Firstlinks
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Contents

Editorial

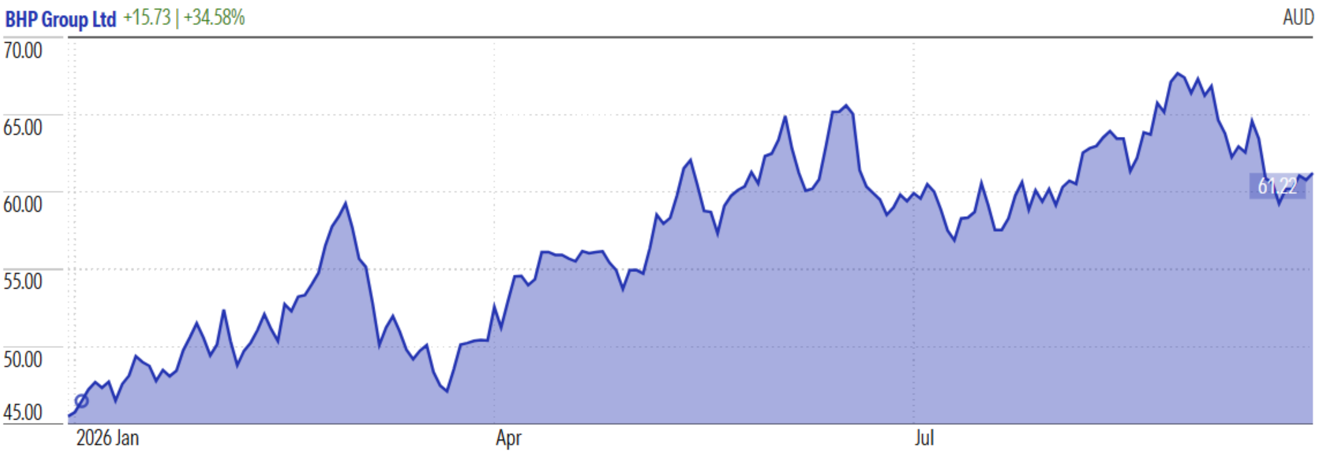
Growing up in Perth, escaping the mining industry was almost impossible.

Every second person seemed to work in mining, provide services to mining companies, or had a family member whose fortunes rose and fell with the iron ore price.

After moving away, I assumed I'd left most of that behind. Yet, here I am writing about BHP.

Perhaps that's no surprise. Whether owned directly, through super or via a fund, Australia's largest listed company sits in countless portfolios. In one way or another, a large portion of capital is tied to the fortunes of the resources sector.

Shares hit a record $68 in late August, after results showed underlying profit jumping 30%, as well as a 65% jump in dividends. All figures that were unlikely to draw many shareholder complaints. But is there a need to be cautious?



Most companies are assessed based on their ability to grow revenue, take market share or improve margins. Mining is different. A company can have world-class assets, low production costs and excellent operations, yet still see profits collapse if commodity prices move against it.

In industry jargon, miners are "price takers". When commodity prices are strong, earnings often surge. When prices weaken, profits can fall just as quickly.

Yet when earnings jump, our instinct is often to extrapolate this. History suggests we're at our most optimistic near cyclical peaks and most pessimistic near cyclical troughs.

Some perspective

My colleague Lochlan Halloway recently performed an analysis to determine what expectations are already embedded in BHP's share price. At present, it trades around 4.5 times book value, which is a lofty multiple for a cyclical business.

Using a standard valuation framework*, this suggests the company needs to generate a return on equity of around 30% over the long run. Not necessarily every year, but on average through the cycle. In other words, the market is expecting a very high level of profitability for a long time.

Exhibit 1: A Multiple Last Seen in the China Boom

BHP price to book ratio, monthly

Source: Morningstar.

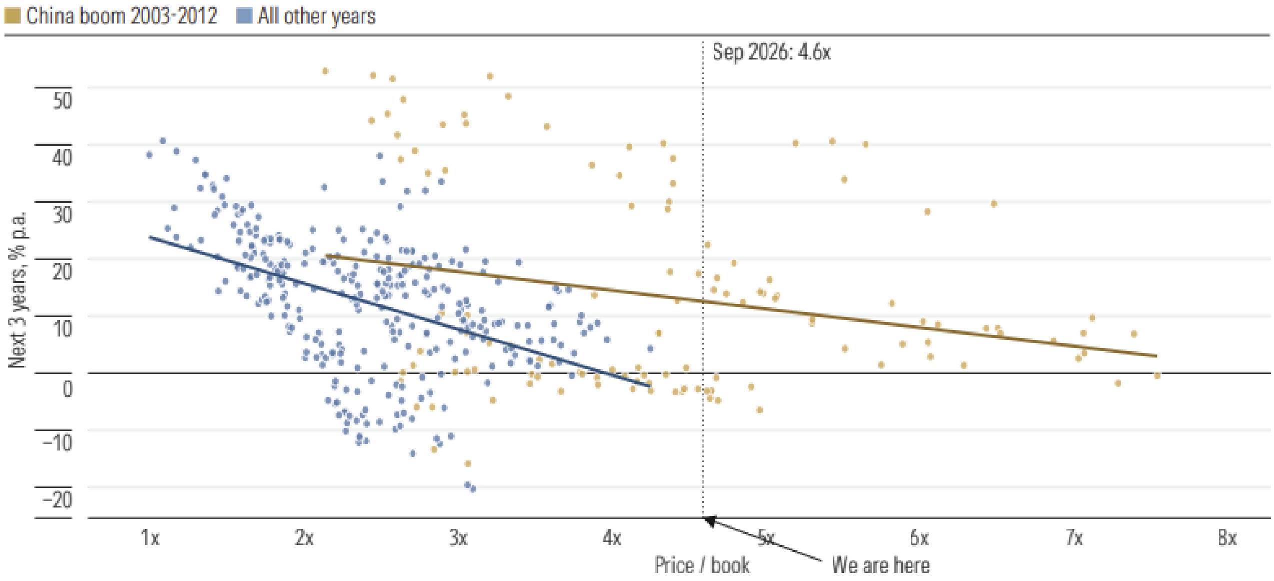
To put it in perspective, BHP generated a return on equity of 27% in its most recent financial year and this was a period that was reasonably favourable for commodity markets.

