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Editorial

First, a quick reminder: We’d love to get to know more about our readers, hear your thoughts on Firstlinks and see how we can make it better for you. Please complete this short survey, and have your say.

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Regular readers will know that dementia has become a topic affecting me personally with both my parents being diagnosed with the condition in recent months. Sadly, it’s part of a broader trend.

New figures from the Australian Bureau of Statistics show dementia has overtaken heart disease as the leading cause of death in Australia. This is a big deal because heart disease has been our largest killer each year since 1968.

In 2024, 17,549 people died from dementia, including Alzheimer’s disease, accounting for 9.4% of overall deaths. Heart diseases were the second leading cause of death, accounting for 8.7% of deaths.

Heart disease peaked at 30% of overall deaths in 1968 and has been coming down ever since. 2024 was the lowest mortality rate for heart disease since that high water mark.

Chronic lower respiratory diseases were the third leading cause of death in 2024, well behind the top two, though.

Meanwhile, Covid-19 hasn’t gone away. It was the 12th leading cause of death last year, after ranking ninth in 2023 and third in 2022.

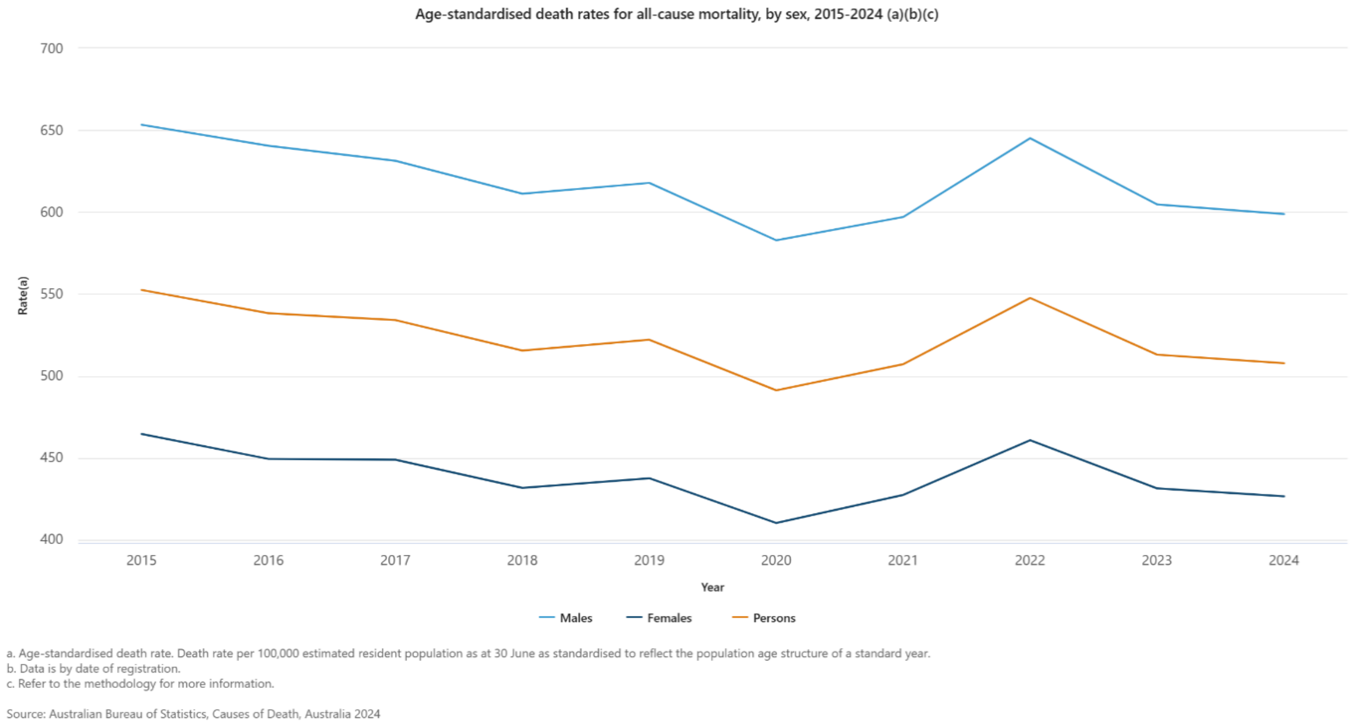
Interestingly, the ABS segregates different forms of cancer in their statistics, though if you included all cancers together, then it would be the top-ranked cause of deaths.

Top 10 leading causes of death in Australia

	2024 no.	Rank
Dementia, including Alzheimer's disease	17,549	1
Ischaemic heart diseases	16,275	2
Chronic lower respiratory diseases	9,229	3
Cerebrovascular diseases	9,147	4
Cancer of trachea, bronchus and lung	9,119	5
Diabetes	5,965	6
Cancer of colon, sigmoid, rectum	5,387	7
Accidental falls including fractures	5,179	8
Cancer of lymphoid, haematopoietic and related tissue	5,163	9
Diseases of the urinary system	4,810	10

Source: ABS

Overall, there were more than 187,000 deaths in Australia in 2024, an increase of around 4,000 from the previous year. However, when adjusted for age-structure and population size, there were 508 deaths per 100,000 people, down from 513 deaths in 2023.



Longer trends

As mentioned, heart disease has been the leading cause of death from 1968 to 2023. Public education campaigns on how to prevent the disease have contributed to the steady fall in deaths from heart disease (think of the 'Jump rope for heart' campaigns back in the 1980s and 1990s). Technological advances such as pacemakers have helped too.

In 1968, dementia contributed to just 0.2% of all deaths, compared to 9.4% in 2024. Dementia first appeared in the top five leading causes of death in 2006. And deaths from dementia have risen by 39% over the past decade.

Deaths from accidental falls have also increased over the past 10 years. They're up 39% over the period and are now ranked the 8th leading cause of death.

Meantime, influenza and pneumonia last appeared in the top five leading causes of death in 1970. While deaths for these have remained relatively stable, their relative contribution to mortality rates has declined, thanks largely to improvements in health care.

Transport-related accidents used to be one of our biggest issues, being in the top five leading causes of death between 1968 and 1978. Now, they're ranked 33rd. A key reason for the slide was the introduction of compulsory seat belts in cars in the early 1970s.

Men versus women

Dementia is far likely to impact women than men. Women account for almost two-thirds of deaths from dementia. And dementia has been the leading cause of death for females since 2016. A lot of this can be put down to women living a lot longer than men (life expectancies of 85 years vs 81 years).

Heart disease was the second leading cause of deaths among women. However, the death rates for heart disease have dropped by 42% for women over the past decade.

Meanwhile, breast cancer was the sixth leading cause of death for women last year. And it was the leading cause of premature death among women.

For men, the statistics read very differently. Heart disease is by far the leading cause of death among men still (10,153 deaths compared to dementia's 6,602 in 2024). But the gap between the two leading causes of death has slowly narrowed over the past decade.

Prostate cancer was the sixth leading cause of death among men.

And suicide was the 11th leading cause. Over three-quarters of people who die from suicide are men.

Causes of death for an ageing population

Because we're living longer, patterns of death are changing. In 2024, 68% of deaths were of people aged 75 or over. That's up from 66% a decade ago, and 63% two decades ago.

The causes of death for those 75 years and over are similar to the population overall. However, people are often living longer with multiple chronic conditions. Around 80% of people aged over 75 years had more than one disease or condition listing as contributing to, or causing, death.

Prevention is key

The statistics on dementia are alarming, and there's little doubt that more can be done to address brain health.

In a previous editorial, I wrote about a recent study from the Lancet Commission which found that 45% of dementia cases could be prevented or delayed by addressing 14 risk factors starting in childhood.

Prevention programs are beginning to address brain health. Overseas, in Scotland, the 'My Amazing Brain' program has reached thousands of primary school children, teaching them how to best protect themselves against dementia.

In Australia, Dementia Australia has useful tools, including a free Braintrack app as well as the CogDrisk program – a short assessment to help people understand their risk of dementia. There are also several drugs reaching the market that may slow the decline in memory and thinking functions.

James Gruber

In this week's edition...

Kaye Fallick thinks it's time we ditch the concept of a linear path in retirement. Why? Well, it's usually anything but linear, with dramatic life changes - health, work lost and found, love lost and found, and unexpected windfalls - often forcing us to change course. Kaye thinks retirement planning ought to take these sorts of things in to account, and tells us how it can be done.

Why are fertility rates reaching record-lows in Australia? An oft-quoted reason is that it has become too expensive to raise children here. **Ben Phillips** says it's not that simple and there are likely other factors at play.

Passive ETFs are surging in popularity just as markets, particularly in the US, hit lofty valuations. For disciplined, long-term investors, ETFs remain a sensible choice, but anyone buying to chase short-term performance may be in for a rude awakening, according to **Greg Canavan**.

Hugh Dive says Australia's Big Four banks shrugged off doomsayers once again with their recent results, posting low loan losses, solid margins, and rising dividends. Regional banks lagged behind, constrained by higher costs and smaller scale. Strong results underscore the resilience of the major banks, but Hugh believes that lofty valuations mean it's time to be selective.

VanEck's Brad Livingstone-Foggo thinks AI is the new gold rush, and like the 19th-century miners, the biggest winners may not be the AI companies themselves but the "picks and shovels" that power them. Nuclear energy, once shunned, is surging as a reliable, low-carbon source to meet AI's massive electricity demand. With rising regulatory support and strategic investments, Brad suggests uranium and nuclear power are quietly becoming the backbone of the AI boom and a potential opportunity for investors.

