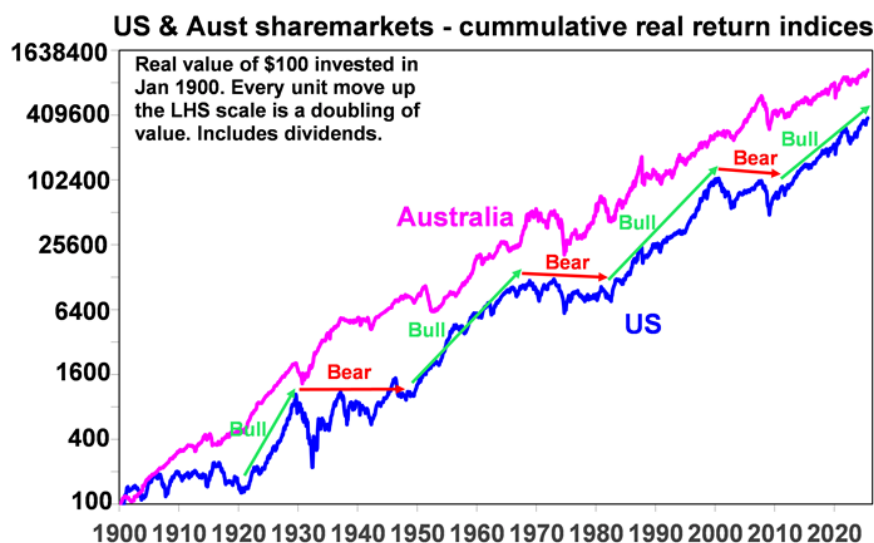
### Why were returns from the early 1980s so strong?

There was an element of mean reversion (or payback) after the poor returns of the high inflation 1970s which left shares on low price to earnings ratios and bond yields very high. But fundamental drivers were:

- Supply side, economic rationalist policies - deregulation, privatisation, competition reforms, tax reform and free trade.
- Globalisation which boosted trade and competition and lowered costs.

- Easing geopolitical tensions with the ending of the Cold War in 1989.
- A corporate focus on return on capital.
- Positive demographics as baby boomers entered peak consumption and peak productivity.
- Inflation targeting by independent central banks with a focus on keeping inflation and inflation expectations at low levels.
- And, of course, the tech boom of the 1990s.

This drove strong productivity growth and low inflation which underpinned a secular bull market in shares through the 1980s and 1990s. It paused in the US in 2000-2013 but took off in Australia with the 2000s resources boom only to take off in the US again from 2013. Despite a brief inflation scare in 2022 its continued helped by AI optimism.



Since 1900 there have been four major secular bull markets in US shares: the 1920s (with electricity; chemicals and mass production); the 1950s and 60s (with petrochemicals, electronics and aviation); the 1980s and 90s (see the text); and since 2013. Source: Bloomberg, R Shiller, AMP

## Mega trends – five key constraints on returns

Unfortunately, shares are no longer cheap, now trading on high PEs in the US and Australia, and the drivers of the strong returns from the early 1980s are reversing. On this front there are five key constraints.

### 1. Bigger government, less economic rationalist policies

Thanks to rising inequality, stagnant real wages, aging populations, climate change, the rise of populism partly fuelled by grievance driven social media and a collective memory loss regarding the lessons of the past there is a backlash against economic rationalist policies and more support for big government. It's evident in the US with Trump's tariffs and intervention in companies. It's evident in Australia, with the rising public spending, support for higher taxes and labour market reregulation.

### 2. The reversal of globalisation

The post-WW2 surge in global trade saw production allocated globally according to comparative advantage. This helped cut inflation. But it stalled in the 2000s and trade barriers are rising. The



pandemic, rising geopolitical tensions and nationalism are adding to this. Free trade is giving way to old-fashioned protectionism. This means higher costs.

### 3. Rising geopolitical tensions with a multipolar world

Declining military spending into the 2000s was disinflationary. This was facilitated by the move to a “unipolar” world dominated by the US and believe in free market liberalism. This started to fracture after the GFC, and we are now in a “multipolar” less stable world with arguably a new Cold War between China and its allies and Western countries. This is also driving increased military spending. This means more demand for metals and more government spending which will add to inflationary pressure.

### 4. Climate change and decarbonisation

Ultimately the shift to sustainable energy could result in lower costs. But we are a long way from that and climate change and the move to net zero will add to costs and inflation via: extreme weather events; associated rebuilding and higher insurance premiums; costs of mitigation; increased metals demand as economies retool; and increased pollution regulation.

### 5. More consumers but less workers

Global population growth is slowing, while in advanced countries and China the working age population is declining. And populations are aging, resulting in rising ratio of retirees to workers (i.e. a rising dependency ratio). Thanks to its high immigration program Australia is in a somewhat better position. But globally, the upshot is less workers (supply) and more consumers (demand) which will add to inflationary pressures.

**Dependency ratio – those 65+ per 100,000 working age people**

	2024	2045	Change
Japan	51	72	+21
Italy	39	55	+16
Germany	37	52	+15
France	33	41	+8
US	28	33	+5
Australia	27	35	+8

*US likely now looks worse with immigration cuts. Source: UN World Population Prospects 2024*

### Implications for growth and inflation

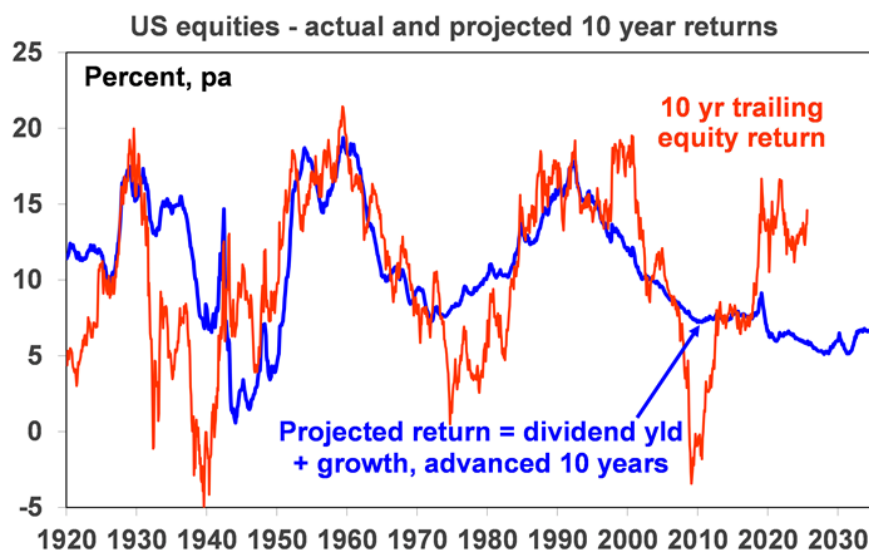
Taken together these key mega trends risk further lowering productivity growth making economies more inflation prone. There is some offset with technological innovation – with artificial intelligence offering significant potential to boost services sector productivity, although this will take time to materialise. And the Australian Government following last month’s “Productivity summit” appears to recognise the need to reduce red tape. But the more inflation prone environment means central banks will have to work harder to keep inflation down, which will mean higher and possibly more variable interest rates than we saw pre-pandemic.

The collapse in inflation from the 1980s provided a tailwind for returns because the fall in interest rates and in related uncertainty allowed growth assets to trade on lower investment yields and higher price to earnings multiples (which boosted capital growth). A more inflation prone world will remove this tailwind with cash and fixed interest becoming relatively more attractive, price to earnings ratios on shares settling at lower levels and income yields on real assets at higher levels at some point (which will constrain capital growth). So far there is little sign of lower PEs although bond yields seem to be settling at higher levels.

### What does all this mean for medium term returns?

Our approach to get a handle on medium term (i.e. 5-10 year) return potential of major asset classes is as follows:

- For cash, we use our forecast cash rate over the medium term.
- For bonds, the best predictor of future medium-term returns is current yields. The rise in yields has increased their return potential.
- For equities, the current dividend yields plus trend nominal GDP growth provides a rough guide to future medium-term returns.



- For property, we use current rental yields and likely trend inflation as a proxy for income and capital growth.

Our latest return projections are shown in the next table. The second column shows each asset's current income yield, the third shows their 5–10-year growth potential, and the final column shows their total return potential. Note that: we assume inflation averages around 2.5% pa; and we have cautious real economic growth assumptions reflecting the five mega trends noted above. This will likely constrain capital growth.