History suggests that paying such valuations can still be rewarding, but only under exceptional circumstances. The clearest example is during the China-led resources boom between 2003 and 2012, when industrialisation created a once-in-a-generation environment for miners.

Even investors who paid seemingly high valuations were rewarded as the boom proved larger and longer than most anticipated. Of course, the challenge is that periods like these are rare.

Exhibit 2: Paying Up Only Works in a Supercycle

Price/book and total return (% p.a.) in the next three years, BHP



Source: Morningstar.

Notes: Each point is one month from February 1988, plotting BHP's price to reported book value against the total return it went on to deliver over the following three years, annualised. The two lines are least-squares fits, one for the China boom and one for every other month.

The role of copper

Copper has become increasingly important to BHP's future. Much of the investment case rests on themes like AI, electrification and renewables. All roads seemingly lead to higher copper demand. If these structural drivers translate into a meaningful and sustainable increase in consumption, current prices may be justified.

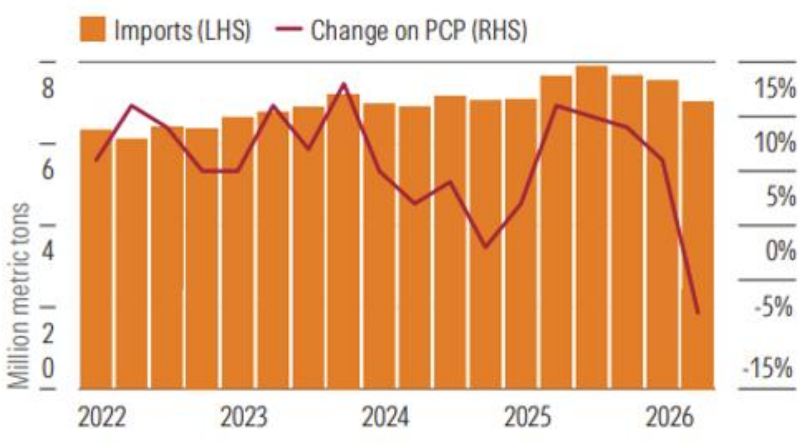
However, I find that compelling narratives often become embedded in prices long before they become embedded in reality. As prices move higher, producers have greater incentive to expand existing production, as well as explore alternatives.

The elephant in the room

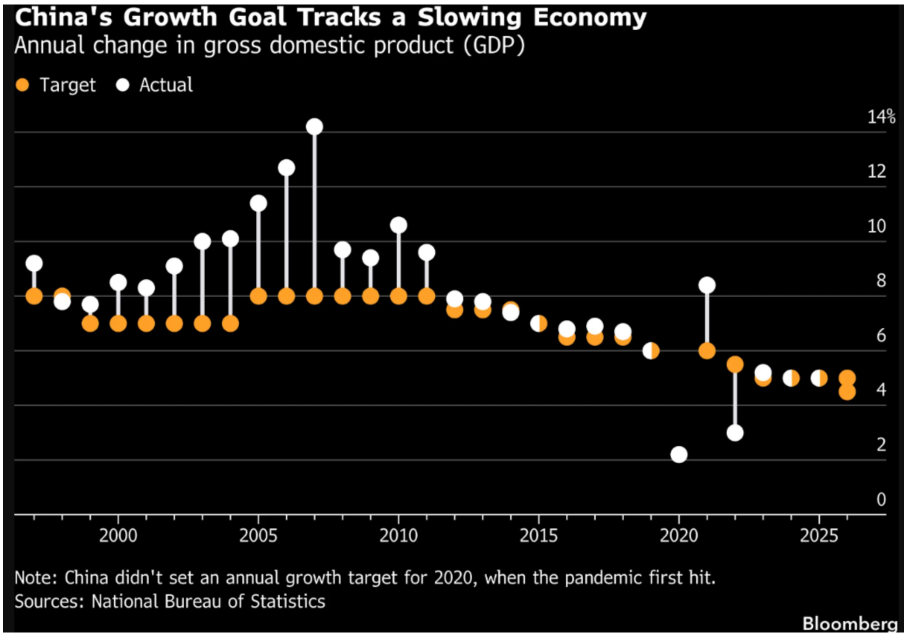
For all the discussion about AI and electrification, it is easy to forget that the biggest force in commodity markets over the past two decades has been China. The country accounts for over half of global refined copper demand, yet demand seems to be slowing amid concerns about the economy.

While investors focus on future sources of demand, a key question is whether they are paying enough attention to the world's largest existing source.

China Copper Imports Falling



China General Administration of Customs. Data as of June 30, 2026



Indeed, it is industry consensus that the world will require substantially more copper than it does today, however, whether it requires enough to meet expectations is the difficult part.

