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Editorial

Inflation, the RBA, wage growth, house prices... Australian investors spend so much time navigating domestic indicators that we may lose sight of the bigger picture. It is easy to get bogged down by every data release and policy debate, but sometimes the most useful perspective comes from stepping back and asking a simpler question - *How do we compare with the rest of the world*?

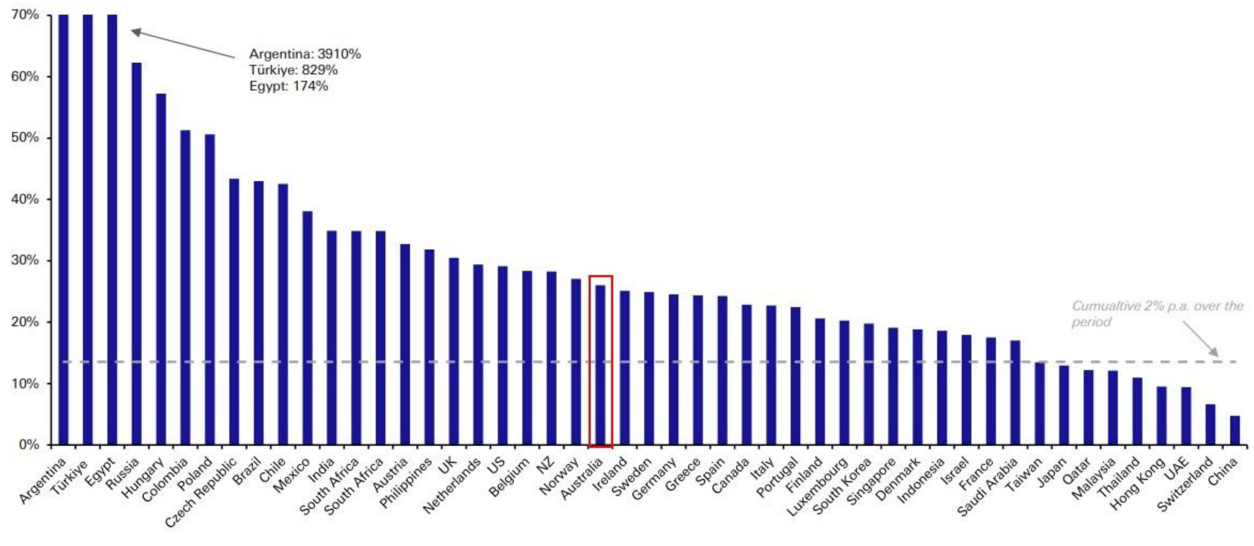
Deutsche Bank's *Mapping the World's Prices 2026* helps bring these comparisons to the forefront, quantifying exactly what has changed over the past decade on a relative basis. This report covers 69 cities across 6 continents with prices converted to US dollars. An important thing to note is that only Melbourne and Sydney are included in this dataset.

The post-Covid inflation scorecard

Most of the time there is some amount of inflation. When the report started in the 2010s inflation was largely subdued in developed markets.

However, since Covid global inflation is well and truly back and is shaping relative prices and currencies everywhere. Cumulative CPI inflation since 2019 reveals where the cost of living has risen most in local currency terms, stripping out FX effects. Australia sits somewhere in the middle of this pack at around 30%.

Figure 9: Cumulative inflation since end of 2019 and just before Covid changed the landscape



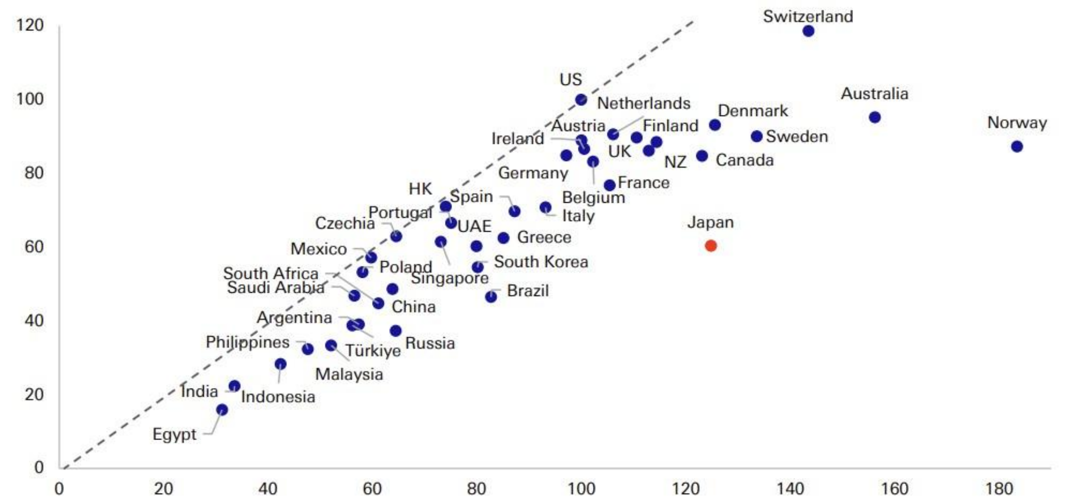
Source : Haver Analytics, Deutsche Bank.

Purchasing power parity

Since this report was first published in 2012 there have been big swings in inflation, growth, prices and exchange rates but one of the main enduring trends has been that the US has become notably more expensive and Japan has travelled from expensive to very cheap.

Purchasing power parity (PPP) is an economic measure used to faithfully compare living standards across exchange regions by eliminating the influence of different local price levels. Over this period on a PPP basis, the US has gotten more expensive relative to every economy covered in the report. Australia on the other hand has cheapened considerably, dropping from around 160 in 2012 to 100 in 2025, but still ranks high on a PPP basis.

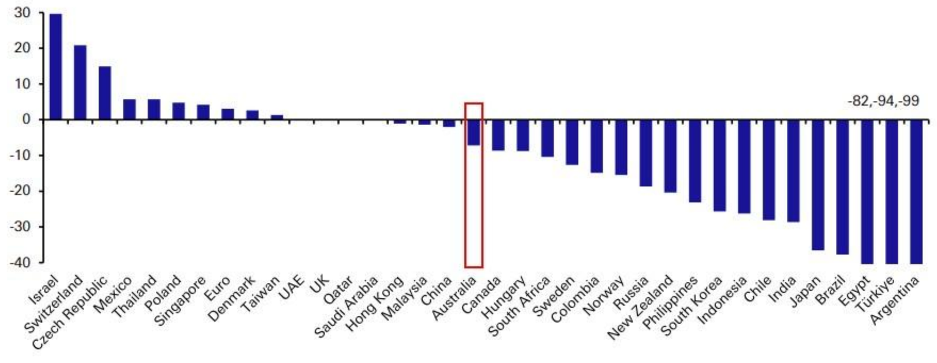
Figure 1: Relative Price Levels as Implied by PPP (US = 100), 2012 (x-axis) and 2025 (y-axis)



Source : : IMF, WEO, Haver Analytics, Bloomberg Finance LP, Deutsche Bank calculations.
Note: The PPP conversion rates as published by the IMF have been adjusted with actual foreign exchange rates (as on 31 December each year) to derive the implied price levels. Also note that some of the above numbers may not match those published last year exactly due to data revisions.