### Projected medium term returns, % pa

	Current Yield #	+ Growth	= Return
World equities	1.7 <sup>^</sup>	4.7	6.4
Emerging equities	2.2 <sup>^</sup>	7.2	9.4
Australian equities	3.3 (4.3*)	3.5	6.8 (7.8*)
Unlisted commercial property	5.1	2.5	7.6
Australian REITS	3.1	2.5	5.6
Global REITS	4.2 <sup>^</sup>	2.5	6.6
Unlisted infrastructure	4.1* <sup>^</sup>	3.0	7.1
Australian bonds (fixed interest)	4.0	0.0	4.0
Australian cash	3.5	0.0	3.5
Diversified Growth mix			6.0
Diversified Growth mix* ex tax & fees			4.9

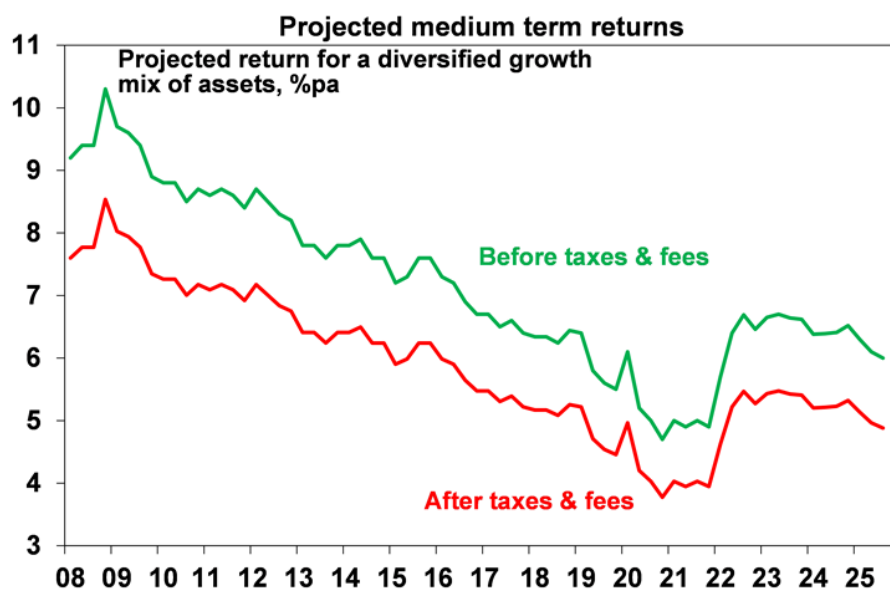
All returns are pre super taxes and fees except the final row, which is post taxes and fees.

# Current dividend yield for shares, net rental yields for property and duration matched bond yield for bonds.

<sup>^</sup> Includes forward points. \* With franking credits added in. Source: AMP

### Key observations

- After falling for many years (see next chart), the medium-term return potential using this approach improved after the 2022 inflation scare but the share market surge of the last few years has seen it fall back to around 6% pa for a balanced growth superannuation fund.
- After allowing for taxes and fees this implies nominal medium-term returns around 4.9% pa, a bit below the average since 2000. This is still better than bank term deposit rates which average 3.6% pre-tax.



Source: AMP

- The main medium term downside risk is that inflation rises again driving a rise in interest rates, bond yields and yields on shares, property and infrastructure resulting in a drag on capital growth.

### Implications for investors

- First, have reasonable return expectations. In the past super returns were boosted by very favourable conditions which have faded.
- Second, remember there is no free lunch – investment opportunities offering higher returns likely entail much higher risk.
- Third, medium term returns from super are still likely to be well above bank term deposit rates on an after tax and fees basis.
- Finally, while bear markets when they occur are painful, they push up the medium-term return potential of shares and so can provide opportunities.

*Dr Shane Oliver is Head of Investment Strategy and Chief Economist at [AMP](#). This article has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs.*

## Should housing home people or money?

Nick Garvin

For many, the Australian dream of home ownership has been drifting out of reach, with ownership rates [trending down at least since the 1990s](#). Why does price growth remain so high? This is one of Australia's most pressing public policy questions.

Most economists – including this one – agree that Australia should have more housing supply, which would ease prices and rents. Local governments decide zoning but [do not factor in the broader economic benefits of supply growth](#). This is a strong justification for the Federal Government's [National Housing Accord](#), which incentivises state governments to work with local governments to lift supply. There are also [costly](#) and arguably [ineffective](#) bottlenecks in construction regulation.

**Policy that addresses these issues is clearly beneficial.** But the presence of supply constraints does not necessarily imply that they are the sole – or perhaps even the main – driver of Australia's affordability issues. If other factors matter, then to be effective, housing reform may need to extend into other areas like tax settings and welfare-payment eligibility.

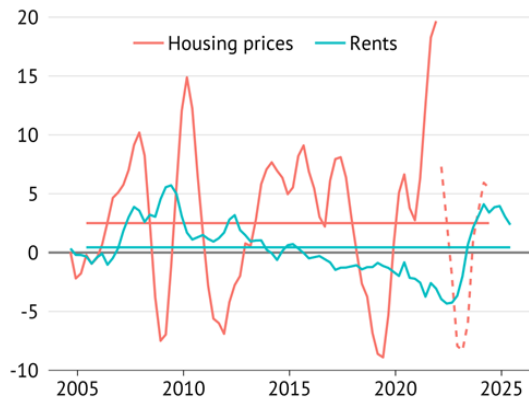
The aggregate trends in housing costs indeed suggest looking at other factors. Rapidly rising rents are a post-COVID phenomenon; over the longer term, worsening affordability is more a story of purchase prices. Relative to inflation, average rents across Australia's capitals are now lower than in 2010. A sizeable difference between price and rent growth [goes back to the 1980s](#).

## Australian real housing costs\*

Net of headline CPI inflation

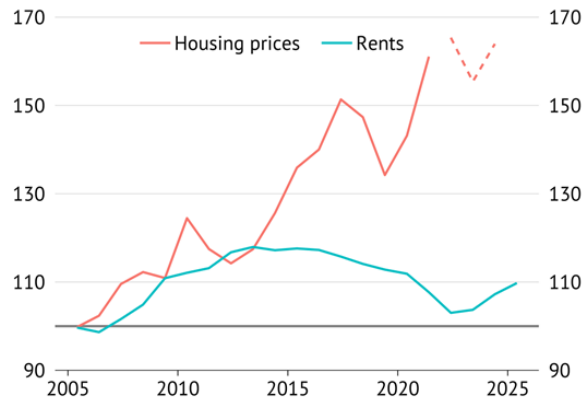
### Year-ended growth

Sample means in horizontal lines  
%



### Cumulative

June 2004 = 100  
Index



\* Capital cities only. House prices and rents are from ABS series A83728455L and A2331876F. To fill the ABS housing price series after 2021, we use hedonic housing prices calculated from PropTrack microdata, which grow slower than the ABS series in overlapping periods. Means are geometric.

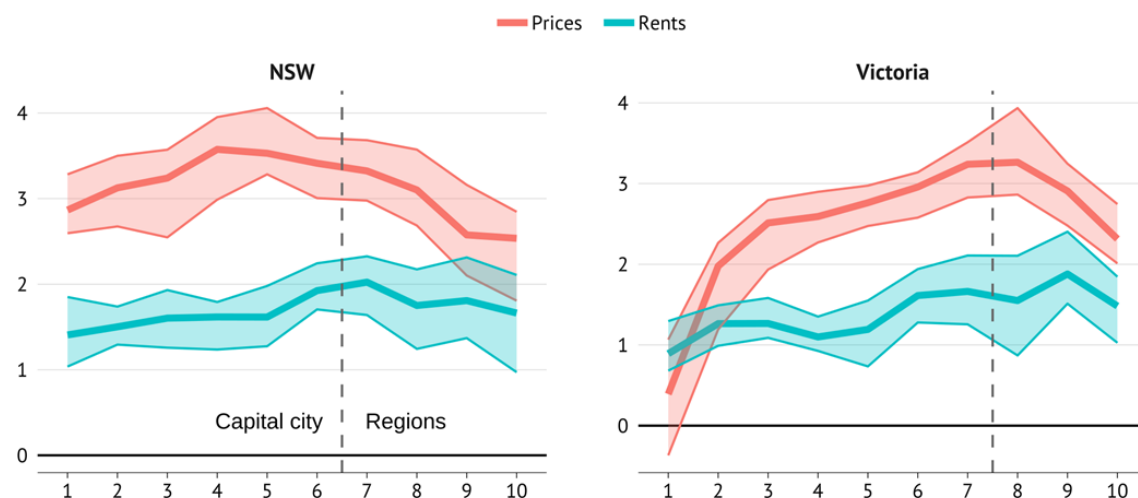
**Something is contributing to high price growth that appears to be having not much effect on rents.** It is difficult to argue that rents are immune to supply shortages. [Prior e61 work](#) presents evidence that rents responded to shifts in supply-demand balances when COVID hit.