It's often said that investing is the art of distinguishing between what is already known and what is not yet reflected in prices. In his book *The Most Important Thing (2011)*, Howard Marks describes this as:

"First-level thinking says, 'It's a good company; let's buy the stock.' Second-level thinking says, 'It's a good company, but everyone thinks it's a great company, and it's not. So, the stock's overrated and overpriced; let's sell.'"

Concluding thoughts

If it isn't already obvious by now, I am not a geologist, mining engineer or commodities forecaster.

Like most investors, I have no unique ability to predict where prices will be the next decade. Commodity markets are influenced by several complex factors like economic growth, advancement in technology, supply disruptions and so on. It is not my intention to make a grand call on whether copper is headed materially higher or lower from here.

However, it is worth delving into how other investors are thinking about such businesses. Investing is less about predicting the future than it is about understanding the expectations already embedded.

**Assume a standard set of assumptions for a perpetuity model: a 9% cost of equity, long-run growth of about 3%, and a business that distributes most of what it earns.*

Simonelle Mody

Also in this week's edition...

Testamentary trusts are often considered a vehicle for the wealthy. Estate lawyer **Abbey John,** explains how even the typical Australian family could save in taxes.

The superannuation debate has been reignited and **Kaye Fallick** is back to discuss whether the system needs another look.

House prices are slowly sliding, but **Michael Collins** argues that job losses amid growing economic risk, could turn the correction into a crash.

Susan Bell presents new research from Challenger that reveals the greatest retirement risk in a generation.

Do you qualify as 'rich'? **Mark LaMonica** attempts to evaluate what financial success really looks like.

The market is always stirring with new narratives. **Diana Mousina** from AMP shares five risks to watch out for.

Amongst the hard-to-miss headlines about the weakness in global bonds, **Christine Benz** asks whether some investors are missing the point.

Curated by Simonelle Mody and Leisa Bell

How the typical Australian Family could save $844,350 in taxes

Abbey John

If you think a testamentary trust is only for the wealthy, think again. A testamentary discretionary trust (TDT) does not make an inheritance tax-free, but what it can do, is change who is taxed on the income that the inheritance produces. Over a generation or two, that difference can potentially be worth hundreds of thousands and in some cases, millions of dollars.

Taxation matters

Ordinarily, under Division 6AA of the *Income Tax Assessment Act 1936*, minors can be subject to significantly higher tax rates on passive or trust income. However, qualifying income derived through a testamentary trust can be treated as excepted trust income, allowing the minor beneficiary to access ordinary individual tax rates.

Importantly, this concession is generally confined to income derived from property that came from a deceased estate, together with qualifying accumulations and replacement property that can be traced back to that estate.

This means assets cannot simply be injected into a testamentary trust after the fact to obtain the tax concession. The relevant trust assets must genuinely originate from the deceased estate and remain sufficiently identifiable and traceable back to that estate.

For the 2026–27 financial year, the ordinary Australian resident tax-free threshold remains $18,200. In addition, the maximum Low Income Tax Offset is $700. This means that, broadly speaking, a resident beneficiary with no other taxable income may be able to receive approximately $22,866 of taxable income before actually paying income tax.

The beneficiaries who may fall within this category commonly include minor children and other beneficiaries who have little or no other taxable income.

Where a beneficiary already earns income from employment or another source, the position is different because the trust distribution is added to their existing taxable income and taxed at their applicable marginal tax rate.

This is where the flexibility of a testamentary discretionary trust becomes important. Rather than all of the investment income being taxed in the hands of one adult beneficiary, the trustee may have the ability subject to the terms of the trust and the tax legislation, to distribute income across a wider group of beneficiaries.

To demonstrate how this can work in practice, we are going to look at the typical Australian family scenario and with this in mind, explore the size of the estate, the income generated by the inheritance, the beneficiaries' existing incomes and the number of beneficiaries available.

Assumptions used in the modelling

For the typical Australian family, we assume a 4% annual income return on the inheritance capital after death.

In simple terms, a $1,000,000 testamentary trust would therefore produce approximately $40,000 of taxable investment income each year.

For the purposes of this example, we have also assumed that the relevant estate assets are capable of generating that return. This may involve assets being liquidated, invested, sold or otherwise restructured following the administration of the estate.

Superannuation has been included in some of the modelling only where it is validly directed to the deceased's legal personal representative and ultimately forms part of the estate available under the will.

Superannuation does not automatically form part of a deceased estate. Appropriate superannuation death benefit planning is therefore required if the intention is for those funds to ultimately flow through the estate and into a testamentary discretionary trust.

The figures used are based on the 2026–27 income tax year and are illustrative only, specifically, they exclude the Medicare levy, capital gains tax, franking credits, superannuation death benefit tax, accounting fees and other taxation or administration costs.

The long-term

To give you a practical insight, which most are reluctant to forecast, we have extrapolated the annual savings over a period of 30 years to demonstrate the potential long-term effect and tax savings via use of a testamentary trust.

In the tables below, we share the typical Australian family, their inheritance and asset base, income-earning capacities, number of children and grandchildren and general estate planning needs.

In this scenario, we compare the potential trust capital, the assumed taxable income generated by that capital, the beneficiaries available for distributions and the potential difference in tax payable.

The most important point to understand is that the value of a testamentary discretionary trust is not determined simply by the size of the estate.