Over a decade ago, Australia was one of the most expensive economies in the world, buoyed by a strong dollar and mining-boom wages. Today it sits much closer to the US benchmark, reflecting a long-term depreciation of the AUD.

Figure 6: Cumulative changes in currencies of our sample economies vs the USD (%) over the past 10 years



Source : Bloomberg Finance LP, Deutsche Bank. Note: calculated from 30 June 2016 to 30 June 2026.

Quality of life

The quality-of-life index combines purchasing power, safety, healthcare, cost of living, property-price-to-income ratio, commute time, pollution, and climate into a single score.

To the surprise of very few, Luxembourg, Copenhagen and Amsterdam top the list, retaining their rank from the previous year. Despite salary dominance, no US city makes the top 10 for quality of life, but it is important to note that there is much dispersion. New York ranks at 46th while Boston (17th) and San Francisco (21st) are comfortably in the top half of the list. The report cites a combination of high costs, long commutes and safety concerns keep American cities out of contention for the top 10.

Figure 10: Quality of Life Top 10 (2026) vs 2025 edition

Current rank	City	Rank change from 2025
1.	Luxembourg	+0
2.	Copenhagen	+0
3.	Amsterdam	+0
4.	Vienna	-1
4.	Munich	+8
6.	Frankfurt	+1
7.	Helsinki	-2
8.	Geneva	-2
9.	Zurich	-1
10.	Edinburgh	+0

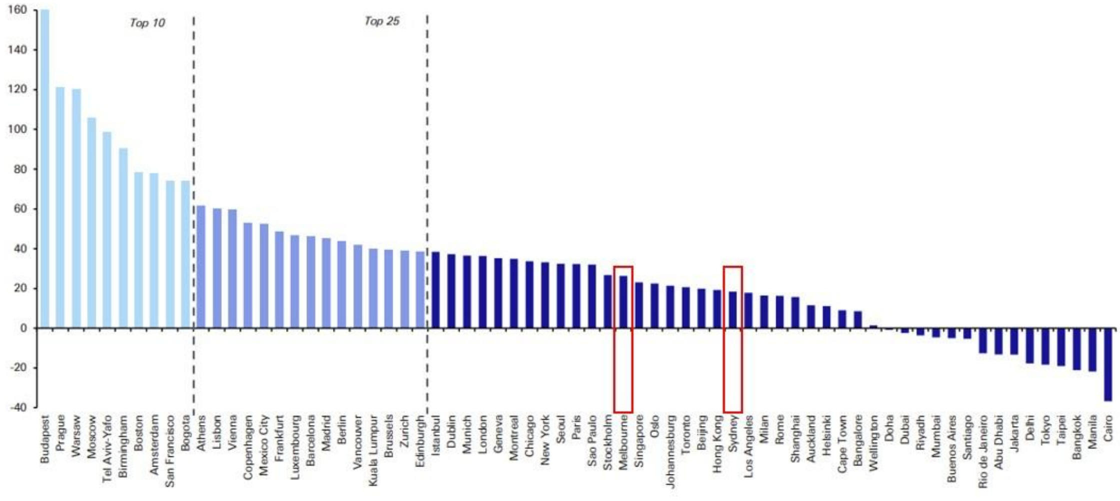
Source : www.numbeo.com, Deutsche Bank.

Australia continues to score well on this front. Melbourne and Sydney remain globally competitive, both making it into the top 15. London and New York reside towards the bottom of the list, ranking 46th and 47th respectively, with very similar scores on the Safety, Cost-of-living and Traffic Commute Time measures.

Salaries and disposable income

On the domestic front, salary growth has moderately lagged inflation at a cumulative increase of ~20% for Melbourne since 2016. Notably, several Central European cities have enjoyed strong wage growth with salaries in Budapest, Prague and Warsaw doubling in 10 years, outpacing every major developed market city the report tracks.

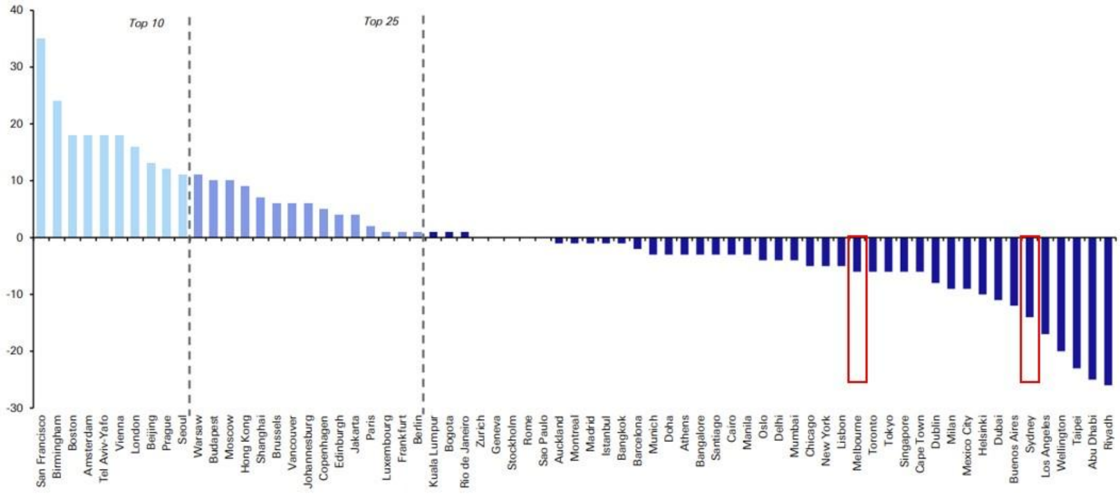
Figure 12: Monthly Salary (Net of Taxes, USD), cumulative change since 2016 (%)



Source : www.numbeo.com, Deutsche Bank.

On the topic of disposable income after rent, the index measures two people working and renting a three bedroom apartment. the data shows a meaningful drop in disposable income since 2016 for both Sydney and Melbourne.

Figure 14: Disposable Income Index after rents (2 persons working and renting 3 bedroom apartment, USD), rank changes from 2016



Source : www.numbeo.com, Deutsche Bank.

Though we see a major divergence between the two cities where Melbourne ranks 9th and Sydney falls at 29th overall. One could perhaps attribute this to the Melbourne rental market being significantly cheaper than Sydney's.

Public transport and the 'sin tax'

As someone who regularly commutes via public transport, the costs sometimes feel extortionate. I was somewhat validated in finding out that Sydney is indeed the second most expensive for public transport coming out at US$150 for a monthly pass, surpassed only by London at over US$250.