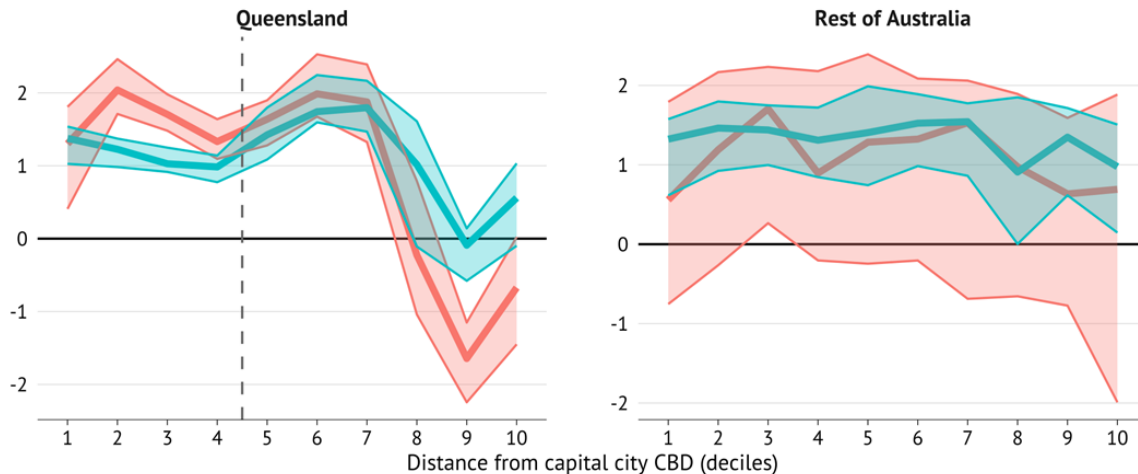
Some [US research](#) has modelled housing supply as affecting prices more than rents because supply shortages raise expectations of future rent growth. This boosts the expected profitability of buying, and therefore the price people are willing to pay. In Australia, price growth has remained strong despite slow rent growth. Here, this explanation would require that expectations about future rent growth remained high despite low growth eventuating.

The growth difference between average prices and rents is not due to different locations of owner-occupied and rented housing. In fact, in Sydney – where housing supply is arguably most constrained – rent growth is furthest below price growth. In NSW and Victoria, rent growth has been a little higher outside the capitals than in them. At face value these patterns differ from the US, where [rent growth has been faster in supply constrained areas](#).

### Real price and rent growth 2008-24, by distance from capital city centre

Median and interquartile range across areas (SA2s); annualised  
%





\* Hedonically adjusted prices and rents from PropTrack microdata, deflated by national inflation. Each distance decile contains one tenth of the state's SA2s. SA2s are about postcode sized. Dashed lines delineate regional areas. 2008-24 is the maximum sample permitted by the data. Rent growth is higher than the previous figure because 2004-07 is not captured.

These price and rent growth patterns can be reconciled by viewing housing as a financial asset, as per the workhorse [user-cost model of housing prices](#). This seems appropriate because Australians do tend to see housing as a way of building wealth. **Financial asset prices are driven by expected future returns: the more money someone expects to make from the purchase, the more they're willing to pay.** Access to credit can also play a role, if people are willing to pay more than they can afford, and their ability to pay changes. [Recent Australian research](#) concludes that past regulatory limits on mortgage lending lowered housing prices.

The user-cost model highlights that financial returns from housing primarily comprise capital gains from price growth, minus mortgage interest costs, plus rental income (which for owner occupiers is an avoided financial cost). If prices are rising much faster than rents, it suggests that expectations of capital gains are rising, or expectations of interest costs are falling, or ability to borrow and spend is expanding.

The reality is probably a combination of all three. On capital gains, [US research](#) models how shifting beliefs about future housing returns can have sizeable price effects. Regardless of how high prices get, there seems to be no shortage of advice to young people to get into the market to not get left behind. On interest costs, [some Australian research](#) has attributed rapid housing price growth to the [long-term decline in interest rates](#). On credit, the ability of Australians to pay deposits – and to borrow the rest – has risen as household incomes have grown, and as past housing price growth has generated housing wealth that can be further borrowed against.

### What's the solution?

Tightening monetary policy to lower housing prices would most likely do more harm than good, by also depressing general economic activity. Alternatively, restrictions on borrowing would hit those without mortgages already locked in, and therefore unequally affect first home buyers, who the policy would be most aimed at helping. [Current policy](#) is intentionally doing the opposite – relaxing borrowing constraints for first home buyers.

Other ways of targeting expected future returns are worth consideration. Relative to other investments, Australia's tax on housing is generous. Owner occupiers have a full capital gains tax exemption. Investors receive a 50 per cent discount on capital gains tax, which also applies to other investments like



equities, but may have more effect in the housing market where leverage and returns on equity are higher.

Australia's tax settings around negative gearing are also lower than other countries such as [the UK, US and Japan](#). The Age Pension system also incentivises pensioners to hold wealth in housing, which [reduces their measured wealth for means testing](#).

Tightening these tax and transfer settings could lower housing price growth by reducing how much wealth growth people expect from housing. These tax settings also favour the wealthy. Renters that cannot afford to buy their own home have no access to the tax-favoured investment vehicle that is housing.

Reforms in this direction would be politically difficult without a cultural shift in how Australians relate housing to wealth. But the trade-off may have to be faced. The desire to build wealth through housing price appreciation feels fundamentally at odds with the desire for future generations to be able to buy homes.

*Nick Garvin is a Research Manager at [e61 Institute](#) specialising in microdata research for economic and financial-system policy.*

*For more information, please reach out to Nick via email at [nick.garvin@e61.in](mailto:nick.garvin@e61.in).*

## **Retirement income expectations hit new highs**

### **Vanguard Investments Australia**

*Vanguard has just released its third annual How Australia Retires report which offers a deep dive into how Australians are planning for retirement and where they're falling short. Here are extracts from that report.*

The How Australia Retires 2025 report explores how Australians are preparing for and experiencing retirement.

Based on a nationally representative survey of over 1,800 Australians conducted in February 2025, the report examines financial and retirement literacy, expectations versus realities of retirement, the role of housing and overall retirement sentiment and confidence.

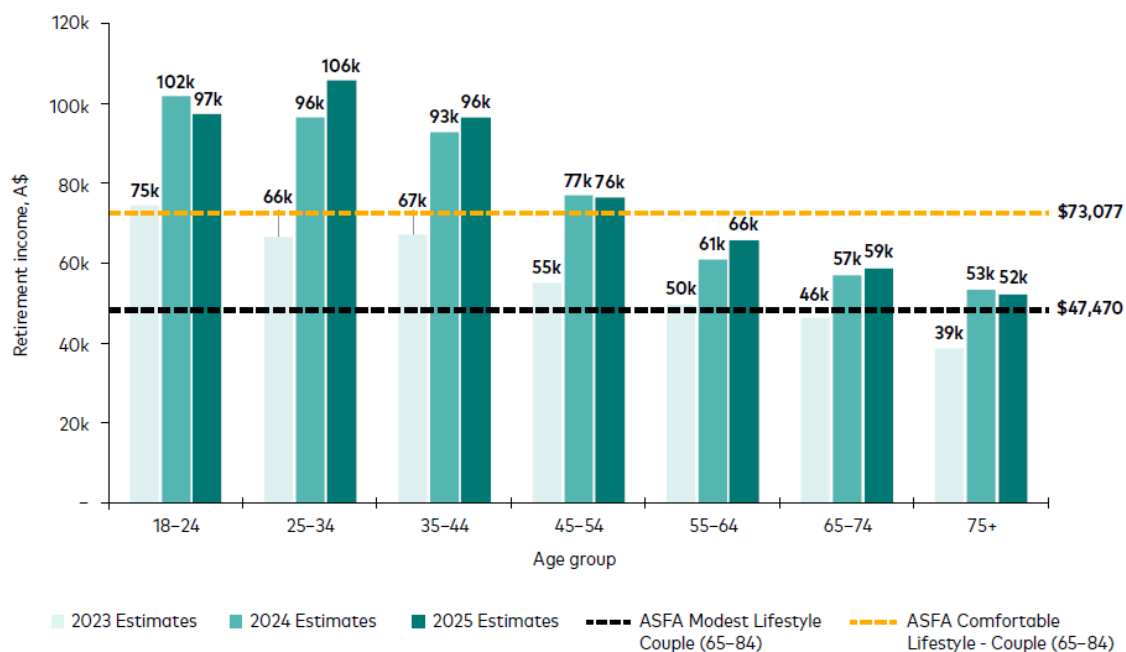
### **Retirement income expectations**

This year's survey found a gap between the amount of income working-age Australians expect they will need in retirement and the amount current retirees spend in retirement. We also found that all age groups in the 2025 survey had significantly higher estimates for minimum income required than those in 2023, the first year we collected this data.