It is the combination of:

- the size of the inheritance;
- the amount of income the inheritance produces;
- the existing taxable income of the beneficiaries; and
- the number of lower-income beneficiaries, including minors, who may potentially receive distributions.

The typical Australian family

Family	Assets	Adult beneficiaries	Potential TDT pool	Main planning issue
Middle-income family	Home $1.2m; shares $150k; cash $50k; super $1m	Teacher $75k; musician $65k	$2.4m	Tax-efficient inter-generational inheritance

The couple has approximately $2.4 million of combined wealth, assuming the $1 million of superannuation is ultimately available to the estate structure.

If that capital generates approximately 4% per annum, the family has around $96,000 of investment income every year.

If the inheritance is simply divided equally between their two adult children — a teacher earning $75,000 and a musician earning $65,000 — each child effectively receives another $48,000 of taxable investment income on top of their existing salary.

	Typical Australian Family
Potential trust capital	$2,400,000
Assumed taxable income at 4%	$96,000 pa
Minor beneficiaries modelled	4

On our modelling assumptions, that additional income results in approximately $28,825 of additional income tax each year across the two children.

Now compare that with the testamentary discretionary trust structure.

We can assume there are four minor grandchildren available as beneficiaries. If the $96,000 of annual trust income were distributed equally, each grandchild would receive approximately $24,000. Based on the assumptions used in this example, the income tax payable would be only around $170 per child, or approximately $680 collectively.

That produces an illustrative annual tax saving of approximately $28,145.

Approx. TDT distribution	$24,000 each
Approx. income tax through TDT	$680
Approx. tax if income followed outright adult inheritance	$28,825
Annual tax saving	$28,145
30-year simple tax saving	$844,350
If your adviser works harder, annual saving itself earned 5% for 30 years	≈ $1.87m

Extrapolated over, say, 30 years, without allowing for changes to tax rates, investment returns, beneficiary circumstances or the time value of money, that equates to approximately **$844,350** in potential tax savings.

For this typical Australian family, a testamentary discretionary trust is therefore not simply a strategy reserved for extremely wealthy families.

It can provide a mechanism for using investment income to contribute towards expenses such as education, school fees, extracurricular activities, healthcare and other costs for the next generation, while potentially preserving considerably more wealth within the family over time.

The real power is not that the inheritance itself becomes tax-free.

The power is in the ability to control how the income generated by that inheritance is distributed and taxed over many years and potentially across multiple generations.

Ultimately, the financial benefits of a testamentary trust cannot be realised if and until the death of the will maker. Tax benefits will be determined based on the individual and their circumstances at the time of death of the will maker and subject to the valid terms of the will maker's will.

Abbey John is the Principal Lawyer at Estates Now. Her work focuses on estate planning, wills, testamentary trusts, probate and deceased estate administration, helping individuals and families navigate succession, asset protection and intergenerational wealth matters.

There's a reason why your super is locked up until your 60s

Kaye Fallick

Bill Kelty and Paul Keating were in furious agreement just four years ago on the 30th anniversary of the introduction of compulsory super in 1992. In their joint – and expansive – interview with the *Australian Financial Review*, they confirmed their belief that the 'super wars' between Labor and the Coalition were now 'dead and buried'.

Well so much for that idea!

Instead right now we have a major collision between policy, politics and the retirement futures of the millions of Australians who have yet to access their super.

It all started with a policy release from One Nation that suggested fund members should be able to access 3% of the compulsory 12% super contribution, for a period of three years. The reason for this change, according to One Nation, is because these Australians are 'smashed' by cost of living increases and 'need help now'.

Reactions were swift and definitely party political.

Treasurer Jim Chalmers described the policy as a 'full-frontal attack' on super and 'anti-worker'. He went on to claim that the next election would be fought on this issue as it was a 'recipe to destroy the super system as we know it'.

Federal Liberals leader, Angus Taylor, said that the One Nation policy 'lacked critical details' and 'raised unanswered questions', while many unnamed insiders suggested that One Nation had merely brought forward a policy that the Coalition was still fine-tuning.

So what is best for ordinary wage earners who hope to at least, live a dignified retirement, if not a comfortable one? What's the ideal policy for the contribution and access rules? To answer that, it's useful to go back in time to the genesis of super and how it has evolved into what is considered a world-class solution to funding the needs of a nation's retirees.

Where it all started

Compulsory super officially began in 1992, but its origins stretch back decades.

Union-negotiated retirement schemes had been emerging since the 1930s, paving the way for a broader agreement between the Hawke Government and the Australian Council of Trade Unions (ACTU) in the 1980s.

Put simply, this was an agreement whereby workers would defer wage increases in lieu of a mandated 3% contribution, made by employers, to an approved super fund. As Liberal Senator Andrew Bragg has observed, super was therefore conceived and remains, deferred wages. The arrangement helped moderate inflation while giving workers an additional source of retirement income beyond the Age Pension.

How it's going

It has worked very well.

On an individual level, the magic inherent in deferred access to these savings is, of course, compound interest. The longer your money is tied up, the more you will have when you meet the conditions of release to access it. So while those who were 50 or older in 1992 retired long before their super savings had a chance to mature, those retiring today have had 33 years for their savings to accrue and compound. As reported by the ATO, median super balances for 60-65 year olds have now reached $231,000 for men and $217,000 for women.

From a government perspective, compulsory super has created a huge pot of investment capital (4.8 trillion according to APRA on 30 June this year) - money that has significantly boosted our balance of payments while helping fund airports, roads and railways.