After the RBA held the cash rate at 3.60% in November, speculation about the next move is already running wild - one cut, two cuts, or even increases. However, **Jackson Hrbek** says history shows that economic forecasts, even from the RBA, are rarely spot-on, often swayed by assumptions that change faster than anyone predicts. In a world of uncertainty, he suggests the real value of forecasts isn't precision but in understanding the range of possibilities and planning for them.

After 23 years in Australian philanthropy, **Peter Winneke** says it's clear that most wealthy families don't ask "how much is enough?" and our giving culture remains far below its potential. He reckons that if we want a bigger, better philanthropic sector, we need frank conversations, stronger role models, and a commitment to using wealth to create lasting, positive impact.

Lastly, in this week's whitepaper, **Fidelity International** expects a selective, structural super-cycle in commodities, and looks at the best ways to play it.

Curated by James Gruber and Leisa Bell

Why it's time to ditch the retirement journey

Kaye Fallick

For more years than I care to remember, I, along with many other retirement commentators, have had an unhealthy adherence to the concept of the retirement journey.

Don't get me wrong. I do understand that, unless you die early or work forever, most people will experience some form of retirement life stage. But I am now questioning the assumption that retirement plays out like a journey.

And that, by suggesting this linear trajectory, we are using lazy language that promises older Australians something that they may never experience. 'Actual' retirement is, in fact, a very diverse, radically different series of events that represents a game of snakes and ladders rather than a logical journey with predictable stopping off points.

Why have I shifted my narrative?

My 'ah ha' moment came in late September at the launch of the Super Members Councils' *Older women's economic security in retirement* report. At this launch a very fine panel of women, who know a *lot,* discussed women, retirement savings and equity. Retirement journeys didn't rate a mention. Instead they talked of 'life moments' which occur as women move in and out of work, often due to circumstances beyond their control. They spoke of health, family and access to employment. Family violence, menopause, separation and caregiving duties were also canvassed. This struck a huge chord with me as I realised I had been referring to retirement in a linear sense when it's much more akin to an unpredictable zig, zag, and zig again movement.

This concept of 'moments' is also borne out by the most recent Australian Bureau of Statistics (ABS) *Retirement and Retirement Intentions, Australia* report (2024-25). This update confirms that health, retrenchment and 'other' issues (often family-related) are reasons that more than 20% of Australians left their most recent job and retired.

The oft-quoted cliché is that (retirement) life is a journey, not a destination. But that's just not true for so many retirees. It's more akin to a mosaic of moments, along the lines of John Lennon's prescient reminder that life is 'what happens when we're busy making other plans'.

Here's how retirement planning is being experienced, right now, by three of my acquaintances (not using their real names, of course)

Ian is 68

He was retrenched a year ago and has lost count of the number of jobs he's applied for. It's possible that some form of ageism is preventing his CV from reaching the top of the pile. He is now accepting painting or handyman jobs from friends at his service club. He's grateful his wife is working and earning enough to cover their household essentials, but their retirement plans are on an indefinite hold.

Sarah is 58

Separated since her early 50s, Sarah felt she was 'on track' to retire in a few years and then receive a part Age Pension a year or two later, at age 67. But a diagnosis of breast cancer forced her to leave work much earlier than she expected. She is unsure of her prognosis, facing indeterminate medical bills and unclear whether she can work again any time soon.

Rob is 75

Life was good until recently for Rob and Heather – visiting kids overseas, enjoying cycling trips in Australia, anticipating many more years of fun times together. Sadly Heather now has dementia and Rob has become a full-time carer. He's trying to make sense of aged care rules and decide what to do about accommodation for both of them and what this will mean for the family home. *What retirement?* he asks.

Yes, these are fairly dramatic life changes, and some people are fortunate enough to escape such misfortune. But Ian, Sarah and Rob are very real examples of how life moments do happen just when we think we have things sorted.

What's this got to do with the wider retirement industry?

How can a 'life moment' or 'retirement mosaic' model inform retirement planning? Could it ultimately create more appropriate retirement income support for Australia's swelling ranks of retirees?

I think it might.

It's fair to say that since the *Retirement Income Review* was published in 2020, many super funds have struggled mightily with the *Retirement Income Covenant* – even though they have had more than five years to deliver better member outcomes in the move from accumulation to decumulation. There are a multitude of reasons why. But what if one of the main barriers is that the target is simply too big. Getting ordinary Australians to look at their super savings and engage with how it will provide support over a (hoped for) 30-year retirement is overwhelming. And so far, it's not working particularly well.

What if, instead, we were to approach the financial planning part differently? By breaking it down into manageable moments?

Here are six very common live events:

- Health issues and upsets
- Love lost and found
- Work lost and found
- Family wealth transfers
- Unexpected windfalls
- Empty nesting and property sales or purchases

At which age do each of these life moments occur? With the exception of empty-nesting (which assumes adult children leaving home), each and every one of these common 'retirement issues' can actually happen between age 16 and 99 or beyond. There's really no useful median age underpinning these events. But there *are* very specific rules and strategies that will help retirees to maximise their income if or when such situations arise. Put simply, the notion that these life-changing moments might conveniently fetch up at age 60, 67, 70 or 75 (i.e. specific retirement income trigger ages) is fanciful at best. But the need for information and support to best manage these big money moments and to understand the effect on your retirement entitlements and returns is massive.

So how might a 'life moment' mosaic framework – as opposed to a linear journey model – help funds, advisers and others who are at the coal face assisting ordinary retirees to transition from work to retirement, albeit with some stints back in the workplace in many cases?

The following thoughts are no more than a starting point for a discussion – hopefully they will spark other ideas that can 'loosen up' the current rigid 'journey' discourse:

Let's reframe the conversation

Make sure fund members or clients understand that because you *can* do something at a certain age (e.g. make downsizer contributions at age 55, access super at 60), it does not mean it's suitable, useful or even a good idea for them – it's highly personal, depending upon their wider situation, assets and goals. You don't have to do anything at any particular age. Rules are really just triggers or opportunities to be used when the time is right for you. Yes, you can retire at 67 – but, according to the ABS, an increasing number of Australians just don't want to.

Accept that retirement is no longer a 'thing'

It probably never was, but this later chapter of life is becoming increasingly diverse. We don't treat our first three decades as one thing. We differentiate between primary school age children, then adolescents, then young adults and are very respectful of these huge differences in life experiences. Retirement needs to be viewed in the same way. It's a wild ride with many unexpected occurrences and needs change dramatically from 60 to 90 and beyond. Which means that …

…Retirees do not need to 'know it all' to get started

There is no need to understand the entire superannuation 'bible', just the bits that are relevant to the retiree at certain life moments. Which particular rules of super, tax, investments, and Age Pension entitlements apply right now? How does this change if certain other things happen? This way of thinking could encourage a much more flexible client interaction, mainly because it's much more relevant in the here and now.

Why not offer packages or 'clusters' of information?

Industry participants such as funds, advisers, lifetime income stream or annuity providers could provide packages of episodic advice or support around changing needs including:

- Relationship status
- Health dynamics
- Work status
- Inheritances
- Inter family loans
- Property decisions

This would enable those pre- and post-retirement the comfort that there is a 'package' that suits their particular life moment, rather than an insistence upon a comprehensive 'whole of life' plan that they don't wish to engage with as it feels too daunting.

Could these packages suit new tech hybrid advice models?

Of course they will. The newer hybrid models of 'digital plus adviser' solutions is a natural way of creating responsive packages with just the rules that matter for retirees facing varying life dilemmas.

Yes, this 'life moment approach does suggest the need for a shakeup of thinking in the comprehensive advice sector. But is that a bad thing? It could offer relief and increase engagement if an adviser is less insistent on the 'full retirement journey' when the client is feeling that life is anything but predictable right now. Engagement remains an ongoing challenge, but maybe that's because we've asked retirees to commit to a full 30-year plan when a five-year model suits their mood and circumstances so much better?

What do you think?

Do you believe that the retirement journey analogy is still the best way to plan?

Or do you see value in my belief that life is more like a game of snakes and ladders where we rise, fall and – hopefully- rise again, finances intact, and definitely the wiser.

Kaye Fallick is a retirement commentator and author, www.kayefallick.com. This article is general information and does not consider the circumstances of any person.

How much does it really cost to raise a child?

Ben Phillips

Australians are having fewer children than ever. At 1.5 babies per woman, the fertility rate is at a record low. Many attribute this to the cost of having and raising children.

If this is true, it raises questions of intergenerational fairness and future planning for governments. What do we do about the young would-be parents who are opting out because it's simply too expensive?

The problem with this assumption is that while it may feel true that childbearing must have become more expensive over the decades, it's not that simple.

So what do parents have to fork out to raise children, how do we measure it, and are kids really that much more expensive now than they used to be?

Crunching the numbers

Calculating the cost of raising kids is a complicated beast that raises many questions for academics to consider. Is a second child less expensive than a first child? Are older children more expensive than younger children? Do higher income families spend more on children than lower income families, and what share of that spending is necessary compared to discretionary?

These are debates in the literature for which there aren't necessarily clear answers, in spite of much research.

Researchers also contest whether we should talk about just the direct cost, or if we should also consider the indirect costs, such as the impact on hours in paid work or the loss of leisure time for busy parents. We focus here and in our paper for the Economic Inclusion Advisory Committee on the direct costs.

One way, and probably the more intuitive, is the "budget standards" approach. This puts a value on the cost of a basket of goods and services for a family with and without children. The difference is the cost of children.