Retirement income expectations for working-age Australians differ vastly from the reality for current retirees: Australians under 45 estimate their minimum retirement income to be double what current retired couples are spending.

Younger Australians anticipate needing significantly more income in retirement than current retirees or what common retirement income benchmarks suggest. On average, Australians under the age of 45 estimated they would need a minimum household income of \$100,000 per year in retirement. Australians aged 25–34 estimated they would need a minimum household income in retirement of \$106,000, the highest of any age group. This figure represents a 10% increase from 2024, when the same group estimated \$96,000, and a 59% cumulative increase from 2023, when this age group estimated needing \$66,000.

**Increases in Australians' annual retirement income estimates, 2023–2025**



The survey asked for estimates in real terms — that is, today's dollar value — to account for the impact of future inflation. However, some may have misunderstood the question and included future inflation in their responses, potentially inflating their estimates.

To put these figures in perspective, retired Australians with a partner reported spending an average of \$55,000 in the last 12 months — almost half of what Australians aged under 45 believe they will need. As the figure below shows, those aged 65–74 estimated needing \$59,000, while those 75 and older estimated \$52,000 annually.

The Association of Superannuation Funds of Australia (ASFA) provides benchmarks for retirement income. ASFA estimates that for a comfortable lifestyle in retirement — which includes top level private health cover, regular leisure activities, annual holidays and the occasional overseas trip — couples aged 65–84 need \$73,077 per year.<sup>1</sup> This estimate is based on data from the December 2024 quarter, which was the most recent available at the time of the survey.

This is significantly more than the \$55,000 Vanguard sees current retired couples spending, however still significantly below the income levels Australians aged under 45 are anticipating they will need. Notably, the ASFA benchmarks assume retirees own their own home outright and are relatively healthy.

There are several reasons why working Australians' expectations may not align with the spending realities of today's retirees. One possibility is that younger Australians are simply overestimating the income they will need in retirement. This could reflect lower levels of retirement planning among these age groups, as well as the inherent uncertainty in making financial projections for a life stage that may be decades away. Another explanation is that younger Australians may be factoring in continued increases in the cost of living. A representative basket of goods and services that cost \$100 at the start of 2020 would cost \$121.08 today, reflecting an effective annual inflation rate of 3.74% over the last 5 years.<sup>2</sup>

Having experienced recent inflationary pressures, younger Australians might be extrapolating those trends into the future, leading them to anticipate higher expenses to support their desired lifestyles and cover essential needs. This, of course, would be a misunderstanding of Vanguard's survey question as they asked the survey participants to estimate future spending needs in today's dollar value.

Of course, it could also be that younger Australians genuinely require a higher minimum household income in retirement. This may reflect rising expectations for lifestyle and living standards, or concerns about ongoing housing costs — such as rent or mortgage payments — extending into retirement. In recent years, rising interest rates have significantly increased mortgage repayments and rental prices, which are among the largest expenses for many Australian households.

## **Planning for retirement**

Retirement planning plays an important role in helping Australians retire with confidence, yet many Australians are unprepared.

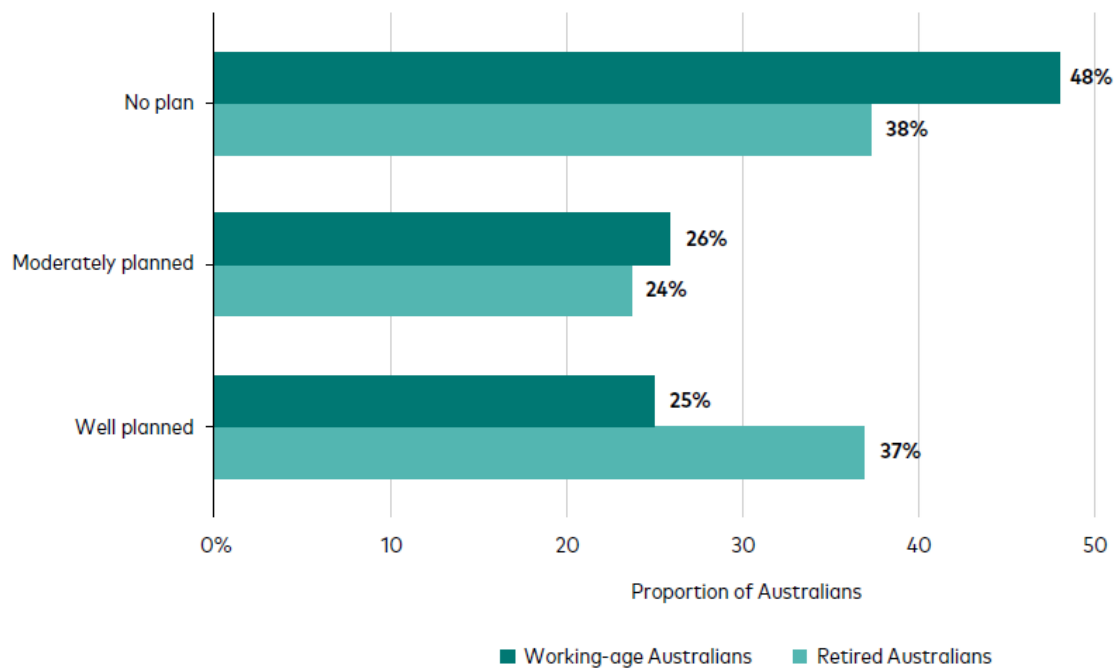
Concerningly, nearly half of working-age Australians said they had no plan for how they would financially support their desired lifestyle in retirement. One in four working-age Australians said they had a general idea of what they would need with "some details planned out," while another one in four said they were well-planned. This is relatively consistent across age groups, with only 29% of Australians aged 55 to 64 who are still in the workforce describing themselves as well planned for retirement.

When looking at the level of planning retirees had when they retired:

- 38% said they had no plan for how they would support their desired lifestyle.
- 24% said they had a general idea of what they needed for retirement; and
- 37% said they were well-planned.

Retirees who had a good idea or clear understanding of what actions they needed to take were three times more likely to feel highly confident in their ability to support their desired lifestyle in retirement. They were also 65% more likely to have a positive outlook on retirement.

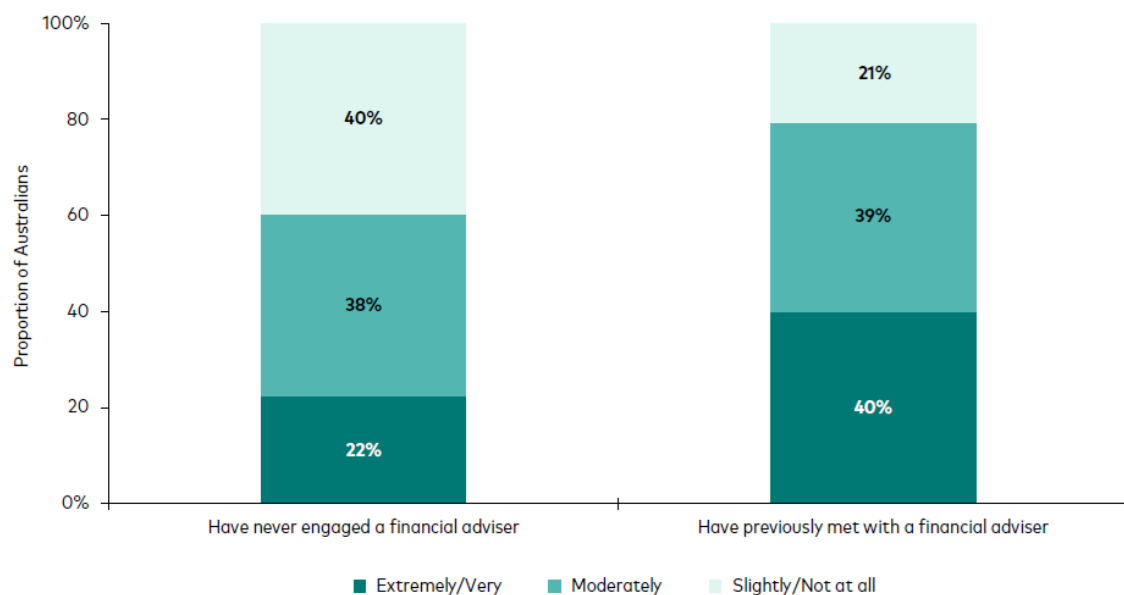
### Self-assessed level of retirement planning



Financial advisers can play an important role in helping Australians prepare for retirement, which in turn can boost their confidence. While many Australians are unwilling or unable to engage a financial adviser, those who do were more confident and positive towards retirement.