Super is also an intergenerational success. According to findings from the 2026 Intergenerational Report, the growth in super savings has led to a lowering of the number of retirees on a full or part Age Pension (66% in 2025, forecast down to 52% by 2066). Age Pension spending is also projected to decline as a share of GDP, from 3.1% in 2025, to 1.8% by 2066. This makes Australia a bit of a wonder child in the OECD world rankings, when compared to the United Kingdom (10%), Canada (8%) and the United States (6%), who are all spending considerably more.

So it's unsurprising if alarm bells ring when someone suggests raiding these savings to pay for the here and now in the form of medical bills, rental outgoings and mortgages.

Is early access a good idea?

The first clarification is that early access is already allowed, albeit with strict conditions. Generally speaking, these conditions of access include terminal medical conditions, financial hardship including foreclosure, the first home saver scheme and certain compassionate grounds.

When you turn 60, provided you meet the conditions of release, you can withdraw funds. And at age 65, you can access your super regardless of whether you are working or not. These requirements are obviously stricter than the One Nation policy which could affect seven million Australians.

This release of funds is mainly intended to be used for mortgage repayments or rental pressures, but to date there are no clearly defined restrictions on how this money can be used, nor on how the individual fund member's spending will be monitored.

The main criticism of this policy is illustrated by Super Members Council (SMC) projections that a 25-year-old (earning median full-time income of $90,500 per annum and withdrawing three percent over a three year period) would take a hit to their retirement savings of $25,000. This modelling assumes this person retired at age 67. SMC projects that a couple who also retire at 67 would be more than $50,000 worse off.

Ex-Grattan Institute CEO John Daley spoke out in support of the notion of a 9% mandatory savings level, saying 'the core of One Nation's policy is sound' as the current 12% contribution exceeds what is needed for an adequate retirement income. Which brings us to the point of whether there is some merit in the One Nation policy when we ignore the heated political argy-bargy.

There's no need to shout – why not discuss?

I'm a great fan of Australia's mandatory super system and agree wholeheartedly with Treasurer Chalmers, Paul Keating and Bill Kelty when they say we have a world-class system. That we do. But that doesn't mean it can't be improved.

It's ok to question it and discuss whether it could be changed to benefit even more people. That would require a mature debate, but let's cross our fingers and assume that this is possible.

What could be changed?

Five questions we need to explore:

Question 1: The first question is whether the current strict access conditions might be relaxed a little. And if so, for which reasons and how will this be managed by an overburdened bureaucracy. It's fine to have bright ideas, but someone, somewhere has to carry them out.

Question 2: Is 12% the ideal amount? Should it be 9%? Can this be modelled given that the genie came out of the bottle when the final SGC increase moved to 12% in 2025?

Question 3: Are concessions on super too lenient? Modelling by The Australia Institute (TAI) shows these concessions go overwhelmingly to those with higher savings and are, from 2023, on a par with spending on the Age Pension. Is this a wise use of taxpayer dollars – or a further perversion of what was intended to be a fair and universal super system?

Question 4: The divide between rich and poor can be intra-generational as well as intergenerational. According to ACOSS, if poverty is defined as 60% of median income, 32% of Australians on the Age Pension live below this rate. Should the savings on Age Pension provision forecast in the IGR be used to increase the base rate and Commonwealth Rent Assistance for those most in need?

And lastly – but perhaps most importantly…

Question 5: Which problem, exactly, are we trying to solve? Is it housing supply, equitable wealth distribution, or regulation of rental increases? Does the fact that super has been such an outstanding success in achieving a 'pot' of nearly $5 trillion mean it's seen as an answer to all of the above? In which case, should the current system be (largely) left alone to deliver what it set out to do – more comfortable retirements for the many, rather than the few?

What say you?

These are just some of the important questions sparked by the current media 'scrum' related to the reignition of the super wars. No doubt there are many others that deserve scrutiny. Our super system has probably been far more successful than many predicted. But this shouldn't mean that it can't be questioned.

Do we now need to allow earlier access - despite the original Accord which awarded tax advantages in return for leaving it locked up until retirement?

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

The housing slide could become a crash

Michael Collins

Melbourne and Sydney home prices have sagged 7% from record highs, while prices nationally have slid 2%. As buyers wait for prices to fall further, auction clearance rates have dropped below the threshold of 60% that signals a market balanced between buyers and sellers. ANZ warns Sydney dwelling prices could slump 15% by the end of next year. Such is the drop in demand that the major banks say new mortgage applications plunged in the June quarter – the decline for Westpac, to cite the biggest, was 20%. The Australian Bureau of Statistics reports new loans for home investors slumped more than 10% in the June quarter – 14% in New South Wales.

Such is the blow to housing prices from three rate increases of 25 basis points by the Reserve Bank of Australia and the federal government's decision to reduce tax incentives favouring property. Inflation at 3.5% in the 12 months to July, signals that the RBA might increase the cash rate again in 2026.

Economists are speculating steeper declines in housing prices could cause a recession if consumers reduce spending due to the hit to household wealth – nearly 70% of people's wealth is held in housing. The collapse of property developer Bathla Group, which owed $3.4 billion to private creditors, epitomises such pessimism.

But there's something scarier to consider. Home prices are falling yet only two of usual three preconditions for a property slump have been met. If the other condition materialises, Australia could host a housing crash for the ages.

The first prerequisite for falling house prices is that housing be overvalued. An asset class is considered excessively overpriced if prices are divorced from economic fundamentals. For property, the fundamentals governing price are rental yields (rental income divided by a property's value) and affordability. Australian housing is at bubbly levels on these measures.