The report also cites Melbourne ($111.2) as the world's most expensive city for cigarettes and beer, continuing Australia's relentless application of sin taxes, with Sydney second. Over a decade, Melbourne's Oasis index has risen +89%. Our Kiwi cousins across the pond, Auckland and Wellington, rank 3rd and 4th respectively.

This note only highlights select findings from the report. For those after the full version from Deutsche Bank, it can be found here.

Simonelle Mody

Also in this week's edition...

On superannuation we have **Marcus Padley** revealing the most common SMSF mistakes that can end up being quite costly. **UniSuper**'s **Matt Werakso** wants to help retirees navigate super's complexity and be able to confidently use their savings to support security, wellbeing and choice. **Trevor Schmid** crunches the numbers on what it takes to replace market losses in super when rules and caps stand in the way.

Tony Dillon has picked up on an almost unnoticed consequence of Labor's capital gains tax changes, which raises bigger questions.

While markets obsess over AI winners, **Tim Humphreys** from Ausbil has been finding the quiet, durable assets evolving beneath the AI story.

We also hear from **Christine Benz** and why it's a mistake to rely on "hitting a number" for retirement.

Last week's edition led with an article from **Rachel Rofe** on discretionary testamentary trusts, and due to its popularity, we are keeping this one on the home page for another week.

Our featured white paper is **Dexus Research**'s quarterly review of Australia's Real Asset sector.

Are you making these SMSF mistakes?

Marcus Padley

I have been a professional advisor in the stock market since 1982. For half of that time, I've been speaking to professional investors, to fund managers, and for the other half, I've been talking to **self-managed super fund investors** trying to look after their own money.

The difference between professionals and SMSF investors is that **professionals have made all the mistakes already** and don't make them anymore. I'm going to discuss some common mistakes I see SMSF investors often make.

Playing it too safe

If you look at the average SMSF cash balance, it's somewhere around 30%. Most fund managers are running at 5% and they might get to 20% in extreme circumstances. If you've got a nest egg and are expecting a 10% return, if you only invest half of it, you've got to make twice as much to get to your goals. **That is cash**, not investment. If you're going to hit your goals, you can't be too cautious.

Sticking with the same stocks

Something every stockbroker and financial advisor will tell you is when people have been looking after their own super, they turn up with the same portfolio. We call it “the portfolio”. It’s where an investor has gone to the top 50 stocks and crossed out any company that they don’t understand or can’t spell – which is why everybody still holds CSL, BHP and Rio. You end up holding all the banks, Telstra, Woolworths, Wesfarmers, Coles, Fortescue, Aristocrat Leisure, Transurban. It’s an obvious portfolio.

There’s nothing wrong with the top 20 stocks in Australia. But why bother with all the admin, all those different holdings, when you could just hold a market exposure that will give you the same return in one ETF, or indeed sitting in an industry super fund.

Chasing yield

The yield trap refers to investors who buy companies with large yields because they’re going to pay a special dividend or pay out more than they’re earning. We’ve got a saying: any stock that yields more than 10% doesn’t, because either the forecasts are wrong and they’re not going to pay it, or what usually happens if there’s one big dividend is the stock, on the day it goes ex-dividend, drops by more than it should because everybody’s selling – because everyone was holding it for the dividend. High yield does not mean it’s a good income stock.

Staying parochial

If you invest for income, you will corral your money into stocks with no growth options, which is why they’ve got big dividend payouts. The banks are fabulous stocks if you want income – sticking to their knitting, no growth options, paying the money back as dividends. Nothing wrong with that.

But if you're focusing on income in the *accumulation phase*, you're going to be focused on the low-growth stocks, which mean your nest egg is unlikely to grow. There are some fabulous income stocks – if you’re a wealthy retiree looking for income, nothing wrong with the major banks. But if you’re trying to grow your nest egg, **income is not the place to be**. Do not chase yield if you are looking to grow your money.

Domestic bias

The next mistake is investing only in Australia. In a world in which ETFs allow you to click a button and buy the S&P 500 or the Magnificent Seven in the same way that you can buy CBA or BHP, why aren’t you doing that? There is much more growth available outside of Australia. The big tech trade, the AI trade, networking, semiconductors – none of that is available in Australia. Australia is essentially **a backwater market**. With ETFs, you’ve got the option to invest anywhere in the world.

However, we cannot assume ETFs are all safe and similar. I was playing golf with someone recently and they said, “Oh, I think I’m going to change my approach, I’m going to invest in ETFs.” Which one? They’re not all the same. **ETFs are just as complicated as shares**. They also require research. Assuming all ETFs are safe because of the simple fact that they’re ETFs is wrong.

Long term investments and cyclicality

Another mistake is thinking you can be long-term with cyclical sectors. You probably could be long-term with some of the banks. They’re too big to fail, they’ve got fabulous businesses, they’ve got very little competition, they're ingrained in the Australian psyche. But I heard somebody the other day saying, "I think BHP is a buy for the next two years." Things change. Resources, which is a fabulous sector – and it's fabulous that Australians are comfortable with resources, because there is an enormous amount of money to be made – but be aware, they are cyclical. **These are not buy-and-hold stocks**.

25% of our market is in the resources sector and people treat them as investments. They're not. You can't trade them beyond their commodity cycle. What's the commodity cycle? Just ask anybody who's ever bought a lithium stock. It is not a forever sector, but it's a sector absolutely dripping in opportunity. If you can time the sector, time the stocks.

Paying too much attention to tips

You will find at dinner parties, amongst your friends, if it turns to the stock market, you will hear people tell you about stocks they made money in. This may appear as a tip. It will also probably be done with a knowing nod or a glance or in a whisper that adds absolutely zero credibility to a tip. Most tips are stocks other people are holding.

One of the golden rules of investing is buy it and then tell everybody else about it. If you get a tip, nod, or wave, go and have a look at the stock and make up your own mind – but **never buy something because somebody told you to buy it**. The likelihood is it's already gone up, they've made money, they were just bragging and you think it's something clever. Don't buy stocks without doing a lot of research and taking responsibility for the tip yourself.

The trading trap

The next mistake is trading too much. This might sound silly. I know there are day traders out there who are probably successful, but day trading is an all-day job. If I made $100,000 a year day trading, I'd see it as a success. But the reality is I could have gone and had a job with a lot less stress and earned more money. It's a lot of work. I have never seen anybody achieve **long term success by being short-term**. That doesn't just apply to the stock market, it applies to life.

If you plan your future by looking at the end of your nose, you'll never get to the horizon. If you find yourself short-term trading, it is akin to gambling. It may be fun, but will probably cost you and you're unlikely to get anywhere. Put it this way – if my spouse was looking after my super fund and they were turning up at dinner every night going, "Oh, had a win today," I'd be thinking this person should not be running my money. A more sensible approach to investment doesn't involve trading short-term.