For example, 40% of Australians who had previously met with a financial adviser said they were very confident or extremely confident about their ability to fund their desired lifestyle in retirement. That compares with 22% of Australians who had never engaged with a financial adviser.

### Australians' retirement confidence by relationship with financial advisers



Vanguard found that both working age and retired Australians considered financial and lifestyle factors as being important parts of retirement plans, but they had different priorities.

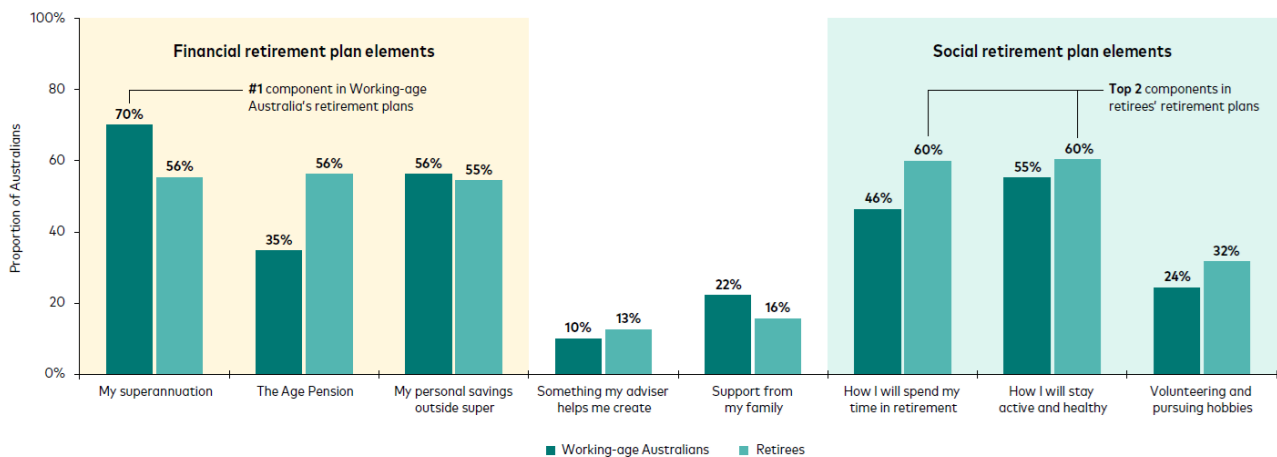
When asked what their plans for retirement might include:

- Working-age Australians focus on the financial aspects, like superannuation (70%) and personal savings outside super (56%).
- Retirees focus on non-financial aspects, like how they will spend their time (60%) and how they will stay active and healthy (60%).

During our working lives, retirement is often viewed as a distant goal and there is a strong focus on financial preparation — for example, having enough superannuation. Because work plays such a central role in our daily routines and identity, the transition to retirement can feel abrupt and bring significant lifestyle changes.

The report's findings suggest that good retirement planning goes beyond finances. Working-age Australians may benefit from looking ahead to their goals for lifestyle, health and social connection in retirement and factoring them into retirement planning.

**Elements of a retirement plan by retiree status**



**Note:** This question was only asked to respondents who indicated they have done some level of retirement planning

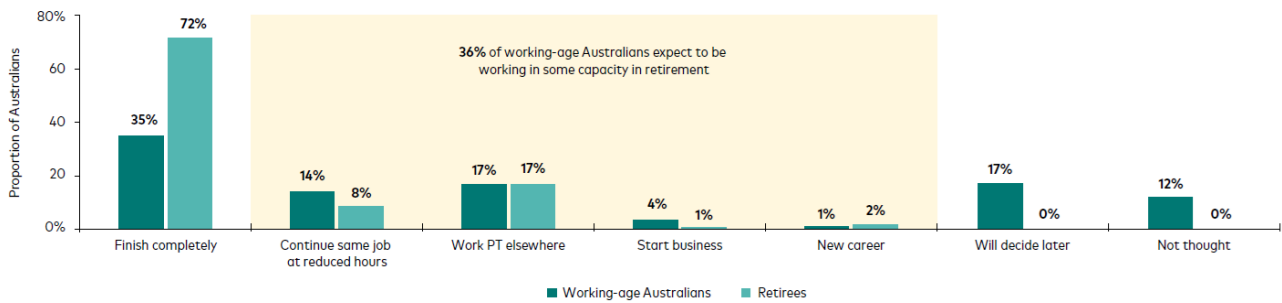
## Part-time work in retirement

Retirement doesn't necessarily mean stopping work completely. For some Australians, retirement involves working reduced hours, participating in the "gig economy" or taking on a new role with flexible working conditions.

This year's survey showed that more than two in three retirees expected to stop work completely when they retired. However, working-age Australians have significantly different expectations:

- only 35% of working-age Australians expect to stop working entirely when they retire.
- 36% of working-age Australians expect to be working in some capacity in retirement.
- 29% said they were either unsure or would decide later.

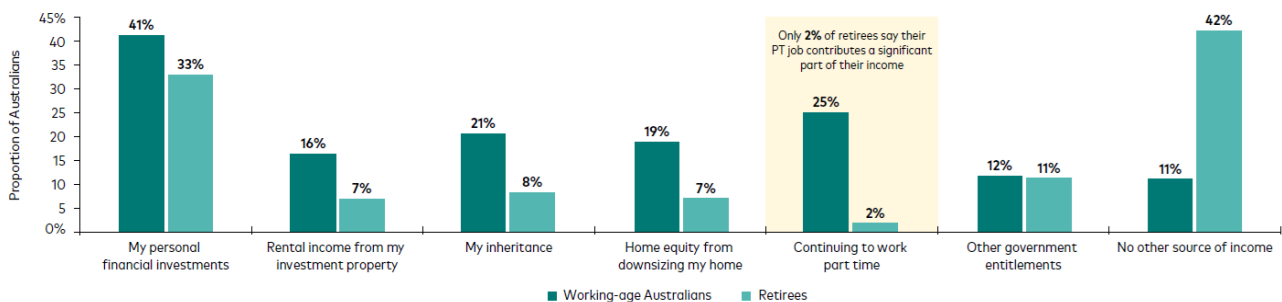
#### Expectations about working in retirement by retiree status



Working-age Australians also have different expectations about the role of income from part-time employment in retirement.

- One quarter of working-age Australians believe that part-time work will form a significant part of their retirement income.
- Meanwhile, only 2% of current retirees report that part-time work contributes a significant portion of their retirement income.

#### Expectations about sources of retirement income by retiree status



The significant gap between how younger Australians and current retirees view the role of work in retirement may reflect evolving work patterns, shifting attitudes toward retirement, or rising expectations for income later in life.

While working-age Australians may be overestimating their likelihood of working part-time in retirement, ABS data shows that the proportion of the workforce aged over 65 has grown from around 1% to 5% over the past three decades.<sup>3</sup> This trend suggests that part-time work in retirement is becoming more common, even if it may not always contribute significantly to retirement income.

<sup>1</sup> Association of Superannuation Funds of Australia (2025), ASFA Retirement Standard, December quarter 2024, ASFA Website.

<sup>2</sup> Australian Bureau of Statistics (Mar-quarter 2025), Consumer Price Index, Australia, ABS Website. National all-groups CPI change from quarter ending Dec-2019 to Mar-2025.

<sup>3</sup> Australian Bureau of Statistics (April 2025), Labour Force, Australia, Detailed, ABS Website.

You can read the full report [here](#).