This seems simple, until it's not. For example, do you need a fourth bedroom for a third child? Do you need a bigger car? A larger fridge? Private or public school? Childcare or at home care? What about hand-me-down clothes and toys?

Another approach, which is our focus, is a survey-based statistical method (or "iso-welfare" in technical terms) comparing living standards of different households. We ask how much more income (or spending) is required to ensure the same living standard between a family with children and a family without children.

Living standards are measured by what share of total household income or expenditure is spent on basic items, such as food or utilities.

The logic here is that a family that spends a lower share (on average) on basic goods has a higher standard of living than a family that spends a higher share on basic goods.

The latest high quality survey on expenditure in Australia is now ten years old, so in our latest research we've taken a new approach. We use financial stress as a measure of living standards instead.

Using Housing Income and Labour Dynamics in Australia (HILDA) data, we model financial stress against income and a range of other household variables and estimate how much extra disposable income a family with children needs to maintain the same living standard as a couple without children. That extra income is considered the cost of children.

While there are many advantages to using this method, a major drawback is that it doesn't give you an estimate for how much a family *needs* to spend, rather how much they *do* spend. Families may well spend more than what they strictly need to.

So, how much do families spend on children?

We estimate families spend about 13% of their disposable income on the first child and a further ten percentage points for each child after that.

For a working-age couple earning the typical after-tax income (around A$130,000 per year), that equates to about $17,000 per year for the first child and around $13,000 per year for each subsequent child.

That means to raise the eldest child to adulthood, the couple would spend about $300,000 over 18 years in today's dollars. Subsequent children would be about $230,000 each.

Lower income families spend a higher share of their income on children, at around 17% for the first child and 13% for subsequent children. But these households spend a lower absolute amount on children.

Does age of the child change the cost? There is uncertainty around this, but our latest research indicates younger children and older children are moderately more expensive than middle aged (six to 12) children.

This finding contrasts with previous research and conventional wisdom that older children are the most expensive.

These estimates are not set in stone. There are different ways to estimate such numbers and they can differ depending on what definitions you adopt and methods you use to analyse the data.

Ok, do kids cost more now?

The HILDA dataset has been gathered over many years, so we can compare the cost of children through time, albeit not perfectly.

Single year samples are relatively small and subject to error, but that analysis suggests not a lot has changed with the cost of children since 2001.

Our research doesn't provide clues as to why fertility rates in Australia have dropped (as they have in most developed nations). Other data such as Australian Bureau of Statistics income survey and financial stress data suggest real incomes for couples with children have increased over the longer term (although not by much, if at all, in recent years).

The lack of evidence here likely points to other factors driving lower fertility rates. Families may be delaying having children to focus on other pursuits, such as employment or education. It's also more acceptable for couples, and women in particular, to choose to not have children.

Another possible reason is people could be being deterred by the perception of higher costs, instead of the actual cost. Or perhaps people simply want to spend their money elsewhere.

Calculating the cost of children is complex and imprecise, but it's fair to say the evidence doesn't show that the direct cost of kids is getting more expensive over time. Younger generations not having kids, or fewer kids, is likely related to many factors, but we can't draw affordability down generational lines.

Ben Phillips, Associate Professor, POLIS@ANU Centre for Social Policy Research, *Australian National University*

Passive ETF investors may be in for a rude shock

Greg Canavan

If you don't know who you are, this is an expensive place to find out.
– Adam Smith, The Money Game

The Money Game remains one of my favourite all-time investment books. Both funny and wise, it was published during the first great tech boom, in 1967.

This was a few years before Buffett decided to close his early partnerships due to a lack of value opportunities. Instead, he decided to focus on fixing a woeful investment he had made a few years earlier called Berkshire Hathaway.

The Vietnam War was in full swing. The civil rights movement was upending post-war America, culminating in the assassination of Martin Luther King in 1968. They were 'unprecedented times', yet the market ripped higher, peaking in December 1968.

During the 1960s boom, middle-class America became investors for the first time via an explosion of mutual funds (a bit like ETFs now), which made investing in the stock market easier. Portfolio managers (called gunslingers) became rock stars.

Everyone got rich from the boom. The relatively modest performance of the Dow Jones Industrials belied the rampant speculation that went on beneath the surface. Then, just as the masses piled in, came the 1970s…

A decade of going nowhere

Even Berkshire Hathaway struggled. After Buffett closed his partnerships in early 1970, partners had the option of buying into Berkshire at around $40 per share or seeking alternative investments.

By 1975, Berkshire was back around $40, after rising to nearly $100. Some of his early investors sold in a panic at the lows.

It was a tough time. New York City was bankrupt. Inflation was rampant and crime was rife.

All this is to remind you that what comes next is usually different to what came before.

The future is uncertain. We don't know what tomorrow brings. And if you don't know who you are (and what you're doing, I might add), the stock market is an expensive place to find out.

Sometimes the market reflects this inherent uncertainty, like during the tough times of the 1970s, or after the GFC. And sometimes it doesn't, like the late 60s, 1999/2000, and now.

Recently, the S&P 500 cyclically adjusted price-earnings ratio (CAPE) moved above 40. It's the first time it's breached this level since 1999 and only the second time in history to do so.

While we only have one data point, in the 10 years following the S&P 500 peak in March 2000, the index lost on average 2.65% per year. Throw in annual average dividends of around 1.75% and the index still went backwards.

Add in inflation, and in real terms, passive investors suffered even more.

This is why I have concerns for the long-term, buy-and-hold passive investor, just as the strategy reaches peak popularity.

The iron law of the market is that whatever has been successful in the past tends to become popular. And whatever is popular tends to perform poorly in the future.

As to why, it all boils down to price

Think of it like a seesaw. When prices are low, history tells you future potential returns are high. But when prices are high (like now), future potential returns are low.

The higher those prices become in the short term, relative to long-term earnings trends, the poorer future returns will be.

With the CAPE ratio above 40, passive index investors (in the US) are looking at long-term future returns that are very likely to be negative.

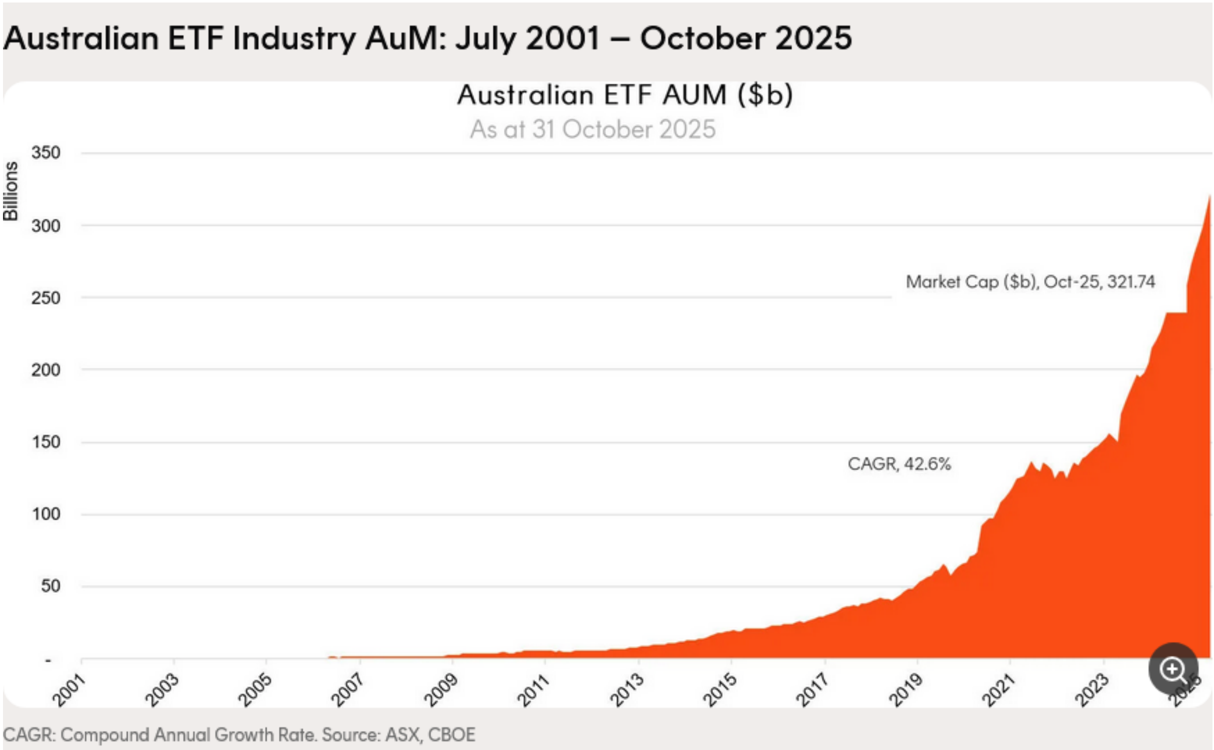
In fact, based on the 'what's popular no longer works' theory, I think passive investors everywhere are likely to experience poor long-term performance.

Not all ETFs are passive funds, I know. But investors think of ETFs as diversified and 'easy', and that they will continue to deliver.

Given the strong performance of most global indices, and the poor performance and high relative fees of many index-hugging 'active' fund managers, ETFs are now wildly popular.

The latest Betashares Australian ETF Review for October, published on the 13 November, showed a record month of inflows at $5.99 billion. The Australian ETF industry reached a new record high of $321.7 billion in funds under management– a 4% monthly increase. Over the last 12 months the Australian ETF industry grew by 38.4%, or $89.2 billion.