The mistake that matters most for your retirement

The final mistake is having faith. We used to have a brother-in-law who got into broking. A mentor of his once said, "Don't touch any buttons, come out for a coffee at 10am, I'll tell you how to do broking." What he told him was that when you first arrive in broking, find a company whose share price is less than a cent, that's got half an idea, buy millions of shares and spend the rest of your career marketing it.

So he did this. He found a stock, one-sixth of a cent. Every event we went to, family function or Christmas gathering, he would be there talking about this stock. "Have you heard of so-and-so? Have you heard of so-and-so?" We used to call him the zombie, and it was always the same stock. And wow, it went from one-sixth of a cent to 20 cents. He had over a million dollars from putting in just a few grand, and it was fabulous. But one lesson – don't develop faith, because he still held it when it went to zero.

Stay objective, watch the price – don't believe the price. When it starts going down, think about doing something about it.

This is an adapted version of a transcipt from the Marcus Today YouTube channel. The full video can be found here.

Marcus Padley is the author of the daily stock market newsletter Marcus Today, see marcustoday.com.au. This content is general information only and does not consider your personal circumstances. It is not personal financial advice. Please consider whether it is appropriate for you or seek professional advice before making investment decisions.

Retirement spending is not one-size-fits-all

Matt Werakso

Cost-of-living pressures don't stop at retirement. If anything, they can make an already difficult transition even harder: moving from a lifetime of disciplined saving to drawing income with confidence.

That is a shift many people underestimate. For decades, the retirement system has trained Australians to accumulate – to contribute regularly, avoid unnecessary spending and build a balance that will last. Then retirement arrives, and the task changes. The goal is no longer just to preserve wealth. It's to use it.

In my experience, the challenge is rarely just mathematical. More often, it's behavioural and structural. Some retirees are cautious about drawing down. Others spend above the minimums because life, health, housing and family needs require it. For many people, the harder issue is not a simple lack of willingness to spend, but uncertainty about what is sustainable.

That distinction matters. Recent analysis from the Super Members Council challenges the persistent myth that most Australians are underspending their super. In 2024–25, around 68% of tax-free retirement account holders withdrew above the minimum, rising to 81% for those with balances below $50,000. The better question is therefore not whether retirees are simply spending too little or too much. It is whether they have enough confidence, guidance and flexibility to spend appropriately for their circumstances.

When complexity gets in the way of confidence

The old story was that retirees were broadly too reluctant to use their super. But the newer data suggests a more nuanced picture. Many retirees are already drawing above minimum rates, particularly those with lower balances. At the same time, others may still hold back because they fear running out of money, dislike seeing balances fall, or want to preserve funds for future health, aged care or family needs.

That can sound prudent. But it may come at a cost.

The result is not one universal behaviour, but a range of behaviours shaped by balance size, age, health, confidence, family circumstances and the rules of the retirement system. The Super Members Council found drawdown rates are highest for retirees aged 65–69, fall through the 70s, then rise again in the 80s as age-based minimums increase and health and aged care costs become more prominent.

This is not just a financial issue. It's also a wellbeing issue.

The purpose of retirement savings is not simply to avoid hardship. It's to support a dignified retirement – one that provides security, choice and the ability to participate in life. That is why the discussion needs to move beyond the binary question of whether retirees are underspending. The real issue is whether people can make informed decisions about income, tax, longevity risk and changing needs over time.

A colleague's work on financial wellbeing makes a similar point: real financial wellbeing is not just about meeting obligations and feeling secure about the future. It's also about having the freedom to make choices that allow you to enjoy life. That broader lens matters in retirement. Money is not there to sit untouched. It's there to support a life worth living.

The hardest part is navigating the transition

Moving from saving to spending is a major shift, but it is not the only challenge. The retirement phase asks people to make decisions about income streams, tax settings, Age Pension interaction, investment risk, minimum drawdowns and future care needs – often at the same time they are adjusting to a new stage of life.

The habits that make people good accumulators – restraint, delayed gratification, watching balances rise over time – are exactly the ones retirement later asks them to loosen. Many retirees experience drawdown as a loss, even when spending was the whole point of saving in the first place. Seeing a balance fall can feel like failure, not progress.

That helps explain why complexity can be costly. The Super Members Council estimates a typical new retiree with super could miss out on as much as $136,000 over retirement – around $6,500 a year – because the system is difficult to navigate. In that context, the problem is not simply spending too little. It is decision paralysis, confusion and a lack of confidence at the point where good choices matter most.

The goal is not to encourage reckless spending or to assume all retirees should draw more. It is to help people become **purposeful spenders**: using savings in a way that is sustainable, personally meaningful and responsive to changing circumstances.

That means recognising that retirement may last more than 20 years. It still requires planning, resilience and a sensible balance between current income, future security and long-term growth. But it also requires a system and an advice experience that give people confidence to use their savings for the purpose they were built for.

The data points to a bigger system challenge

This matters because Australia is entering a much larger retirement phase. The Population Statement cited by the Super Members Council forecasts the number of Australians aged 85 and over will rise from about 580,000 today to 1.9 million by 2065–66. Over the next decade, around 2.8 million Australians are expected to move towards retirement, with the number retiring each year expected to double from about 150,000 to 300,000.

The scale of money involved is also changing. The amount of super held by Australians reaching age 65 is projected to almost double – from around $750 billion over the past decade to almost $1.5 trillion over the next. More people will be retiring with more super, but not necessarily with more clarity about how to turn that balance into sustainable income.

There are also practical tax and product decisions that can make a meaningful difference. Around 700,000 Australians over 65 who are not working full-time are estimated to be keeping their super in a taxed savings-phase account, paying on average $650 more in tax each year than if they moved to a tax-free retirement account within super. For some, there may be good reasons for that choice. For others, it may simply reflect uncertainty about what to do next.

Confidence to spend comes from structure

This is why confidence in retirement rarely comes from guesswork. It comes from structure – and structure is what helps turn savings into purposeful spending.

A clear income strategy can help retirees separate day-to-day spending from longer-term growth, reducing the temptation to react to every market movement or default to inaction. When essential spending is covered, future needs are planned for and trade-offs are understood, people are often far more comfortable drawing an income that fits their life rather than simply following a minimum or maximum rule of thumb.

Advice can turn capacity into confidence

This is where advice can make a real difference. Good advice is not just about forecasting returns or modelling balances. It's about helping people understand what they can afford, what trade-offs matter, and how to spend with confidence while adjusting over time.

That confidence matters because the retirement challenge is becoming larger, more complex and more personal. The data suggests many retirees are already drawing above minimums, but it also shows that complexity can leave people worse off. Advice can help turn a super balance into a plan: what income is needed, what can be safely spent, what should be preserved, and how decisions should adjust as life changes.