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## Mitigate or adapt: the climate challenge

Tony Dillon

When faced with change in life we have three choices. Do nothing, mitigate against it, or adapt to it.

Take the Division 296 tax proposal. You can just ignore it and hope it gets repealed. Otherwise deal with it when it comes into force.

Or you can mitigate. Try and prevent the tax, or change the tax by participating in campaigns, petitions, and generally lobbying against the tax. That is, counteract or make it less severe.

Or you can adapt - for example, by restructuring your super to avoid a \$3 million balance. That is, enact behavioural change to fit in with a system that you can't change.

Likewise with climate change. As a country, we have those same three options to deal with the climate issue.

Doing nothing is obviously not an option. At the very least, we must anticipate a changing climate and decide how to deal with it.

We can attempt to mitigate climate change, and the preferred way to do that by governments globally, including our own, is to reduce greenhouse gas emissions.

Or we can adapt. Adaptation would involve adequate preparation for climate change in areas such as infrastructure, housing and planning, roads, energy grids, and water systems including dams, ensuring readiness to combat adverse weather events including bushfires and flooding.

### **We've opted against adaptation**

Consider housing. Development has been ever encroaching over the decades into places where it shouldn't. We build in flood and fire prone zones, making it seem like natural disasters are more intensive. This phenomenon has been termed by prominent climate change commentator Bjorn Lomborg as the 'the expanding bulls-eye effect'. Adaptation to climate change would prevent such development, while every dollar spent on protecting existing homes at risk, would have an immediate and measurable impact.

But to date, adaptation strategies fall way behind in this country. In fact, it's striking just how little weight is given to adaptation policy. According to a Reuters report, only about \$3.6 billion has been committed to adaptation measures by the current Labor government, a fraction of the amount laid out for emissions reduction policies.

Mitigation strategies dominate the policy agenda, and have just gone up a notch with the fanfare surrounding Labor's new 2035 emissions reduction target. The target, a cut of 62-70% on 2005 levels, is underpinned by a suite of government schemes including: The Future Made in Australia Fund (\$22.7 billion commitment to lure investment); The National Reconstruction Fund (\$15 billion commitment providing equity and debt finance to support commercial projects); and the Capacity Investment Scheme (where the government underwrites a return for renewable energy investors). There's also the Safeguard Mechanism and New Vehicle Efficiency Standard that limits emissions and sets emissions targets.

These schemes and others could see costs shared between government and industry run into the tens of billions. Which pales against Business Council of Australia modelling suggesting that between \$435 billion and \$530 billion in investment may be required to meet the ambitious 2035 target range. On revealing the target, Climate Change and Energy Minister, Chris Bowen kicked off proceedings by announcing \$8.3 billion of new spending.

Yet with Australia sitting at barely 1% of global emissions in a world where emissions continue to rise, this is a puzzling position to be in. If we can't influence the global climate mathematically, we should focus as much, if not more, on preparing for climate change compared to attempting to alter its trajectory. This mitigation/adaptation imbalance needs correcting.

Many give the 1% argument short shrift, but it's entirely valid logic when forces are working against emissions reduction globally. Australia trying to reduce its already small contribution to global emissions is akin to bailing water out of a sinking boat with a teacup.

If an entity has little leverage over the source of a problem, adaptation surely is the rational priority. Scale of influence should determine the extent to which mitigation is realistic. When you lack such scale to meaningfully alter the course of a problem, energy is better spent preparing for its effects than attempting to prevent it.

In Australia's situation, adaptation to climate change makes more sense than mitigation, because we, a small entity, have next to no influence over the bigger forces at play.

### **Mitigation and its costs**

The obvious question therefore is: why is mitigation the dominant strategy to combat climate change in Australia?

Many see it as symbolic. Our government argues that every country must do its bit, that we must be seen on the international stage to be a 'team player'. Indeed, Chris Bowen gave the game away when he boasted that the 2035 target will give Australians "pride in its level of ambition". Proud of a target? A bullish target will not influence global climate if our absolute contribution is negligible.

Which makes one wonder: is this more of a foreign policy strategy than an environmental one? If we cannot move the climate dial, is it a matter of optics over outcomes? If we can't achieve an outcome, is it pointless?

These are all valid questions. Because the problem is an aggressive mitigation strategy imposes significant economic costs, from energy intensive industries like steel and aluminium, to small business, down to households. And if it forces productivity to be outsourced to less accountable countries, then global emissions could actually rise.

Irrationally, we export our rich reserves of coal, gas, and uranium, while putting a line through them locally. Being green at home but not abroad exposes a clear contradiction between our economic and climate ambitions. Global virtue needs to be balanced against domestic economic resilience.

Equally as troubling, is that Australia's climate and energy transition policies have seen rising energy costs disproportionately affect low-income people. The emissions reduction policies to date have had a regressive impact. Lower income households spend on average about 6.5% of their income on energy compared to just 1.5% for higher income households. One in four low-income households pay around

9% of income on energy, with worryingly 25% of households reportedly struggling to pay their energy bills. Energy stress is real and is a situation that is untenable in a first-world country.

And if it turns out that a mitigation strategy is not delivering, such that considerable adaptation is actually required, will we have exhausted our capacity to do so?

As a country, it is important to confront climate change and the challenges it may bring. But we should not elevate symbolic mitigation above logical alternatives.. Otherwise, we risk finding ourselves under-prepared for the real effects of a changing climate.

[Tony Dillon](#) is a freelance writer and former actuary.

## The three key drivers of a purposeful retirement

Giacomo Tarantolo

The concept of retirement and what that looks like to individual Australians has changed over the years.

Some aspects remain largely common—the desire to travel, exploring a sea or tree change, and spending more time with family. But as we’ve seen from new research, the face of retirement could continue to look increasingly different the in future.

With approximately 2.5 million Australians set to enter retirement between 2025 and 2035, it’s important that as an industry we understand what matters to them.

Last month UniSuper published our first *Retire with Purpose* report, which identifies that 81% of Australians plan to continue working after they retire. This indicates more than a level of financial unpreparedness or a desire to top up one’s savings—but a strong desire to maintain that sense of identity brought about by the workplace, and the connections and friendships therein.

In light of the research’s findings, we can point to three key drivers that reflect the community’s priorities and form the foundation of a purposeful retirement. They are advice and guidance, social connection and ‘practising’ retirement. Here, we’ll delve into these pillars, exploring how they intersect and how retirement extends beyond mere dollars and cents.

### Advice and guidance

One in four surveyed in the *Retire with Purpose* report said they weren’t confident of retiring at their planned age, suggesting a level of unpreparedness. Of them, 31% said their main concern was not being able to support themselves, and 24% said they worried about having insufficient savings to fund their ideal retirement.

Good quality financial advice can be the difference between a modest retirement and a comfortable one, and we know that knowledge bestowed by a professional can empower better financial decision-making.

Two-thirds of pre-retirees who said they were confident in how much they need to retire had received professional advice. Moreover, 74% of UniSuper members surveyed who said they were confident in how much they need to retire had received financial advice.

For example, one of our members, Deirdre reflects on her advice experience: “I had no idea if my balance was enough for me to retire on. After working with the adviser and going through the financial modelling, I learned I was financially prepared for retirement.”

Perhaps most telling is that those who received financial advice – both UniSuper members and the general population surveyed – had higher super balances. 82% of Australians with a balance over \$500,000 received financial advice versus just 48% of those with a balance below \$500,000. Among UniSuper members, 83% with a balance over \$500,000 received financial advice, compared to 62% of those with a balance below \$500,000.

Yet, while we know quality financial advice can enhance retirement outcomes, we’re equally aware – maybe more so – that many Australians face barriers to receiving advice, even though they seek it. We call this cohort the ‘missing middle’, and as a fund and industry, it’s crucial we look to make advice more accessible to this cohort.

### **Social connection**

The report’s findings highlight the importance of maintaining social connection and purpose in retirement. Pre-existing Australian Bureau of Statistics [\(ABS\) data](#) tells us that more and more people are living alone—this number has increased by 44% over the past 40 years. One in five older Australians surveyed in our report identified feelings of isolation.

Together, these are likely contributors to an increasing number of people remaining in the workforce in retirement. In fact, over 50% of respondents said they want to stay in the workforce in retirement. For many – around 59% of respondents – it’s as much about enhancing financial security as it is a sense of identity.

Around 61% of pre-retirees surveyed worry about missing the social connection the workplace provides. Interestingly, 40% of retirees called out the importance of making new friends versus only 27% of pre-retirees, suggesting this concern may only become significant once they actually retire.