You can see the popularity of the sector in the chart below. It looks like the NASDAQ in 1999!



Source: Betashares.

Six of the top seven ETFs in Australia by market cap are all index ETFs (see below).

Ticker	Product	Issuer	Market Cap
VAS	Vanguard Australian Shares Index ETF	Vanguard	$22,678,424,117
VGS	Vanguard MSCI Index International Shares ETF	Vanguard	$13,861,698,429
IVV	iShares S&P 500 ETF	iShares	$12,899,044,293
A200	Betashares Australia 200 ETF	Betashares	$8,643,893,052
QUAL	VanEck MSCI World Ex-Australia Quality ETF	VanEck	$7,974,757,759
NDQ	Betashares NASDAQ 100 ETF	Betashares	$7,906,404,354
IOZ	iShares Core S&P/ASX 200 ETF	iShares	$7,832,737,634

Source: Betashares.

To be clear, I think low-cost index ETFs are excellent investment options for people who don't have the inclination to watch their investments closely or the skill to make the right investments.

Dollar-cost averaging through the cycle is the best way to invest, rather than rushing in during the height of popularity, as many seem to be doing now.

In what is perhaps an ominous sign, Betashares launched a new ETF in September called the Betashares Wealth Builder Global Shares Geared (30-40% LVR) Complex ETF.

That's just what investors need at this stage of the bull market!

Sometime in the future, after a few years of poor performance, many people are going to think, 'maybe these passive ETFs aren't what I thought they'd be. Nobody told me they might go nowhere for years.'

Some might even panic and sell out at the lows.

Towards the end of The Money Game, the narrator talks to his friend, known only as 'The Gnome of Zurich'.

"*One day in Spring, or maybe not in Spring, it will either be raining or it won't", said the Gnome of Zurich.* "*The market will be hubbling and bubbling, there will be peace overtures in the air, housing starts will be up, and all the customers' men will be watching the tape and dialing their customers as fast as they can. On Wednesday the market will run out of steam, and on Thursday it will weaken. Profit-taking, profit-taking, the savants will say. Do not listen. Call me*."

Whether we are at a 'call me' time in the market right now, nobody knows. I certainly don't.

But I do know that when themes/stocks/sectors are excessively popular, they become expensive and then perform poorly for years.

Investors ploughing into ETFs thinking it's a cheap and easy way to invest will learn this lesson in the years ahead.

If they are genuine long-term investors with a disciplined dollar-cost average strategy, this won't be a problem.

But if they are simply chasing performance and following the herd…well…as Adam Smith said, 'if you don't know who you are, this is an expensive place to find out.'

Greg Canavan is the editorial director of [Fat Tail Investment Research] and Editor of its flagship investment letter, [Fat Tail Investment Advisory]. This information is general in nature and has not taken into account your personal circumstances. Please seek independent financial advice regarding your own situation, or if in doubt about the suitability of an investment.

Bank reporting season scorecard November 2025

Hugh Dive

Unlike the past few bank reporting seasons, there was little trepidation from investors going into the November 2025 season. The last few bank reporting seasons had been very consistent, with a similar story of high margins, solid loan growth, strong capital, and minimal bad debts. An excellent position for investors with a large weighting to the banks, but infuriating for professional fund managers who sold down their bank exposures in early 2024 due to concerns about recession, rising bad debts, and valuation concerns, particularly in the case of the Commonwealth Bank.

However, the prophesied (*and hoped for by those short the banks*) doom and gloom for Australia's banks once again did not eventuate this November, with all banks growing dividends and again revealing minuscule bad debts. Since the start of 2024, the banks have gained by 58%, or 34% ahead of the ASX 200.

In this piece, we examine the major themes that emerged over this latest bank reporting season, as outlined in the over 700 pages of financial results released, including the regional banks, with awards based on their performance over the last six months. Even for investors who don't own the banks, examining their results closely provides a window into the financial health of Australia, which looks to be quite robust.

Reporting season scorecard November 2025

Company	Share Price	Market Cap $B	Cash earnings per share growth (pcp)	Increase in Dividends	Net interest margin	Credit Impairment charge as % of loans	Capital Ratio	Return on Equity	Forward PE Ratio	Forward dividend yield	Grossed Up Yield	12 month total return
Westpac	**$37.87**	$ 130	0.0%	1.3%	1.95%	0.05%	12.5%	9.7%	18.0X	4.1%	5.8%	31.4%
ANZ	**$35.85**	$ 107	-0.4%	0.0%	1.54%	0.04%	12.0%	9.6%	14.8X	4.6%	5.9%	23.8%
NAB	**$40.60**	$ 124	1.3%	0.6%	1.78%	0.12%	11.7%	11.4%	17.2X	4.2%	6.0%	17.7%
CBA* Q12026 update	**$153.22**	$ 256	4.3%	4.3%	2.08%	0.09%	11.8%	13.5%	24.3X	3.2%	4.5%	24.4%
Macquarie Half Year	**$192.67**	$ 73	22.0%	7.7%	1.63%	0.04%	12.4%	9.6%	18.0X	3.7%	4.2%	2.5%
BOQ	**$6.48**	$ 4	11.6%	11.8%	1.70%	0.05%	10.9%	6.4%	11.6X	5.9%	8.4%	12.9%
Bendigo Bank	**$10.88**	$ 6	-6.0%	0.0%	1.88%	0.15%	11.0%	7.1%	12.4X	6.1%	8.7%	10.1%

Source: Company reports, IRESS, Atlas Funds Management

Bad debts remain extremely low

Bad debts have remained low across 2025, with all banks reporting extremely low loan losses. ANZ and Macquarie reported the lowest bad debts at 0.04% of gross loans, reflecting the continued discipline of banks in not writing loans at any cost. Across the rest of the banks, none reported bad debts exceeding 0.15% of gross loans.

The level of loan losses is important for investors, as high loan losses reduce profits and, consequently, lower dividends due to the resulting lower bank capital base. This reporting season has seen low bad debts translated into better-than-expected profits and, thus, higher dividends.

Bad debts remained low in 2025, with all banks reporting negligible loan losses; Westpac, Macquarie and ANZ reported the lowest level, with loan losses of 0.04%. To put this in context, after the 1992 recession, bank loan losses have averaged around 0.30% of outstanding loans, and banks price loans assuming losses of this magnitude. Similarly, sell-side analysts issue share price targets on the banks, assuming a reversion to losses at this level.

Atlas has observed that two factors have changed for banks, resulting in loan losses remaining at levels below the long-term averages.

Firstly, APRA (Australian Prudential Regulation Authority) implemented standards that increase the cost and reduce the bank's appetite for higher-risk lending, including some types of property development finance, particularly those projects with limited pre-sales. This is accomplished by requiring banks to hold more capital against higher-risk, less-secured loans compared to lower-risk, well-secured loans. While many bank management teams have trumpeted their current low loan losses due to ‘prudent lending’, we see that regulatory constraints have contributed to the current situation.

Secondly, the loans to risky developers, property syndicates, and troubled industrial companies that are currently impaired predominantly sit with non-bank lenders and private credit funds, rather than the big four banks. What we have seen almost weekly in 2025 are signs of stress in private credit funds, with various funds converting non-performing loans into private equity stakes and entering residential property development as loans went sour. While an APRA-regulated bank would have to declare this as a bad debt, private credit funds have been slow to record these as losses, characterising the move as a 'pivot' in investment strategy.

Indeed, last week, ANZ announced in its results that it is expecting long-run loss rates of 0.11%, a significant step down from the 0.23% it expected in 2008. While these percentages sound small when spread across loan books between $700 billion and a trillion dollars, this will result in expected bank profits being higher by several hundred million dollars, as expected losses don't eventuate.

Gold Star - ANZ

Margin resilience

Net interest margins are always a major topic during the banks' reporting season, with most investors going straight to the slide on margin movements in the immense Investor Discussion Packs. Banks earn a net interest margin [*(interest received - interest paid) divided by average invested assets*] by lending out funds at a higher rate than borrowing these funds from depositors or wholesale money markets. Small changes in a bank's net interest margin can have a material impact on profits when spread across a large loan book. For example, in the case of Westpac, a 0.01% move, or one hundredth of one per cent, equates to an $86 million impact on profits.

Typically, Westpac and Commonwealth Bank enjoy a higher net interest margin than ANZ and NAB, due to their higher weighting in mortgages, compared to the Melbourne-based bank, which focuses on business lending. Generally, lending to homeowners results in a higher net interest margin than lending to businesses, which can often turn to global banks for their borrowing needs.

In November, interest margins remained relatively steady, reflecting a stable interest rate environment and rational pricing among banks for loans and deposits. Both NAB and Westpac saw higher net interest margins in the second half of 2025.

Gold Star - CBA

Business banking to drive returns

NAB's results show solid business banking growth, but its banking rivals are circling with their own strategies to chip away at NAB's SME and business banking dominance. NAB's entrenched business banking position may appear like a fortress at the moment, but it could quickly become a well-fortified cul-de-sac.