The surge of 63% since 2020 in the median house price (using ABS data) has boosted the mean Australian dwelling price to $1.11 million ($1.32 million for NSW) as of June last year, a price jump that has squashed rental yields to around record lows.

The latest Domain Rental Report shows Sydney's average unit rent is $780 a week, which gives a rental yield of 3%. But after allowing for agent fees, council rates, maintenance expenses, a lack of tenants and other costs that trim owner returns, actual yields are closer to zero.

Affordability stats are as dire. Homes are now worth more than 10 times average income, a ratio that has more than doubled since the mid-1980s and makes Australian housing among the most unaffordable in the world.

The second prerequisite for a housing crisis is that interest rates jump enough to stress borrowers. This is where big mortgages and the fact that 95% of mortgages are on variable interest rates hurt – most mortgaged households quickly suffer the full blow of rate increases.

Mortgages are so large that Australian households are among the most indebted in the developed world. They owe debt equal to 210% of net disposable income – of which about 75% is tied to housing. The average new mortgage of an owner-occupied home is now about $730,000.

No surprise that the latest Real Estate Institute of Australia's Housing Affordability Report shows the affordability gauge that started in 1996 is flashing near record lows. The report said the average annual loan repayment accounted for a near-record 50.8% of median family income in the March quarter, a date that doesn't include the blow from the RBA's rate increase in May.

Today's standard variable rates above 8% are thus more threatening than those approaching 20% were during the recession of the early 1990s because household debt was low then.

Australia's vulnerability to the first two prerequisites of a housing crisis is why many including the IMF regard Australia's housing market as among the riskiest in the world in terms of being at greatest risk of defaults. What could create the mass defaults that turn a slide in house prices into a crash?

The third stipulation for a housing crisis is a jump in the jobless rate that plunges too many households into debt distress.

The good news is that Australia's economy is muddling along and the jobless rate, at 4.5% in July, is around full-employment levels, even if that's up from 3.4% in mid-2022.

The bad news, however, is that a recession is inevitable one day – they are ingrained within capitalism. One coinciding with, even caused by, the drop in housing prices would spell trouble – with prices potentially plunging at least 30% in real terms.

A downturn soon is possible, especially when US tariffs are dismantling the world order, inflation is accelerating due to wars and AI demand, bond yields worldwide are surging on government indebtedness, bubbling global stocks are primed for a bust, and so on.

The unemployment rate could soon climb to levels that spark enough hurried sales from struggling households and trigger enough forced sales due to foreclosures to savage the property market. If the housing market crashes, the wider economic damage could approach Australia's worst slump, namely the 1890s Depression that was caused by the Melbourne property crisis of 1891.

Policymakers, to be clear, will try everything to stop a rise in jobless numbers. They could therefore contain the drop in housing prices even if unemployment rises, except that their stimulus won't last long. Job-losing households will deploy all efforts to keep their homes. But many of the newly unemployed will lack the resources to keep their homes, especially as stocks would likely be slumping too to the detriment of the 'bank of mum and dad'. It's true too that Sydney and Melbourne prices have only slid to where they were five years ago, while values in Adelaide, Brisbane and Perth are still more than double a decade ago. But they are falling. And they still have much further to decline to make housing affordable for average income earners.

Hopes that the drop in home prices will remain contained will depend on whether all the risks to economic growth amount to nothing much in terms of job losses. What might be the chances of that?

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Under-retiring: The greatest retirement risk in a generation

Susan Bell

Retirement requires a fundamental shift – to our lifestyles, finances, and mindset. After a lifetime of saving, we shift to decades of spending. This is a change that doesn't come naturally for many of us. As we live longer, with retirement now spanning thirty years for the average Australian, knowing how much money we will need to fund our post-work years has become a mounting challenge.

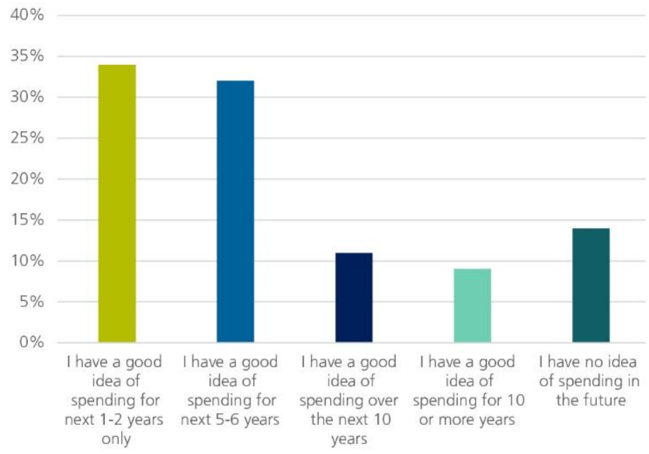
With 250,000 Australians stepping into retirement every year, it is imperative to understand how spending expectations of Australians change as they approach and enter retirement. To do so, I partnered with retirement income provider, Challenger, to survey more than 1,000 Australians aged 60 to 80 with superannuation balances over $100,000.

While a third of retirees (34%) were able to confidently predict their spending in the next one to two years, this figure fell to just 1 in 10 (11%) when asked to predict over the next decade. Concerningly, 14% of retirees and 19% of pre-retirees had no idea about future spending over any time horizon.