“I made sure I had a social network in place before I retired,” UniSuper member William said.

“I’d seen my colleagues enter retirement and they didn’t do much for the first 12 months. I saw their health deteriorate and decided I wanted to keep myself busy.”

This realisation supports the notion of ‘practising’ retirement while pre-retirees are still in the workforce.

### **Practising retirement**

Given there’s more and more versions of what an ideal retirement looks like, one way to improve retirement preparedness could be to ‘practice’ retirement. This means testing future plans and important lifestyle changes while still working to build confidence.

The report found 61% of pre-retirees spend free time enjoying existing hobbies, but a further 25% said they’re interested in learning new skills. In ‘practising’ these pursuits, both lend themselves nicely to concurrently addressing concerns around friendship and social connection.

“I was wondering how I’d fill every day given there’s so much structure when you work five days a week for 40 years. That was a concern, how was I going to have structure moving forward?” member Deirdre adds.

“Structure is terribly important to me. I enrolled in a degree to help give me some purpose. I allocated at least three days a week for study. In a way it was a transition to retirement, it gave me some structure, but I also had flexibility and independence.

“I wanted to wake up and have something to do each day.”

### **Read the Retire with Purpose report by UniSuper**

You can download and read the full Retire with Purpose report on [UniSuper's website](#).

*Giacomo Tarantolo is the Manager of Retirement Solutions at [UniSuper](#), a sponsor of Firstlinks. This article is an opinion piece based on Giacomo’s experience in the industry. For more articles and papers from UniSuper, [click here](#).*

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## **Australia’s moment? De-dollarisation gains momentum**

### **Phil Strano**

The global credit market is being quietly but fundamentally re-priced. There are signs the long, comfortable era in which the US dollar’s reserve status has helped to inflate the size, depth and relative pricing of US corporate credit, is beginning to fray.

Much like the 80 years it took to entrench US dollar dominance in the world’s economy, the shift away from it won’t happen overnight. It’s more like turning an ocean liner than flipping a switch – slow-moving but hard to reverse once underway. Nonetheless, it marks a clear change in direction and is part of a long-term, capital flow story already unfolding – one that will produce both winners and losers.

This is not a disorderly rush for the exits. But even modest and sustained outflows from an over-allocated US investment-grade (IG) market can be a powerful tailwind for non-US\$ markets – particularly those like where spreads still offer fair compensation for risk.

And Australia, with IG spreads still sitting at, or above, long term averages while US spreads sit materially below, is looking increasingly like one of the winners. The features of our credit market – a AAA rated economy (one of only a few left), stable political and legal system and a transparent

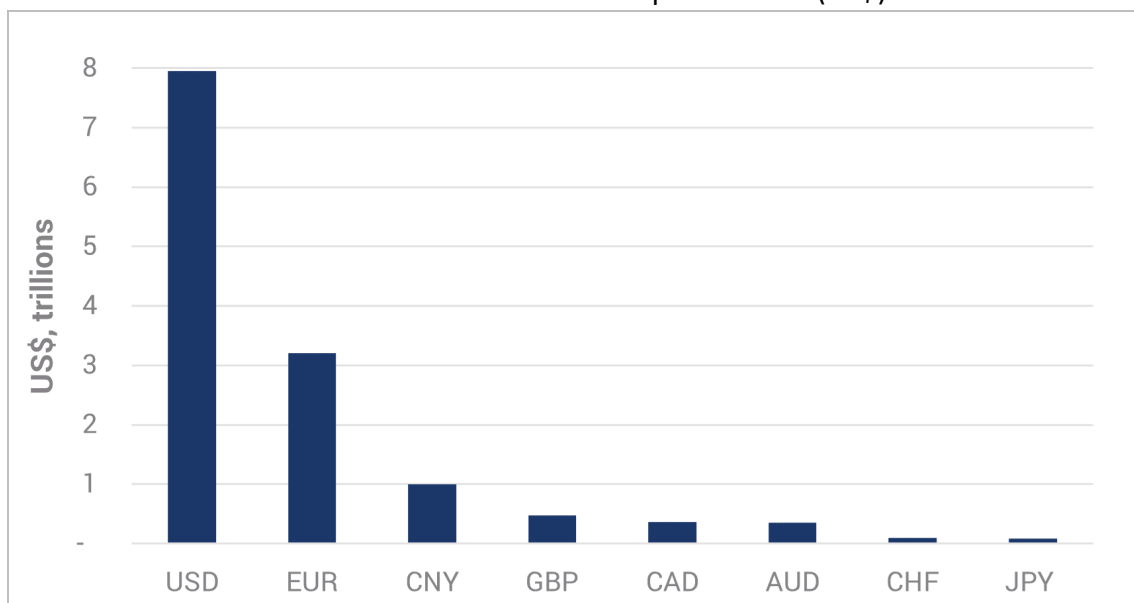
regulatory environment – are all strong drawcards for global investors seeking diversification beyond the US dollar.

### **The world is over-allocated to US\$ and investors are re-evaluating**

A number of powerful dynamics are converging to create the ‘de-dollarisation’ investing theme emerging in credit markets.

The fact remains that investors have been structurally over-allocated to US dollar assets for decades. Recent research from Deutsche Bank estimates the US investment-grade credit market is ~US\$3 trillion larger than fundamentals would suggest, with outstandings at ~30% of GDP. Contrastingly, Australia’s sits alongside Canada as the fifth or six largest public credit market globally (refer Chart 1), but its outstandings represent ~20% of GDP. Investment in US IG corporate credit has long outpaced the size of the US economy. That imbalance is a function of history: the US dollar’s reserve currency status has long supported demand for US\$ credit, irrespective of valuation.

**Chart 1 – Face Value of IG Corporate Debt (US\$)**



*Source: Deutsche Bank, Bloomberg, YCM Jun 2025.*

But the drivers of that status – liquidity, depth, geopolitical dominance – are now being re-evaluated. Foreign investors, central banks and sovereign wealth funds are gradually diversifying away from US\$-denominated credit, often by reinvesting maturing capital into other markets rather than engaging in outright selling.

This orderly approach is reflected in Deutsche Bank’s analysis which suggests average monthly outflows of around US\$9.3 billion from the US investment-grade credit market<sup>[1]</sup> – roughly 15% of average monthly net supply since 2020. In other words, not a disorderly rotation, but still directionally significant.

The political backdrop is contributing to the shift. A more inward-looking US policy stance – characterised by rising tariffs and ballooning deficits – weakens the rationale for concentrated US\$ exposure. If the US is less willing to import, fewer dollars circulate globally. That naturally reduces the



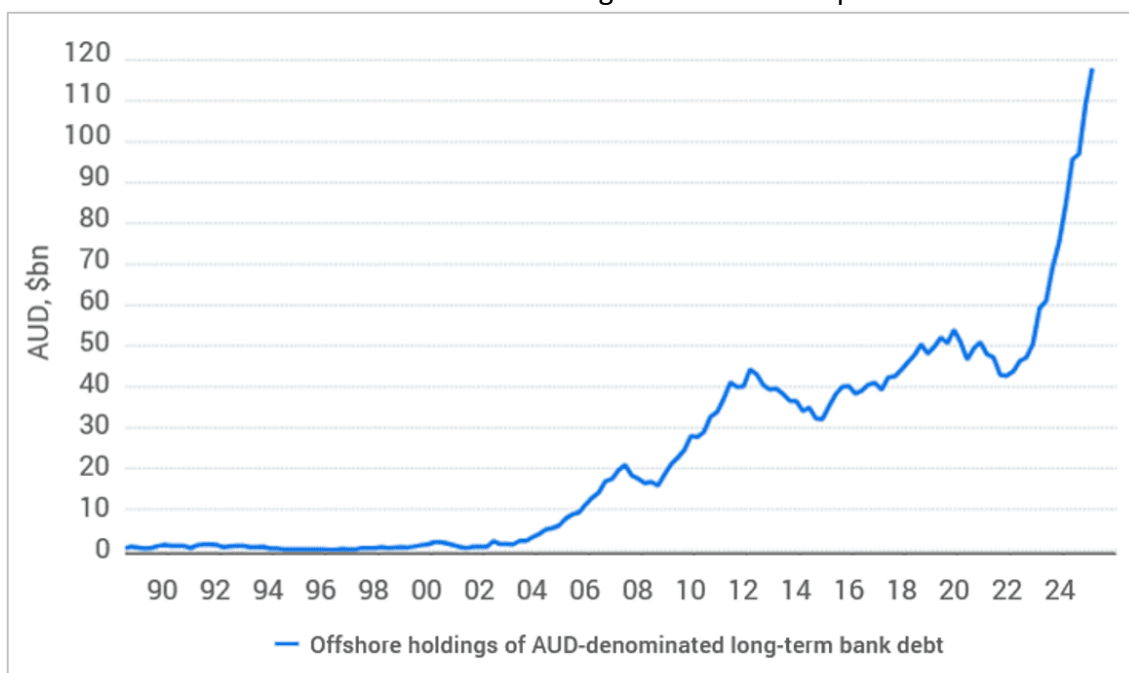
need for other countries to hold US\$ assets. In turn, demand for currency diversification increases, with a portion of those additional flows then allocated to A\$ assets.