Retirement is for living, not just navigating rules

Cost-of-living pressures are real, and prudence will always matter. But retirement planning is not only about preserving capital or meeting a minimum drawdown requirement. It's about using money with purpose, in a way that supports both today's needs and tomorrow's uncertainty.

If the foundations are sound, retirement should not be defined only by what remains in the account balance. It should also be judged by whether money is supporting the things that matter: security, independence, connection, participation and enjoyment.

That requires a mindset shift, but also a system shift – from treating retirement as a maze of technical decisions to making it simpler, more intuitive and better supported.

And the bottom line is simple: the hidden risk in retirement is not captured by a single myth about spending too little or too much. The real risk is that people reach retirement with savings, but without the confidence, guidance and structure to use those savings well.

Matt Werakso is Head of Professional Wealth Management at UniSuper, a sponsor of Firstlinks. He has over two decades of experience in financial services across Australia and the United States and is passionate about improving member outcomes through high-quality advice and expertise.

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The missing link in the CGT debate

Tony Dillon

As unintended consequences of the Labor tax package in the federal budget continue to roll out, one that could have far reaching effects is the loss of tax neutrality between retained earnings and distributed profits under the new capital gains tax regime.

Consider the tax effect of removing the 50% CGT discount and replacing it with an inflation indexed system.

Two shareholders each receive $70 of value from a company that has already paid $30 company tax. One receives it as a fully franked dividend, while the other receives it as a realised capital gain. Assume inflation has been negligible. Both shareholders are on the top marginal tax rate of 47%.

The dividend receiving shareholder pays tax of 47% x ($70 dividend + $30 franking credit) - $30 franking credit = $17. Add the $30 company tax paid and the effective tax rate paid on the $100 corporate profit = 47%.

Under the 50% discount regime, the shareholder realising his capital gain pays 50% x 47% x $70 = $16.45. Plus the $30 company tax, and the effective tax rate paid on the $100 corporate profit = 46.45%.

The results demonstrate a remarkable level of tax parity under the two scenarios.

However, under the new CGT indexed system where inflation has been virtually zero, the shareholder pays almost 47% x $70 = $32.90. And with the $30 company tax, the combined tax burden approaches 62.9% on $100 corporate profit.

Scenario	Growth Stock (with 50% CGT discount)	High-Yield Stock (100% franked dividend)	Growth Stock (with inflation indexation)
After tax corporate profit paid	$70.00	$70.00 cash (+ $30.00 franking credit)	$70.00
Company tax paid (30%)	$30.00	$30.00	$30.00
Investor taxable income	$35.00 (after 50% disc on $70 gain)	$100.00 (grossed-up dividend)	$70.00 (inflation negligible)
Investor tax owed (47%)	$16.45	$47.00	$32.90
Less franking credit	$0.00 (not applicable to capital gains)	($30.00)	$0.00 (not applicable to capital gains)
Net personal tax paid	$16.45	$17.00	$32.90
Total combined tax paid	$46.45 (company + personal)	$47.00 (company + personal)	$62.90 (company + personal)
Effective total tax rate	46.45%	47.00%	62.90%

The nexus between the taxation of dividend income and realised capital growth has been broken.

The dividend imputation system was designed to ensure that company profits are taxed only once at the shareholder's marginal rate. For dividend paying stocks, franking credits prevent double taxation. But realised gains do not receive franking credits.

Capital gains generated by retained earnings have been less shielded from double taxation. The previous 50% CGT discount partly offset that problem by reducing the shareholder-level tax. But the introduction of inflation indexation potentially removes that partial tax offset.

The tax gap between the two forms of return therefore widens, creating a tax-induced bias in investor behaviour towards high-dividend paying companies, away from those that reinvest earnings for growth. Investors invest in growth companies for capital gains, but if that incentive is dampened, all else being equal, then investor sentiment could shift.

But the implications go beyond investor bias. It extends to capital allocation. If retained earnings are seen to be more heavily taxed than distributed earnings, boards may face greater pressure to reduce retained earnings and increase dividend payout ratios. Which may in turn mean less long-term reinvestment such that capital is allocated less efficiently. Tax considerations, as well as business fundamentals, could influence board decisions.

And beyond that still further, is the question as to what effect less investment in R&D and productivity-enhancing efficiencies in general has on productivity growth. Logically, a tax system unfavourable to growing businesses, must adversely affect productivity.

Growth companies typically invest more in new capital and technologies, expand capacity, and are innovative. They drive productivity. Whereas high dividend yielding companies are generally more mature with fewer investment opportunities, generating cash with less productive uses for it.

The new capital gains tax arrangements come at a time when Australia is in the midst of a protracted productivity growth slump.

According to the Productivity Commission, Australia's labour productivity (GDP per hour worked), fell by 0.6% in the March 2026 quarter, and grew by just 0.3% over the year. And the long-term trend has seen productivity growth averaging around 1.5% per year during the 1990s and 2000s, then fall to next to no growth over the last five years (about 0-0.1%).

Productivity growth is now at anaemic levels which limits the rate at which the economy can grow without stoking inflation and means lower growth in living standards.

The government introduces at its peril any tax policy that reduces the tax neutrality between distributing profits and reinvesting them, which could divert capital away from productivity enhancing opportunities. And doubly so that peril when productivity growth is at a virtual standstill.

Tony Dillon is a freelance writer and former actuary. This article is general information and does not consider the circumstances of any investor.

The surprising beneficiaries of the AI boom

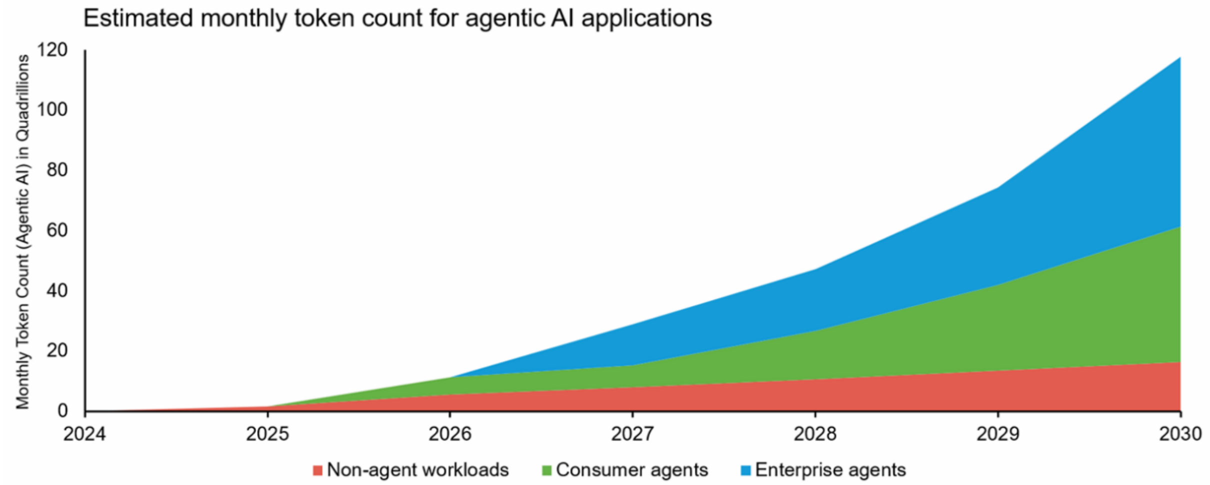
Tim Humphreys

You could be fooled into thinking that the AI boom is all about NVIDIA, OpenAI, Anthropic and the hyperscalers. Fortunately for investors, the opportunity extends far beyond them. While all eyes are on AI, it's easy to overlook what actually makes it run – power and the hard assets of essential infrastructure, assets that Goldman Sachs refer to as HALO (Heavy Assets, Low Obsolescence).