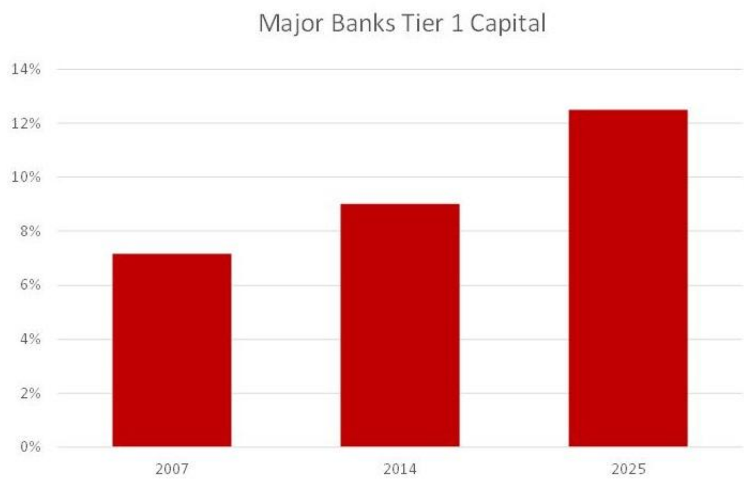
Westpac has stepped up its lending to businesses and institutions, with each sector growing by 15% and 17%, respectively. The majority of the lending comes from existing companies. While this growth may appear to be risky lending, Westpac is focusing on lending to industries that have historically had a better track record of repayments, such as health services, professional services, and agriculture. On the other hand, ANZ is focusing more on cross-border transactions, leveraging its presence in the Asia-Pacific region, which benefits businesses with importing or exporting operations. New CEO Nuno Matos highlighted in his first annual report that ANZ has an opportunity to continue growing its position in the institutional market and increase market share. In November, we were pleased to see the growth in Westpac's business lending.

Gold Star - WBC

Highly capitalised banks

The capital ratio is the minimum capital requirement that financial institutions in Australia must maintain to weather potential loan losses. The bank regulator, APRA, has mandated that banks hold a minimum of 10.5% of capital against their loans, significantly higher than the 5% requirement pre-GFC. Requiring banks to hold high levels of capital is not done to protect bank investors but rather to avoid the spectre of taxpayers having to bail out banks. In 2008, US taxpayers were forced to support Citigroup, Goldman Sachs, and Bank of America, while British taxpayers dipped into their pockets to prevent RBS, Northern Rock, and Lloyds Bank from going under. The Australian banks were better positioned in 2008 and did not require explicit injections of government funds; the optics of bankers in $3,000 Zegna suits asking for taxpayer assistance are not good.

In 2025, the Australian banks are all very well capitalised and have seen their capital build. This enables banks to return capital to shareholders through on-market buybacks and increased dividend payments. While the banks have not been actively buying back their shares recently, the ongoing buybacks serve as a sort of floor in the share price, with the banks stepping back into the market to purchase shares when the share price falls below a certain threshold. Indeed, CBA's $1 billion market buyback last bought back a share on November 15, 2024, at $151.



Source: Company reports, Atlas FM

In December 2024, APRA announced that additional tier 1 capital (bank hybrid notes) would be phased out of bank prudential frameworks. This will not be a large problem for the big banks, with all of them finishing the half with over 12% capital ratio. As many of these hybrids had franking credits attached to their coupon payments, the phasing out of hybrids sees franking credits build on bank balance sheets. Winner in November, the Australian banking oligopoly.

Regional banks

The regional banks received a single star, with the Bank of Queensland (BOQ) being the only recipient, for increasing dividends by 12% for its shareholders. However, this star comes with an asterisk, as BOQ cut the dividend by 11% in 2023 and a further 17% in 2024. Consequently, the regional bank's 2025 dividend remains below what it paid in 2022. This compares unfavorably to the big banks that have consistently maintained or increased their dividends. Over the past decade, the regional banks have not seen many stars awarded to them due to their competitive disadvantage.

In Australia, the big four banks dominate the market with a combined market share of 74%, following ANZ's acquisition of Suncorp Bank. The closest to breaking into the market is Macquarie, with a 6.5%

market share, followed by the two regional lenders, BOQ and Bendigo Bank, with a 3% market share each.

As we can see in the bank matrix at the top, the Australian regional banks did not win a single star, minus the dividend increase. This is due to having a higher capital cost than the big banks, as wholesale funders require higher coupons on their bonds to offset the higher risks associated with them. Additionally, the regional banks have limited access to the large pools of corporate transaction account balances that have historically paid minimal interest rates. To remain competitive against lending products from major banks, regional banks must accept a lower net interest margin across their loan book, resulting in lower returns on equity.

Our take

Overall, we are happy with the financial results from the banks. Westpac, ANZ and Macquarie either maintained or increased their dividends, with the market expecting ANZ's new CEO to usher in a rebasing of the dividend lower.

All banks demonstrated solid net interest margins, low non-performing loans, and effective cost control. In 2026, the banks will all have cleaner loan books, more consistent earnings and a greater margin of safety than they have had in the past. In a turbulent world with weekly changes in trade policies, Australia's major banks are likely to continue positively surprising the market, operating in a small oligopolistic market, sheltered from both new competition and global storms. Atlas has been more optimistic towards the banks than most fund managers over the past few years, which has been positive for our investors. However, given current valuations and portfolio construction constraints, we are likely to reduce our holdings.

Hugh Dive is Chief Investment Officer of Atlas Funds Management. This article is for general information only and does not consider the circumstances of any investor.

The real winners from the AI rush

Brad Livingstone-Foggo

AI has been the story of the past few years in markets. It’s an AI rush, and like the gold rush that occurred in the 19th century, those who are winning are not who you would expect.

In the mid-19th century, California was home to the gold rush. People from all over the world made their way to Northern California and the Sierra Nevada Mountains in search of their fortune. History has shown that the financial winners of the gold rush were not necessarily those who discovered deposits on their plot, but rather those savvy entrepreneurs who sold the equipment, such as picks and shovels, to a massive, growing market.

There is a new ‘’rush” in California: AI. And many of those companies making their fortunes are not AI companies, but rather those that supply what the AI companies demand: Electricity. For investors, this may be an opportunity.

But first, let's have a quick look at what happened in California in the 1800s.

The old 49ers

San Francisco's NFL team is called the 49ers. The name harks back to the mid-1800s gold rush. The '49ers' was the nickname given to the prospectors from around the world who flooded California in search of gold in 1849. The team's original logo depicted a gold miner.

Exhibit 1: San Fransico 49ers logo 1946 to 1968

Before the gold rush, California's population was estimated to be around 160,000 people. Between the time of the 1848 discovery of gold at Sutter's Mill (about 80 miles east of Sacramento) and 1855, 300,000 additional people arrived in California.

San Francisco, which had a population of around 1,000 before the gold rush, grew to 50,000 by 1856.

One of the interesting outcomes of the rush was that many of those who made fortunes because of the discovery of gold in California were not miners; rather, they were retailers. Samuel Brannan, the wealthiest man in California during the early years of the rush, is an example of this. His business model was simple - he opened stores around the gold fields and sold supplies, such as picks and shovels, to miners at a hefty premium.

The new 49ers

Today, Silicon Valley, near San Francisco, is home to many technology companies involved in the current AI boom. We think it's not only the companies involved in AI that will benefit from the AI rush, but also those companies that provide the 'picks and shovels' supporting AI.

Electricity is one such need AI companies have, and surprisingly, nuclear energy is stepping in.

Last year, Bloomberg reported that Microsoft had agreed with Constellation Energy to restart a nuclear reactor at Three Mile Island, which has been inactive since 2019. This is a good example of the potential 'picks and shovels' that the energy sector can provide to the AI rush.

Constellation Energy will invest US$1.6 billion to revive the shuttered Three Mile Island nuclear plant in Pennsylvania, with the agreement to sell all the output to Microsoft as the tech titan seeks carbon-free electricity for data centres to power the AI boom.

The decision is representative of the surging interest in uranium as power demand for AI soars, we think. More than a dozen reactors were deactivated over the past decade as competition from cheaper natural gas and renewable energy heated up.

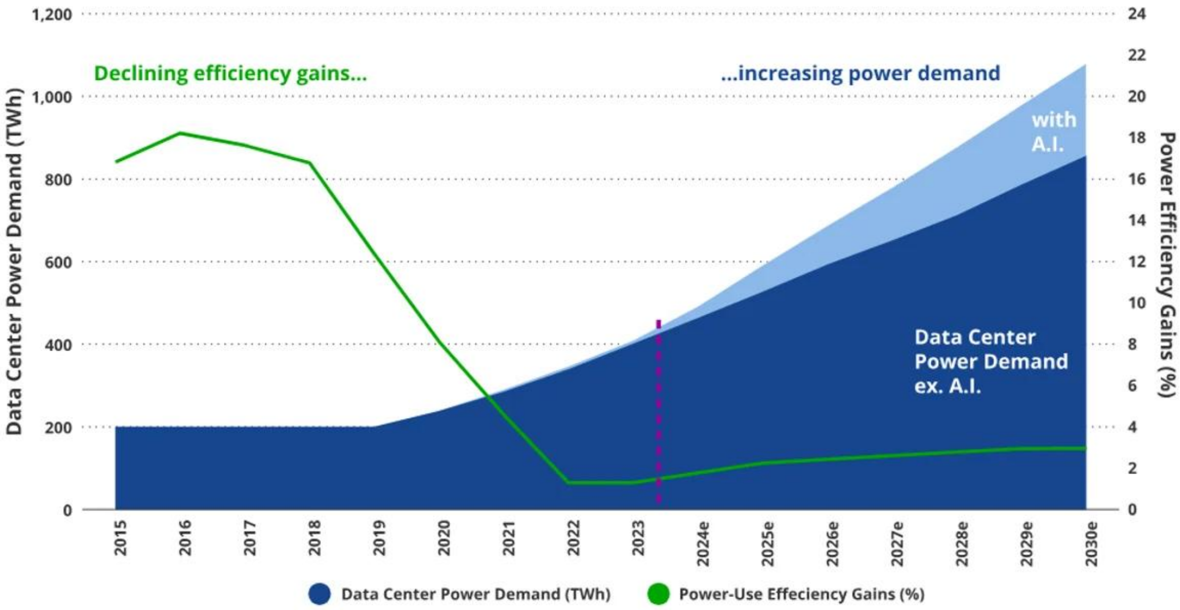
However, uranium and nuclear energy are now being reconsidered because of the increasing electricity demands fuelled by AI and the global push towards net-zero emissions.