### Why Australia stands out on the global credit stage

Importantly, de-dollarisation is not a like-for-like switch from US credit into another market of equal size. While the US market remains enormous at over US\$10 trillion, this creates an opportunity for smaller, fundamentally sound credit markets such as Australia. Despite its smaller corporate bond market, Australia still offers a spread premium while investment-grade spreads, including major bank Tier 2 and BBB corporates, remain at or above their long-term averages. By contrast, US credit spreads are trading below these historical averages.

If even only a modest slice of the global de-dollarisation flow turns up here, two important things will occur to lift both the performance and the profile of the Australian market, which has undergone rapid growth in recent years to become an important destination for foreign capital (refer Chart 2).

**Chart 2 – Offshore Holdings of AUD Bank Paper**



Source: ABS, Macrobond, ANZ Research.

Firstly, capital inflows into Australian credit are likely to support relative outperformance, prompting spreads to tighten compared to the US market – delivering investors stronger total returns.

Secondly, and more structurally significant, is market growth. Increased demand will incentivise a broader set of issuers, both domestic and offshore, to come to the A\$ market. That means greater diversity, more liquidity, and a deeper, more investable opportunity set.

The recent 8-times oversubscribed A\$500 million sale of BBB-rated **Dyno Nobel** bonds is a clarion call to Australian issuers – who have rarely issued in A\$ but are frequent issuers in US\$ – to bring some of their funding requirements back home.

As the Dyno Nobel bond sale confirms, the A\$ credit market can now meet the term and volume requirements for a diverse range of issuers. This cohort includes the likes of **Brambles, Orica, CSL, BHP,**

**Rio Tinto, Santos, Woodside, Amcor and BlueScope**, as well as increased issuance of A\$ bonds by offshore issuers.

We expect the expansion of the A\$ credit market to occur more independently of the growth rate of the Australian economy – driven not by local funding needs, but instead by foreign demand for exposure to the A\$ and the high quality of our credit market. In this context, the fact that most Australian credit segments (outside of private debt) still offer spreads at or above their long-term averages gives investors an attractive entry point.

Even modest reallocation away from US\$ credit can become a powerful tailwind for those under-owned, and relatively undervalued markets. And unlike the US, where investment-grade spreads are well below long-term averages, Australian credit continues to offer spreads at or above historical norms – meaning investors are still being paid to take risk.

This is a high tide moment. And just as a rising tide lifts all boats, increased global interest in the A\$ credit market driven by de-dollarisation could mark not just a cyclical uplift but an important structural turning point.

**For a market often overlooked due to its size, this next phase of global capital reallocation presents a rare opportunity and quite possibly an important moment of maturity for the Australian fixed income landscape on the global stage.**

<sup>[1]</sup>Deutsche Bank AG Research, 'Decoding De-dollarization', Published 2 July 2025.

*Phil Strano is Head of Australian Credit Research at [Yarra Capital Management](#), a sponsor of Firstlinks. This article contains general financial information only. It has been prepared without taking into account your personal objectives, financial situation or particular needs.*

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## **AI is more smoke and mirrors than a revolution**

**Dr Simon Cottrell, Professor Chandra Krishnamurti**

Artificial intelligence is being oversold as the next great leap in human capability. The hype suggests a revolution in which machines will outthink and outperform us in almost every field. In reality, much of what is presented as 'intelligence' is smoke and mirrors, and the notion that it can truly replace human beings is misplaced. What we are witnessing is not reasoning or understanding, but large-scale pattern replication, embedded in a digital economy that prizes clicks and volume over substance.

The internet is already saturated with low-quality machine-generated material: shallow articles, fabricated images, cloned voices, scam emails and endless clickbait. The business model is simple: churn out content as cheaply as possible and hope a fraction of it captures attention. Platforms earn revenue from traffic, not truth, which is why every screen is crowded with junk. AI has accelerated this flood. Large language models and image generators can produce reams of text or pictures in seconds, but

quantity does not equal insight. What they create is not knowledge; it is noise, and that noise makes it harder for genuine expertise or careful reporting to surface.

The problem is not only aesthetic. It corrodes trust. When fabricated essays, synthetic videos, and bot-written reviews appear indistinguishable from authentic work, users become sceptical of everything. That scepticism undermines journalism, scholarship and public debate. It also leaves fertile ground for fraudsters. Deepfakes can impersonate executives, politicians or relatives to extract money or confidential data. Fake research papers and machine-written grant applications threaten the integrity of science and funding processes. The tools may be clever in a narrow sense, but the surrounding incentives reward speed and reach, not accuracy or accountability.

Finance offers a clear case study in how these technologies can go wrong. Algorithms trained on biased data can entrench discrimination in lending or insurance. Black-box trading systems may amplify systemic risk by driving herding behaviour or feeding on one another's signals during market stress. Synthetic identities and realistic voice cloning open the door to sophisticated fraud against banks and their customers. Even when intentions are benign, opaque models can obscure the reasoning behind credit decisions or portfolio allocations, leaving clients and regulators unsure why outcomes occurred. Without transparency, robust safeguards and proper supervision, AI threatens fairness, privacy and stability in financial systems.

Workplaces face similar hazards. The drive to cut costs often tempts managers to replace people with automated systems before those systems are ready. Commonwealth Bank of Australia provided a cautionary tale when it attempted to substitute call-centre staff with an AI voice bot. Far from improving efficiency, the initiative produced a surge in call volumes, irritated customers and ultimately forced managers back onto the phones. Human judgment, empathy and accountability cannot be automated away. Machines may handle routine scripts, but they do not soothe an anxious customer, interpret ambiguous requests or take responsibility when errors occur.

The deeper flaw in much of today's AI discourse is the assumption that machines understand what they produce. They do not. A model can predict the next likely word or pixel based on its training data, but it has no grasp of meaning or consequence. It cannot weigh ethical trade-offs, imagine alternative futures, or accept blame when predictions go wrong. At best, these systems approximate certain outputs of human reasoning; they do not share the underlying comprehension. Treating them as autonomous minds risks delegating moral and strategic decisions to mechanisms that lack awareness altogether.

For organisations, the prudent stance is to view AI as a tool-powerful in defined contexts, but not a substitute for thoughtful people. Used carefully, machine learning can scan large data sets, flag anomalies, or automate repetitive clerical work. Those applications are worthwhile when embedded in transparent processes with human oversight. Trouble arises when marketing outpaces reality, promising 'intelligent' agents capable of strategic thought or emotional sensitivity. That promise tempts firms to downsize prematurely, regulators to relax scrutiny, and consumers to over-trust synthetic outputs.

We suspect the current AI bubble will deflate sooner than its promoters expect. Once the novelty wears off and the cost of cleaning up errors becomes visible, many organisations will temper their enthusiasm. Some will continue to benefit from targeted, well-governed deployments; others will retreat after costly misadventures. The technology is not a magic mind but a set of statistical tricks running on vast amounts

of data and computing power. Those tricks can be useful, yet they are bounded, fallible and shaped by whoever controls the data and objectives.

The real threat is not sentient machines overtaking humanity. It is the careless use of these tools to mass-produce rubbish, to erode trust, to displace human judgment, and to concentrate power in opaque platforms. A sober appraisal recognises that intelligence, empathy and responsibility remain uniquely human traits. They are slow to cultivate and easy to undervalue, but they are essential to sound decisions, creative breakthroughs and social cohesion. If we remember that, we can use AI where it adds value without surrendering the roles that only people can fulfil.

*Dr Simon Cottrell is the Program Coordinator: Finance and Financial Planning and a Senior Lecturer in Finance; and Chandra Krishnamurti is the Professor of Finance at the [University of South Australia](#) | [UniSA Business](#).*

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