Fears were more pronounced for pre-retirees, with uncertainty over the future leading to concerns that money would run out (46% pre-retirees v 21% retirees), worries about unexpected health and aged care costs (45% pre-retirees v 26% retirees), and concerns about having enough money for daily living expenses (30% pre-retirees v 12% retirees).

Retirement is a significant stage of life that can last for decades. Understanding our spending habits is critical to informing how much retirement savings we will need.

Figure 11: Expected spending horizons for retirees



Base: All retired, N=712

It has been said for many years that retirees are under-spending to leave an inheritance for their children. Our research found this to very much be an oversimplification. For many, they underspend as they worry they may have no savings left when they get older.

Ultimately, the research revealed that spending came down not to your superannuation balance or the value of your home, but to your retirement mindset. We need to give more Australians the confidence to enjoy retirement.

There is no one uniform lifestyle in retirement

While 82% of retirees are confident they can afford their desired retirement lifestyle, the confidence to spend varies significantly depending on your mindset, with the research uncovering four distinct retirement personas:

Carefree: retirement is a time of freedom. Almost 30% of respondents identified as Carefree, focused on enjoying life – travelling, socialising with friends, and spending time with grandchildren while unburdened by financial concerns.

Content: a lifestyle enjoyed by around 20% of respondents, who chose a simpler retirement and to spend mindfully. Importantly, this group is spending less by choice and remains confident their savings will last for life.

Cautious: these respondents (15%) were careful with their money due to uncertainty it will last. While only half expected to have superannuation left for their estate, three quarters (74%) were confident they could afford their lifestyle. Cutting back on spending helped this group to navigate the unexpected.

Concerned: These retirees had a genuine fear of running out. Approximately 10% of respondents were living on a tight budget out of necessity, surviving on much less income than they used to. Many with this lifestyle are reliant on the Age or Disability Pension, with higher living costs compounding the challenge.

Positively, half of Australian retirees are living a Carefree or Content lifestyle, enjoying retirement on their terms and choosing to spend on the things that matter to them most. However, what we found amongst these cohorts was that people with remarkably similar financial circumstances were often making very different decisions about how they wanted to live in retirement.

Persona		Mindset	Spending behaviour	Confidence
Carefree	28%	Enjoy life now	Spending more	Very high
Content	21%	Simpler lifestyle	Spending less by choice	High
Cautious	14%	Protect future	Spending less from caution	High
Concerned	9%	Fear money won't last	Cutbacks necessary	Low

Potentially, some may be 'under-retiring' in that they may be living a more constrained lifestyle than they need to be. Many Australians with good superannuation balances don't have the confidence to spend it.

Time to reframe the retirement advice conversation

One of the clear lessons from our research is that retirement is a dynamic life stage, not a time when people set-and-forget. Spending patterns in retirement are not static and retirees can shift between lifestyle personas as priorities change over the retirement lifecycle.

For some retirees, the confidence to spend grows as they settle into this new lifestyle. For others, they report cutting back as circumstances, such as health, change.

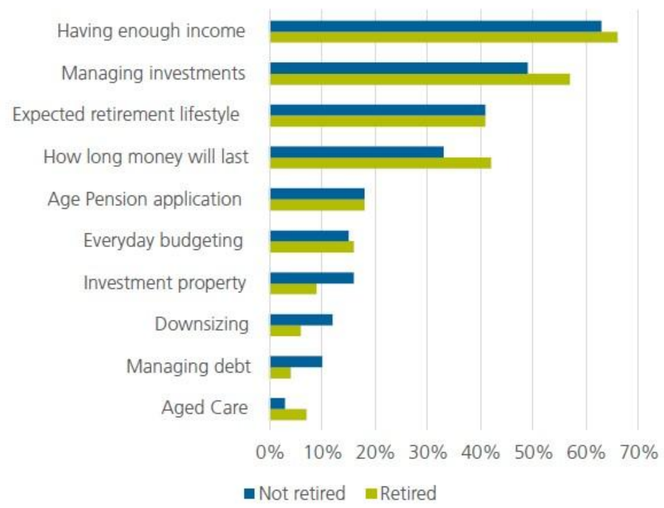
Figure 20: Advice sought by retirees and people not yet retired

And as their mindset shifts from saving to spending, many are still looking for guidance and advice to help navigate the decades of retirement.

Three quarters of retirees (73%) and more than half of pre-retirees (51%) reported that they had previously received financial advice – paid or unpaid. Of these, 55% of retirees, and a staggering 71% of pre-retirees, felt there were other new topics worth getting advice or guidance on.

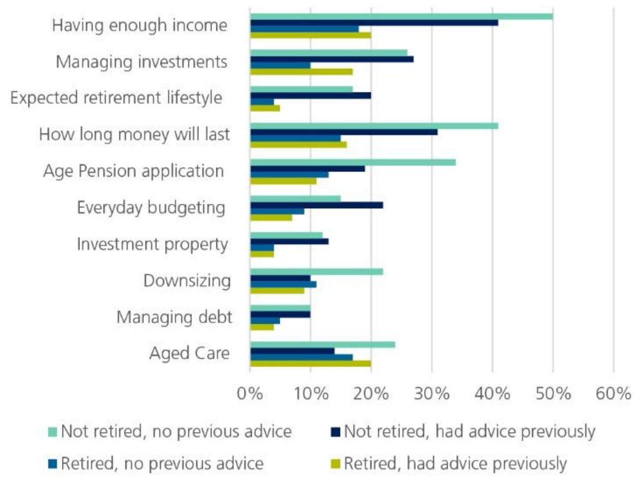
For those who had never sought help or advice, 48% of retirees and 78% of pre-retirees could nominate a topic they wanted support with.