Nuclear is considered a reliable, low-carbon option, and stronger regulatory support has sparked a renewed interest in nuclear energy.

Key forces powering the nuclear renaissance - demand

Firstly, the rising electricity demand to support the vast energy needs of the AI boom has been a significant factor in the revival of nuclear energy. According to a report by the International Energy Agency in late 2024, global electricity demand is projected to surge through 2025 and beyond, led by emerging economies such as China and India. This increase is fuelled by trends such as AI, electric vehicles, cryptocurrency, and the growing impact of heatwaves.

Exhibit 2: Increasing data centre power demand with decreasing efficiency gains



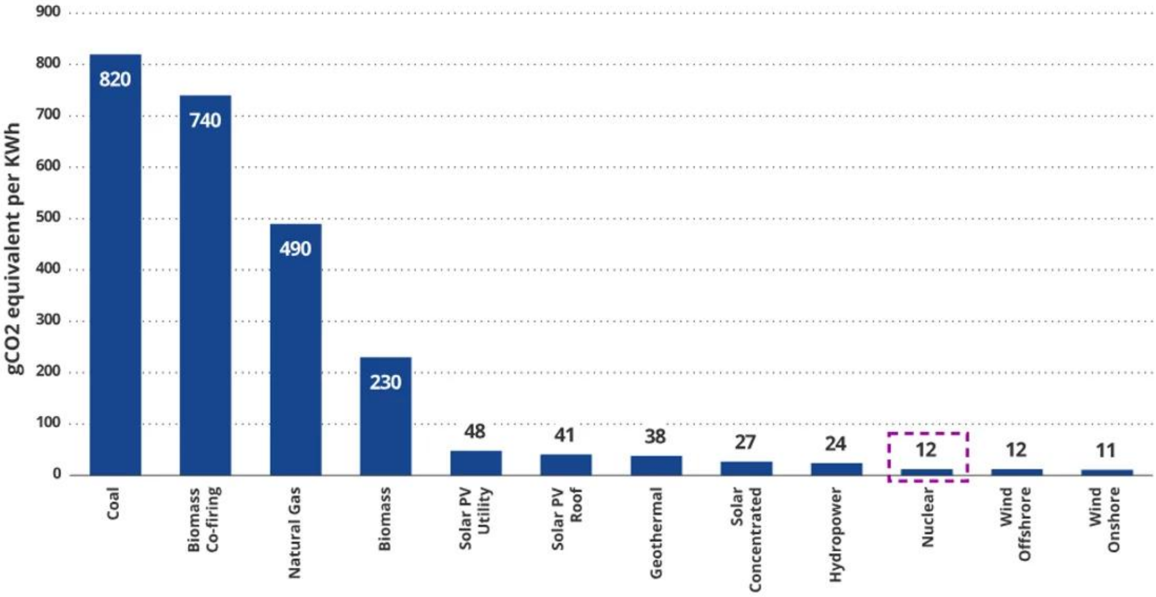
Source: Goldman Sachs; (via Masanet et. al, 2020, IEA, Cisco and Goldman Sachs Global Investment Research), 2024. For illustrative purposes only.

Key forces powering the nuclear renaissance – low carbon output

In addition, nuclear energy is known to be a reliable, clean energy source. Global efforts to reduce greenhouse gas emissions by building out renewable energy capacity have, by many accounts, fallen behind schedule. This has raised the profile of existing nuclear facilities and new construction as important components of the global energy transition.

Uranium-powered nuclear energy has lower emissions compared to some renewable energy sources, and there are no limits on when nuclear facilities can generate power. Unlike wind and solar energy, which face the hurdles of calm winds and dark skies, nuclear can provide consistent and reliable power.

Exhibit 3: Nuclear emits less carbon during its life cycle compared to many renewable energies



Source: World Nuclear Association, Intergovernmental Panel on Climate Change. For illustrative purposes only. Based on total lifecycle emissions, June 2025. For illustrative purposes only.

Key forces powering the uranium renaissance - regulatory

Uranium-powered nuclear energy used to be shunned by governments and environmentalists. The fear of nuclear accidents was a key deterrent to countries exploring this source of energy. Additionally, operating a nuclear plant is expensive without government subsidies.

However, in recent times, there has been increased regulatory support from many governments. Many have reversed their stance or affirmed their commitment, recognising the critical importance of nuclear energy in the power mix.

For example, the US has reversed course by choosing to extend the life of several nuclear power plants that were set to be decommissioned. Recently, the US Nuclear Regulatory Commission renewed the operating licenses at the North Anna Power Plant in Virginia, extending their operating lifetime by 20 years to nearly 2060. This trend is evident in many regions of the US.

More surprisingly, in the US, in the run-up to last year's Presidential election, both nominees ran pro-nuclear campaigns. Notably, the Biden Administration released a roadmap to deploy 200 additional gigawatts of nuclear energy capacity by 2050.

Since winning, President Trump has issued a series of executive orders aimed at quadrupling US nuclear capacity to 400 GW by 2050 from approximately 100 GW today. His executive orders also focused on expediting nuclear licensing by placing time limits on the Nuclear Regulatory Commission's licensing review process. His orders also seek to address America's lack of domestic uranium enrichment and processing capability. The US and much of the world have become dependent on a select few countries, namely Russia, for enriched uranium.

These executive orders supported the nuclear energy ecosystem, providing investor confidence across the supply chain and raising the prospects of increased investment in nuclear capacity across the board.

In Japan, despite the Fukushima disaster being fresh in their collective memory, Japanese leaders have begun taking steps toward expanding nuclear capacity. In late August, Prime Minister Fumio Kishida announced plans to hold a ministerial meeting to discuss measures needed to restart existing reactors at a Tokyo Electric Power Company facility.

Other countries that have begun to show support include China, Switzerland, India and Norway.

We think this is an opportunity for investors.

Brad Livingstone-Foggo is Head of Marketing – Australia at VanEck, a sponsor of Firstlinks. VanEck recently launched its Uranium and Energy Innovation ETF on the ASX (URAN). This is general information only and does not take into account any person's financial objectives, situation or needs. Any views expressed are opinions of the author at the time of writing and is not a recommendation to act.

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Why economic forecasts are rarely right (but we still need them)

Jackson Hrbek

Following the RBA's November meeting and its decision to hold the cash rate target at 3.60%, there's been no shortage of commentary about what's coming next. One more rate cut by May? Two more rate cuts by August? Rate increases? Some even incorporate predictions about AI adoption and productivity gains – but can we rely on these long-range forecasts?

Economic forecasting is as much an art as it is a science, and a forecast is almost always wrong. As economist Rudi Dornbusch put it – "in economics, things take longer to happen than you think they will, and then they happen faster than you thought they could".

The RBA's 2021 forecast on interest rates

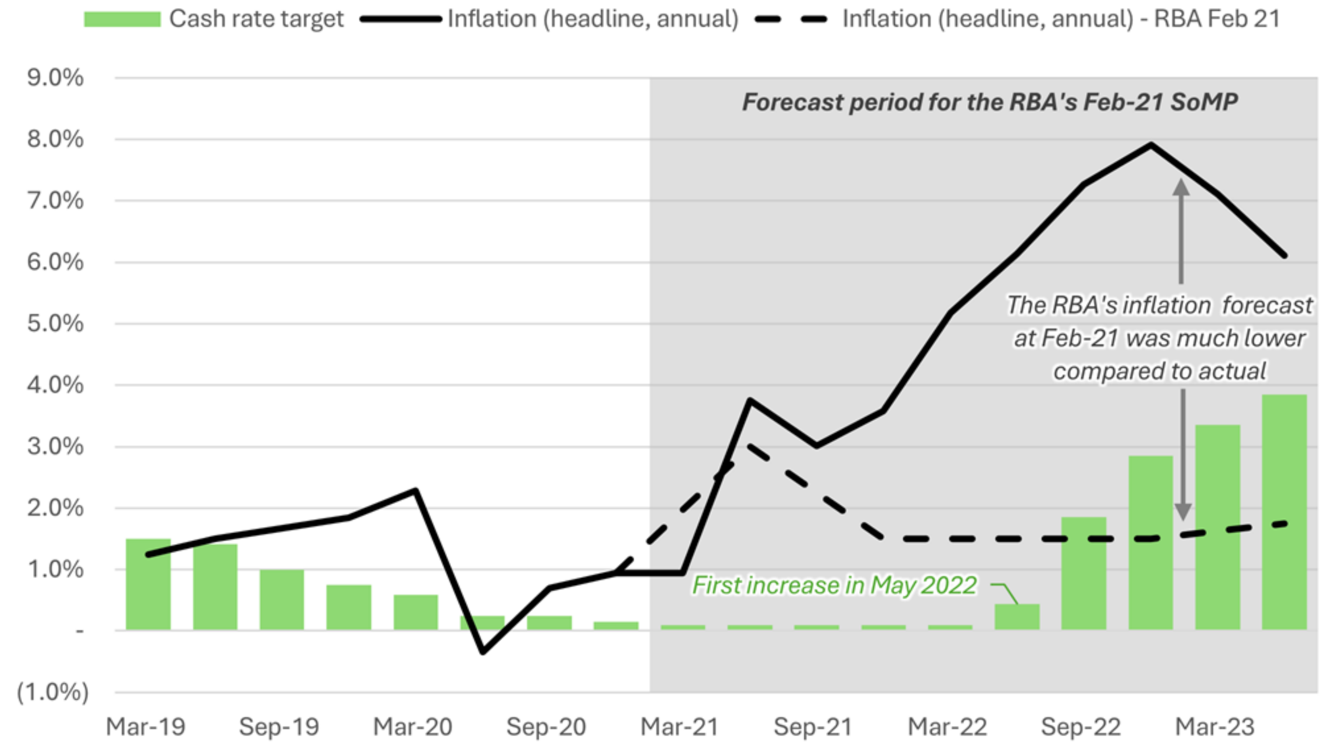
At its February 2021 meeting, during the depths of the COVID-19 pandemic, the RBA decided to keep the cash rate target at a record-low 0.10%. While noting Australia's early economic recovery was "stronger than was earlier expected", the RBA believed the economy would still face high unemployment and low wage growth for some time, keeping the overall economic recovery (and, subsequently, inflation) subdued.