Our view is clear: the infrastructure powering AI's exponential growth, not just AI itself, is where the value will be created. We believe this sector is well positioned over the next decade as that growth continues to unfold.

The hard assets powering the AI revolution

AI processing capacity — measured in tokens — is the fundamental building block that allows AI to scale and be applied to real-world problems, automation, and intelligent experiences across every platform and channel. The sheer scale of token production needed for AI applications means that power demand is expected to rise significantly — positioning HALO assets such as electric utilities as critical enablers of the AI economy.



Source: Goldman Sachs Research, May 2026 and the IEA (International Energy Agency).

As a function of projected token demand from AI applications, there is a major data capacity buildout globally by companies that have become known as 'hyperscalers'. Hyperscalers are building data centres to process tokens with a relatively unprecedented spend on capital.

The size of some data centres being built is monumental. Meta is building a 5-gigawatt datacentre in Louisiana, called Hyperion. The campus is envisaged to eventually be a quarter of the size of Manhattan, will cost around US$10 billion and will consume electricity equivalent to half of New York City's total electricity consumption. This gives a sense of the scale of data infrastructure that will be linked to electric utilities through the US grid network.

Processing power is the new electricity

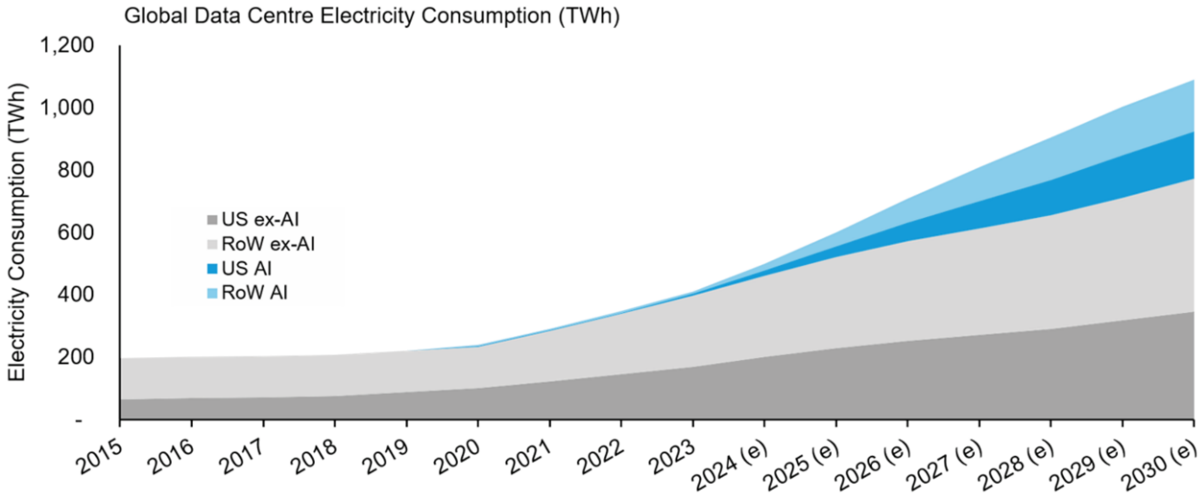
The underlying electric power required to support the AI revolution is rising significantly in a major step change. While the rise in demand for electricity is not parabolic, it is transformational for the sector and a major source of revenue growth for utilities.

Electric utilities sit at the sweet spot of the AI boom, benefiting on two fronts. On the demand side, the surge in AI-driven electricity consumption flows directly through power stations, poles and wires, lifting revenues. On the supply side, AI optimises the balance between power demand and supply in real time — improving network efficiency and reducing operating costs.

While the long-term trajectory of AI remains less clear in terms of who will ultimately win, there are a number of key trends that are emerging, as both disruptive and additive themes. The power demanded by AI and data centres in the build out of this technology, along with the necessary associated infrastructure, is the key opportunity for essential infrastructure investors.

The data centres which hyperscalers are building provide the processing power underpinning AI and its deployment across a rapidly growing range of applications. The scale of this demand and the increase in efficiency is striking: by 2027, a server rack that held 8 GPUs consuming 41kWh just five years earlier will pack 567 GPUs into a filing-cabinet footprint — drawing 600 kWh in the process.

The processing demands and cooling of the heat generated by hyperscale data centres are becoming one of the most significant new sources of demand on electricity grids globally. The load AI is adding to data centre electricity consumption is driving major capital expenditure both in the centres themselves and in the grid infrastructure required to power them. According to Goldman Sachs, AI processing will account for approximately 29% of all data centre electricity demand by 2030 — up from negligible levels prior to 2020 — representing one of the fastest demand step-changes the power sector has ever absorbed.



*Source: Goldman Sachs. (2025, August 29). [How AI Is Transforming Data Centers and Ramping Up Power Demand](). *

A further consideration for electricity producers is the carbon intensity of the electricity used to power AI workloads. We believe that the sustainability credentials of power supply will become an increasingly decisive factor in where hyperscalers choose to locate and source electricity for their data centres. AI's electricity consumption is generating a rapidly growing carbon footprint and corporate and regulatory pressure to decarbonise is tightening.

The double benefit: higher demand, greater efficiency

Clean and reliable power may become an increasingly important procurement consideration for hyperscalers, particularly where they have emission reduction commitments.

According to Goldman Sachs, carbon emissions from data centres are projected to reach 1% of global emissions by 2030 — around 1.5 times their current share — a trajectory that will require both a significant increase in renewable electricity sourcing and material improvements in electricity efficiency.

Not all businesses that benefit from AI qualify as essential infrastructure. We apply a strict definition: essential infrastructure assets must generate long-duration, predictable cash flows, operate within regulated or contracted frameworks, and be protected by significant barriers to entry.

These characteristics matter in the AI context because they distinguish the durable, compounding beneficiaries of the build-out from businesses with more cyclical or contested exposure. We illustrate how we map this definition onto the AI stack, drawing on Social Capital's framework to identify where genuine infrastructure characteristics begin and end.