In fact, the RBA specifically considered that conditions in the labour market wouldn't turn favourable "until 2024 at the earliest".

Dr. Philip Lowe, then Governor of the RBA, reiterated this judgment in March 2021 at the AFR Business Summit, stating that "the cash rate is very likely to remain at its current level until at least 2024".

As Figure 1 shows, this prediction turned out to be very wrong.

Figure 1: Inflation and the cash rate target in Australia following the RBA's Feb-2021 meeting



Source: ABS, RBA. Values measured on a quarterly basis. RBA forecast interpolated to quarterly values. 'SoMP' refers to the RBA's Statement on Monetary Policy.

After the first increase to 0.35% in May 2022, the RBA increased the cash rate target another 12 times to 4.35% by the start of 2024. Many were quick to point the finger at the RBA (or, specifically, Dr. Lowe) for 'misguiding' them on what would happen to interest rates.

I think instead that there was misunderstanding about how to both communicate and interpret forecasts, particularly in the complex world of economics.

Despite all the science, there is still an art to forecasting

Dr. Lowe, in his final speech as RBA Governor, said of that infamous 2021 prediction: "that guidance was widely interpreted as a commitment, rather than a conditional statement".

"Conditional" is key here – most economic forecasts are conditional on something else happening. Think of the classic $Y_T = A + BX_T$ model – our estimate of *Y* in any period *T* is based on what *X* is. If *X* turns out to be very different to what we thought it would be, then our forecast of *Y* won't be very accurate.

In the RBA's case, its February 2021 forecast that interest rates would remain low until 2024 was based on unemployment remaining elevated and wage growth staying low. Obviously, that didn't transpire.

Without knowing all the details of the RBA's forecasting process, I'm sure that its forecasts of persistently high unemployment and low wage growth were also based on forecasts of other outcomes that are embedded in the RBA's economic models – each expectation building on another.

Figure 2: Forecast complexity compounds in economic models

All those other forecasts could have their own data-driven models, but at some point, the 'science' of forecasting (the models, the data, the maths, etc.) can only tell us so much. Forecasts are therefore usually a combination of science with 'art' – judgment and expertise.

Using the example of our simple model, it may be possible to forecast what *X* is, perhaps using its own model. But one could make a guess based on judgment or expertise – if *X* has historically been growing at 1%, then perhaps it's reasonable to assume that *X* in *T+1* is 1 per cent more than *X* in *T*.

In the case of the RBA, its forecasts were based on a judgment about how long the pandemic would last – as Dr. Lowe put it, "we were being told that it would take many, many years for vaccines to be developed, that people could be locked down for a long period of time".

A good forecast, in my experience, appropriately balances 'science' with 'art' – a forecast that is based purely on data may over-simplify reality, while a purely 'gut feeling' forecast is subjective and prone to personal bias.

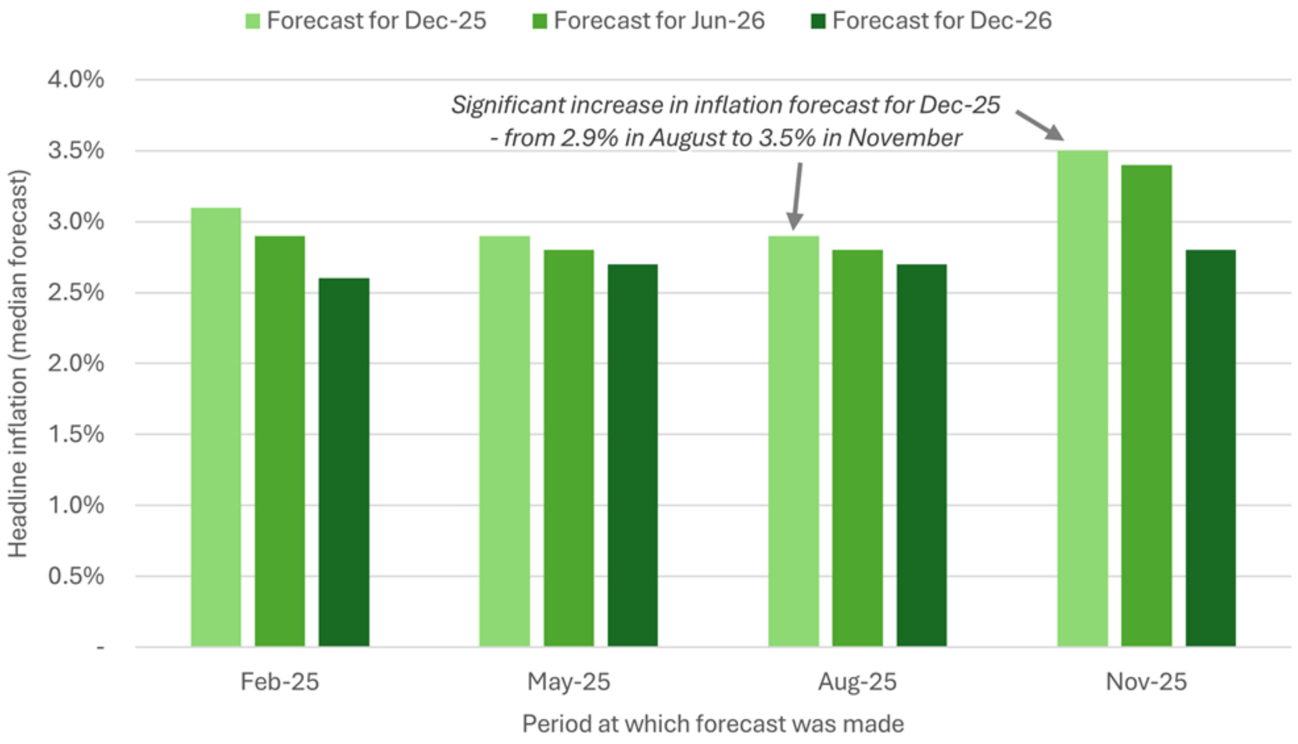
Forecasts are point-in-time – and things can change quickly in economics

Of course, even with the best models and data, and the most refined expertise and judgment, what we expect to happen rarely transpires exactly as planned.

The RBA isn't alone in experiencing this. Just ask NAB, which believed back in May 2025 that the cash rate would decrease from 4.10% to 2.85% by November.

Any of the economists confidently calling for a November rate cut before inflation data for the September quarter was released would also now know this to be true. It was only in August that economists believed inflation by the end of the year would be 2.9%. Come November, that forecast increased by 60bps to 3.5%!

Figure 3: Economist expectations of inflation throughout 2025



Source: RBA.

To be clear – this isn't a criticism of economists or forecasting techniques. It's simply the reality of trying to predict the future in an increasingly complex and volatile economic environment.

What makes forecasting so challenging is that predictions are fundamentally point-in-time assessments. They represent a 'best guess' based on the ‘science’ and the ‘art’ available at the time – current data, current models, current expertise and current expectations.

The interest rate forecasts of NAB and the November inflation forecasts of many economists were all based on some underlying expectations made at the time about what the future economy would look like – that unemployment would be higher, or that inflation would be lower. This is, of course, no different to the judgments made by the RBA back in 2021.

Think of forecasts as the ‘central’ case within a range of potential outcomes

With all these caveats, it’s essential that forecasts are communicated and interpreted correctly, especially when many simply state a belief about what the cash rate is going to be, for example, without offering any other information about what that forecast is based on (or, how wrong their forecasts have been in the past!).

When it comes to communicating or interpreting a forecast, it should be viewed as the ‘most likely’ or ‘central’ outcome expected by the forecaster, based on the forecaster’s use of data, models and judgment.

A forecast should be considered within a range of other possible outcomes that sit around it – they ‘fan’ out from that central case, with the width of the ‘fan’ a function of probability or confidence. Forecasts with lower prediction confidence would have a relatively wider fan of possible outcomes, reflecting inherent volatility and uncertainty.

Take the RBA's current inflation forecasts as an example. In its November Statement on Monetary Policy, the RBA expects, based on current economic conditions and expectations for the future, inflation from December 2025 will rise from 3.3% to 3.7% by mid-2026, before falling to 2.6% by the end of 2027.