The AI stack

Disruption Easier	Deployment	Application	Physical and digital AI applications
		Execution	Actuation or agent systems
	Intelligence	Model	Physical or digital AI models
		Data	Embodied or symbolic AI
	Data Infrastructure	Chips	Physical or digital AI chips
		Tokens	Commoditised processing packets
	HALO assets	Data Centres	Data processing factories and cloud storage
Harder	Essential Infrastructure	Energy	Electricity generation, battery storage, renewable generation, grid, cooling
	Inputs	Materials	Critical minerals, gas, electricity, renewable energy, copper, steel, base metals

Source: Ausbil, adapted from Social Capital AI stack schematic that adds key resources inputs, and more clearly defines the role of essential infrastructure, as at May 2026.

While data centres could be considered essential infrastructure through a purely technological lens, we don't define them as such – though their criticality to AI is beyond question.

Data centres operate in a highly competitive environment: users can switch providers dependent on price and capacity; contracts tend to be short in duration (3-5 years); and multiple hyperscalers are actively competing to sell capacity to end users.

Taken together, this falls short of our definition of essential infrastructure, which requires long-term contracted revenue..

Moreover, barriers to entry are not as high as for essential infrastructure assets as there are multiple hyperscalers competing in the tech build out to sell capacity to end users. Data centres are also exposed to relatively more rapid obsolescence risk than an essential infrastructure asset, where physical longevity and regulatory support underpin value over decades.

The quiet winners of the AI boom

Essential infrastructure is indispensable to data centres and therein lies the investment opportunity. The electricity grids, transmission networks, and utility assets that power hyperscalers sit upstream of the competitive fray, providing investors with what have been coined HALO assets. This offers exposure to the AI thematic with materially lower risk than data centre infrastructure itself.

At Ausbil, we believe that as AI adoption accelerates and demand for computing power grows, these enabling assets stand to benefit from the resulting surge in electricity consumption and network investment, supporting attractive long-term return potential for investors.

Tim Humphreys is Head of Global Listed Infrastructure at [Ausbil](). This article is for general information only and does not consider your personal circumstances. It is not personal financial advice. Please consider whether it is appropriate for you or seek professional advice before making investment decisions.

When losses in super become irreplaceable

Trevor Schmid

'You can afford to take more risk.' Every risk-profiling questionnaire leans on the idea, and it sounds like arithmetic: a bigger balance can absorb a bigger fall. Nick Maggiulli argued in Firstlinks that the logic is backwards, because the pain of losing a dollar grows faster than the pleasure of gaining one. He is right, and in Australia he is right in more than one way. His argument is psychology. Whereas ours is legislation. Once a super balance reaches $2.1 million, the ordinary after-tax contribution cap falls to nil, and 'afford' quietly splits into two different words being, (i) surviving a loss, and (ii) replacing one. The headline is blunt. For a retired member with $3 million in super, a 20% fall is $600,000, and the law allows one way to replace it that doesn't involve un-retiring, that is selling the family home. For a working member, its 13 years of maximum contributions — more working years than most 62-year-olds have left.

One caveat before the arithmetic. Money outside super refills the ordinary way, from income and savings, and most portfolio falls repair themselves without a dollar of new money. Both points will be explained below.

The sum Maggiulli ran, and the one Australia adds

Maggiulli's piece contains a calculation, and it is load-bearing. Someone saving $50,000 a year can replace a 20% loss on a $1 million portfolio in under four years; the same loss on $5 million takes more than 14. His conclusion is that risk capacity is bounded not by what you can lose but by what you can put back, and that shrinks as the portfolio outgrows the income feeding it.

Notice the assumption underneath: that you are allowed to put it back. An American brokerage account will take whatever you can save. An Australian super fund will not. The refill pipe has a legislated diameter, it narrows in steps, and past a line it closes.

The steps, from 1 July 2026

Non-concessional (after-tax) contributions (NCCs) are capped at $130,000 a year, with bring-forward amounts up to $390,000 for lower balances. But the cap is tested against your total super balance at the previous 30 June, and once that balance reaches the general transfer balance cap of $2.1 million, the NCC cap is nil. Concessional contributions (CCs) survive at $32,500 a year, which is $27,625 after the 15% contributions tax, and the cap includes your employer's compulsory contributions, so the true voluntary top-up is smaller again. Between 67 and 74, claiming a deduction for a personal contribution also requires passing a work test.

The remaining doors are limited to, (i) a downsizer contribution of up to $300,000, available once in a lifetime and priced at one family home held for 10 years or, (ii) the small business CGT cap, priced at one business. The $1.84 million and $1.97 million lines below aren't arbitrary, they're the $2.1 million cap minus two, and one, years of the annual non-concessional cap, so both thresholds move whenever the annual cap is indexed.

Balance at prior 30 June	Non-concessional capacity	Amount
Under $1.84 million	Three-year bring forward	$390,000
$1.84 million to under $1.97 million	Two-year bring forward	$260,000
$1.97 million to under $2.1 million	Annual cap only	$130,000
$2.1 million and above	Nil	$0

Non-concessional contribution capacity for 2026-27, tested against total super balance at 30 June 2026. Source: ATO.

The $600,000 with one way home

Consider a retired 68-year-old with $3 million in super, no wages, no business to sell, and home owned outright. A 20% market fall removes $600,000. NCC capacity is nil because $2.4 million is still above the line. CC capacity is nil, with no employer and no work test. The full list of refill options that don't involve going back to work is one item long. That is, sell the house and contribute $300,000 once. This halves the loss. Every other dollar of recovery must come from the market itself.

Now let's look at a 62-year-old still working with $2.75 million built over a career. The same 20% fall takes $550,000 and leaves $2.2 million. This is still over the line, so the only ongoing pipe is concessional. Downsizer is a one-off tap, and it's in the table below too. Even granting the full $27,625 a year, invested and earning 7% will take 13 years to fill the hole. He would need to work to 75, the same year the fund stops accepting his voluntary contributions. That is not a plan; it is the arithmetic's way of saying it will not happen. If he retires at 67, the refill window is five years, and about $159,000 of the $550,000 comes back. The rest is permanent.

	Retired, 68 $3 million	Working, 62 $2.75 million
20% fall	$600,000	$550,000
Non-concessional capacity	Nil	Nil
Concessional refill (after 15% tax)	Nil	$27,625 a year
Downsizer (once, home sale)	$300,000	$300,000
Years to refill by contribution	Never	13 (20 with no earnings)

A 20% fall at two balances, and the refill capacity the 2026-27 settings allow. Refill years assume the full concessional cap is available and 7% earnings on contributions. Source: author's calculations.

One number worth memorising is $2,625,000. That is the balance at which a 20% fall lands you exactly on $2.1 million. Below that, losing money reopens the door. An investor at $2.5 million who drops to $2 million is rewarded with a fresh $130,000 cap because the system restores your right to contribute only once you have lost enough to qualify. Above $2,625,000, even the fall is not big enough to buy the right back.