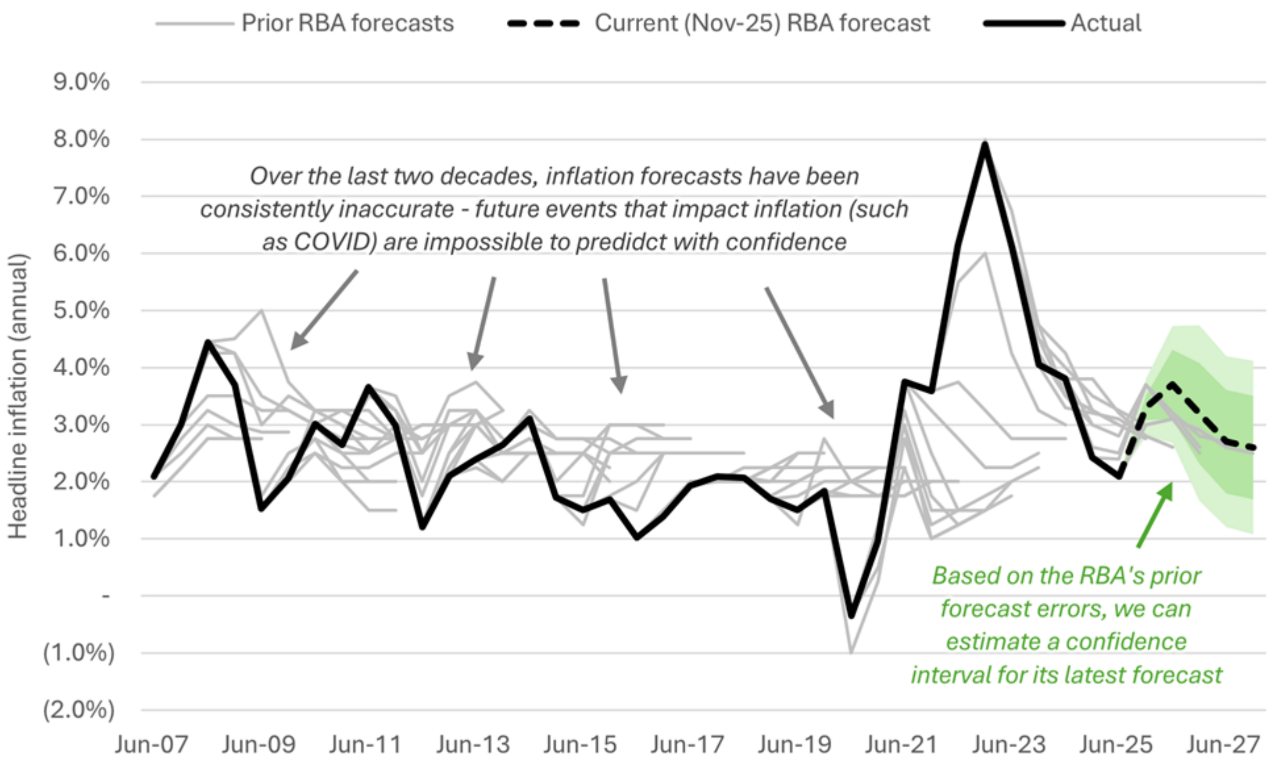
This is the RBA's 'central case' for inflation. And while it doesn't explicitly provide a range, we can still manufacture one based on the RBA's historical error in forecasting inflation.

Since 2007, the RBA's median absolute error in forecasting headline inflation one period in advance has been around 20bps.[1] That error increases to 60bps for forecasts over two periods and 90bps for forecasts over three or more periods.

We can reasonably expect that, based on previous forecast error, the RBA's forecast of inflation being 3.7% by mid-2026 could have a range of between 3.1% and 4.3% (see Figure 4). If we take the 75th percentile absolute error instead of the median, that range extends to between 2.7% and 4.7% by mid-2026, and between 1.7% and 4.7% by end-2026.

Either side of that range represents a starkly different inflation outcome, with starkly different monetary policy responses. If inflation drops to 1.7%, we'd likely see aggressive rate cuts to stimulate the economy and bring inflation back toward the target band. If it climbs to 4.7%, the RBA would probably be increasing the cash rate to cool things down.

Figure 4: Actual and forecast inflation in Australia



Source: ABS, RBA, author's calculations. Confidence interval based on median and 75th percentile absolute percentage error in the RBA's headline inflation forecasts since February 2007.

If forecasts are rarely right, why do we need them?

Despite inaccuracies (especially, in the case of interest rates and inflation, for anything longer than 6 months in advance), good forecasts still give us valuable guidance for thinking about possible scenarios and help us prepare for different outcomes. The RBA's forecasts in particular offer crucial insights into the central bank's thinking and priorities, which may influence how they'll respond to new data as it emerges.

But treating any single prediction as gospel (even those from the RBA itself) is probably a little too narrow-focussed. The economy is influenced by countless factors that, despite all the 'science' and 'art' we can employ in our forecast models, we simply cannot accurately predict – global events (the COVID-19 pandemic), domestic policy, supply chain disruptions (remember the Ever Given?), and geopolitical developments.

The key isn't to forecast perfectly – it's to understand the range of possibilities and plan accordingly. And for all those possibilities, understanding the confidence intervals, assumptions, data and approach are critical.

So, the next time someone tells you when the RBA will cut rates, or by how much, remember: forecasting is educated guesswork, not fortune-telling. Even the experts with the best data and most sophisticated models regularly get it wrong – it's simply the nature of predicting economic outcomes in an uncertain world.

[1] As an aside, the RBA has fared better than economists in general in forecasting inflation, particularly in the shorter-term – a median absolute error of 20bps vs. 35bps.

Jackson Hrbek is an economist and data analyst with ConnellGriffin. This article has been prepared for the purpose of providing general information.

13 reflections on wealth and philanthropy

Peter Winneke

Here are 13 final reflections about wealth after 23 years working in the Australian philanthropy sector*:

1. Most high net worth (HNW) families don't do the calculation of 'how much is enough?', and keep creating wealth for the sake of it, without asking why?
2. More thought needs to be given to 'how much do the kids need?' Leaving material wealth to the kids often results in poor outcomes. Kids need to learn to work. Warren Buffett: "Leave enough to your kids to do anything in life, but not enough to do nothing."
3. Our giving culture amongst HNW families remains poor. Nearly 25 years since the introduction of private ancillary funds (PAFs) and we still only have 2,200 PAFs (should be 15,000+). You can establish a sub-fund with $10,000 yet we only have around 3,500 (should be 100,000+). I regularly

hear the expression, often from sector leaders, that Australians are generous. Until we look at the giving stats and have a frank discussion about our current generosity levels, and plan where we would like to be, little will change.

4. We celebrate our Rich List a lot more than our Top 50 Givers List. Why is that? The philanthropic sector deserves more respect. Perhaps it hasn't earned it? Let's add a column to the Rich List: "% of wealth given away".
5. HNW families are surrounded by conflicted advisors, most of whom benefit from HNW families continually growing their wealth. Creating wealth for generations; for what purpose? With humanity's current trajectory, and the rapidly growing inequality, there may not be much left in 100 years…
6. We need to better tell the story of how a family foundation can be an extraordinary educational tool for the next generation. A foundation is a microcosm of a business. The kids can learn about governance, managing money, setting a mission, developing and implementing a strategy, measuring impact and the responsibility of wealth. Plus, the satisfaction of meeting amazing social entrepreneurs and backing them.
7. Several wealth advisors have established a 'philanthropic services' team. Most know that some of these are not seriously trying to grow the philanthropic sector but simply trying to grow FUM from charities.
8. $5 trillion is to be gifted to the next generation in Australia over the next two decades. Imagine if just 10% was gifted to charitable trusts i.e. $500 billion. This would result in around $25 billion being distributed to the community each year. Now imagine the positive community impact if this was done effectively.
9. An Australian Giving Pledge, where influential HNW families publicly commit to giving away a minimum of 20% of their wealth in their lifetime or upon death, is the best idea I have seen to materially change the culture of giving amongst HNW families in Australia. (I rarely hear any ideas, let alone better ones.) We are influenced by our peers. We need to set the standard for giving in Australia.
10. Let's empower social entrepreneurs with the resources to develop plans to take a systems approach to tackling the biggest issues in Australia. And let's pay them appropriately. There is no reason why we can't action this.
11. If you wish to maximise your impact, seek advice from skilled philanthropic advisors. Of course I'm biased, but good advisors are very under-rated.
12. We have the wealth and intelligence to solve all issues on the planet, if we can be inspired to do so. I live in hope that the next generation will give more consideration to the constructive use of wealth. And that the next wave of philanthropic leaders will be less interested in their little fiefdom and will want to debate the above issues and push much harder for a much bigger and much better philanthropic sector.
13. Don't be satisfied with doing good; do great!

It's time for a frank discussion on philanthropy in Australia. Given the wealth created in Australia in recent decades, philanthropy leaders should be targeting a much bigger and much better philanthropic sector. I'm not seeing it. The status quo isn't working, other than some magic in a few areas.

"It's amazing what you can accomplish if you don't care who gets the credit". Harry Truman

Peter Winneke is a philanthropy adviser and consultant, and author of "Give While You Live: A practical guide to more & better giving in Australia".

**This is an edited version of Peter's 31.10.25 LinkedIn post, "23 reflections about wealth after 23 years in the philanthropy sector".*