The honest objection: markets refill themselves

The strongest counter is that this whole exercise treats the loss as permanent and most aren't. A diversified portfolio that falls 20% has, historically, regained it without a cent of new contributions. The refill pipe is irrelevant if the water comes back on its own. Mostly true, and it is why nothing here is a case against growth assets in super. But the pipe matters precisely for the losses that don't come back, being (i) the concentrated position that roundtrips, (ii) the assets sold near the bottom to fund pension payments, and (iii) the sequencing damage of a bad year in early drawdown. Those are permanent, and above the line they are permanent with no legislative appeal. There is also a fair defence of the caps themselves. Super is a tax shelter, and an unlimited refill right would be a recontribution loophole with a motorway through it. The caps are not the villain. The villain is a questionnaire that says 'afford' without asking which meaning.

What to do about it

Accumulators below $1.84 million can mostly keep trusting the questionnaire. Refill capacity is $390,000 plus decades of earnings and risk-taking is how balances get built. Members between $1.84 million and $2,625,000 should know which tier they occupy and remember the test is the balance at the previous 30 June, not today, so capacity reopens only from the following year. Members above $2,625,000, and any retiree above $2.1 million, should treat every dollar inside super as unreplaceable and weight their derisking, concentration ceilings, and glide paths accordingly. Outside super, a mistake costs money. Inside, it costs money you cannot legally put back.

'You can afford it' is doing two jobs in one sentence: you can survive the loss, and you can replace it. Outside super, the two travel together. Inside, past $2.1 million, the law splits them and keeps only the first. The door does not slam. It narrows with every dollar of success, and by the time you most need to walk back through it, you no longer fit.

Trevor Schmid has more than 20 years' experience across superannuation and financial advice. This article is general information only and does not consider any individual's objectives, financial situation or needs.

Why I object to ‘hitting a number’ for retirement

Christine Benz

This article originally appeared on the Morningstar US website. It has been amended for an Australian audience.

‘Did you hear that [mutual university friend] is retiring? He says he hit his number in the stock market.’

One of my friends shared that news with me the other day via text. And I’ll confess, all of my alarm bells went off. In fact, my alarm bells *always* go off when I hear about someone “hitting their number.” No, it’s not envy. Rather, I think it’s often a signal that the retirement plan isn’t as holistic or risk-conscious as it should be.

Here are my major objections.

Back-of-the-envelope planning

Too often, when I hear people discussing ‘a number,’ they’re using a simple heuristic like the 4% guideline to determine their portfolios’ viability. Or worse, they’re using their gut reaction to the number to determine if it’s enough. A $1 million portfolio *seems* like it should be plenty for many retirees, but it might not be if their tax-adjusted, inflation-adjusted spending is too high.

Dividing your number by your planned withdrawal amount is a good starting point if you've just begun thinking about retirement and evaluating whether your plan is on track—for example, if you're 10 or so years from retirement. But if you're getting closer, it's worthwhile to create a more encompassing plan. That starts with thinking about how your spending might change in retirement; quantifying any non-portfolio income sources you'll be able to rely on, like the age pension or working income; considering planned spending rate and portfolio positioning; and factoring in taxes, inflation, and investment costs. If your assertion that you have enough to retire rests on a single variable—your portfolio's value—that's your cue to develop a comprehensive plan.

Market highs invite risk

Risk also factors into my reflexive aversion to 'hitting a number.' Not only did my friend hit his number, but he hit his number *in the stock market*. Of course, people retire all the time when stocks are nearing new highs. Stocks go up more than they go down, and it simply feels better to switch from savings to spending mode when your portfolio is looking robust. Counterintuitively, if you plan to retire with a heavy complement of stocks, it's actually better to retire after the market has been pummeled than to go out on a high note.

Valuations are the main reason. Even as your portfolio has gotten plumper, it's also more susceptible to sequence risk, the possibility of big portfolio losses at the beginning of retirement. In our research on safe spending rates, we found in our Monte Carlo trials that nearly two-thirds of all-equity portfolios that experienced losses within the first five years of retirement ran out of money before year 30.

Our research on historical safe withdrawal rates also points to the value of retiring when conditions look crummy rather than retiring when your portfolio is riding high. In the mid-1980s, for example, most investors probably weren't excited about the prospects for the major asset classes. Not only had stocks endured a punishing rout in 1973-74, but they also posted losses in 1977 and 1981. Bonds performed abysmally, too, thanks to the Federal Reserve's successful campaign to tamp down inflation. But the mid-1980s were actually one of the best periods in modern history to have retired into. An all-equity portfolio would have supported a starting withdrawal rate of nearly 13%! That's right, a $1 million portfolio would have supported a $130,000 withdrawal in year one of retirement, with annual inflation adjustments thereafter, for 30 years. Those rich withdrawal rates were owed to low equity valuations coming into the period, supporting strong stock market gains over the ensuing 30 years. Bond yields were high and trended lower, boosting bond prices, and inflation was generally quite mild. In other words, the mid-1980s retiree enjoyed a trifecta of good fortune in terms of starting withdrawals.

That's not to suggest that new retirees and would-be retirees should assume that their prospects are dire today simply because equity valuations are high. As Amy Arnott noted in this article, 'lost decades' for stocks, like the one that prevailed in the 2000s, have been quite rare. Moreover, investors can make their plans more resilient by building in a complement of safe assets (cash and bonds) and spending less if their portfolios experience losses. In fact, the best thing that prospective retirees can do if they think they've hit their number is to lock down a portion of their gains in safer assets for protection. Treasury Inflation-Protected Securities, which deliver a boost to your principal in line with the Consumer Price Index, look particularly attractive today because they help defend against still-high inflation.

Lifestyle considerations

Finally, my most significant objection to 'hitting a number' is that it suggests that deciding when to retire revolves around money and numbers. Of course, financial wherewithal is inextricably linked to whether you can reasonably retire. And if your job is a miserable slog or you're just plain exhausted, by all means concentrate on making the numbers work as soon as possible. Life is short, and staying put in a job you're not enjoying could hurt your physical and mental health.

But in my experience, the best retirement plans don't begin and end with the numbers. As Maria Bruno, head of US wealth planning research for Vanguard, shares in my book *How to Retire*, you need to be able to answer 'the three haves.' Do you have enough? (That's the money piece.) Have you had enough? (Are you done with work, either because you're exasperated or, better yet, because you've achieved everything you hoped to?)

The final 'have' is the most important: Will you have enough? That means, do you know what you are retiring 'to' and will it fulfill you? How will you spend your days, and what will give you purpose, identity, structure, and contact with other people? The most successful retirees put even more weight on those questions than they do on money matters.

Christine Benz is director of personal finance and retirement planning for Morningstar. She is also the author of How to Retire: 20 Lessons for a Happy, Successful, and Wealthy Retirement. This article does not consider the circumstances of any investor. Minor changes have been made to the original US version for an Australian audience.