Figure 22: Topics people have already sought help/ advice for



Base: People who had sought help/ advice; Not retired, N=147; Retired, N=522; top ten responses included

Figure 23: Topics people want more help or advice on



Base: Not retired, previous advice N=147; Not retired, no previous advice N = 143; Retired, previous advice N=522; Retired, no previous advice N = 190

The lesson for retirees, and their advisers, is to reframe retirement conversations around lifestyle preferences rather than balances.

Five takeaways for retirees and their advisers

Here are my five key takeaways from my discussions with today's older Australians:

1. **The right mindset makes all the difference**: having the freedom to choose what you spend your money on is what retirement is all about. Spending is the new saving when you are retired.
2. **Avoid the spending guessing game:** understand the retirement lifestyle that you want to have, not feel you should have. What persona are you? And your partner?
3. **Control in retirement is not just about how much money you have**: it is turning your retirement savings into the lifestyle that you have chosen.
4. **Spending patterns and priorities are not static:** they change over the retirement lifecycle, meaning that retirees need to be flexible and adapt to circumstances as they arise.
5. **The need for guidance and advice:** this continues as retirees make decisions about how to balance living well today with preparing for tomorrow.

Retirement is not simply a phase of life. It is a dynamic, constantly changing lifecycle that requires consistent care and attention. My hope is that this research will help more Australians realise that confidence, choice, and control are not solely reliant on your superannuation balance. Embracing a positive retirement mindset can have a profound impact, especially for those who may be 'under-retiring'.

About the research

The research was designed and conducted in partnership with Challenger through an online survey of 1,011 people from 7 April to 24 April 2026. The participants were sourced from Ovation, evenly split by gender and from a nationally representative sample but all:

- Were aged between 60 and 80
- Had at least $100,000 in superannuation.

The research was conducted in accordance with ISO 20252 and with the Research Society Code of Professional Behaviour.

Susan Bell is the Founder and Lead Researcher at Susan Bell Research, a corporate partner of the Research Society that specialises in research on the new lives of older Australians - a demographic that's wildly diverse, rapidly evolving and too often misunderstood. Over the last 30 years, the agency has conducted qualitative and survey research for many of Australia's largest financial services organisations and regulators. Susan Bell is a Fellow of the Research Society, and past Board Director.

Five risks to watch in markets

Diana Mousina

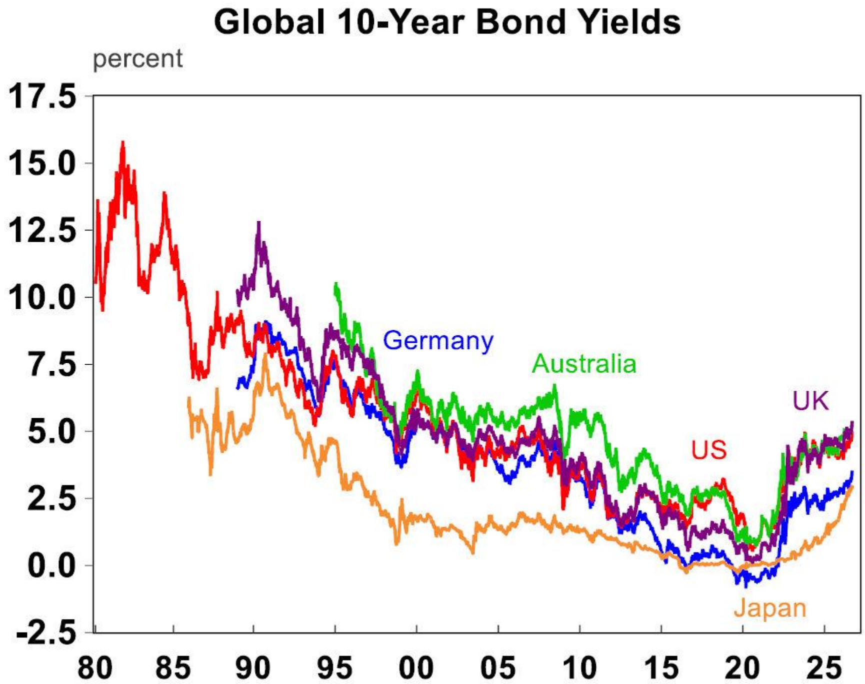
These days when you read the latest news or open up social media, it's fairly common to be warned that things are about to get bad. Things you may often hear are: a recession is around the corner, markets are overpriced or the AI sector is about to flop. It's like the never-ending laundry pile that sits in my house, it never really disappears.

Most of the time, investors can live with a pile of downside risks because the positives outweigh the negatives – the economy is growing, profits are rising and investors are optimistic. And while I don't want to add to the constant noise and doom and gloom that we are subject to in financial markets, the downside risks to growth and financial markets seem to have increased in recent weeks and it's becoming harder to ignore.

That doesn't necessarily mean that a market correction is inevitable. But it does suggest that the ride for investors could become bumpier over the remainder of 2026. Here are five reasons why.

1. The surge in bond yields

Bond yields are rising around the world. The US 10-year yield touched 5% this week for the first time since 2023 – see the chart below.



Source: Macrobond, AMP

The rise in yield reflects rising oil prices threatening inflation and leading to more central bank rate hikes, concern about US debt, increased corporate borrowing related to more AI corporate issuance and rising Japanese bond yields for the first time since the early 1990s.

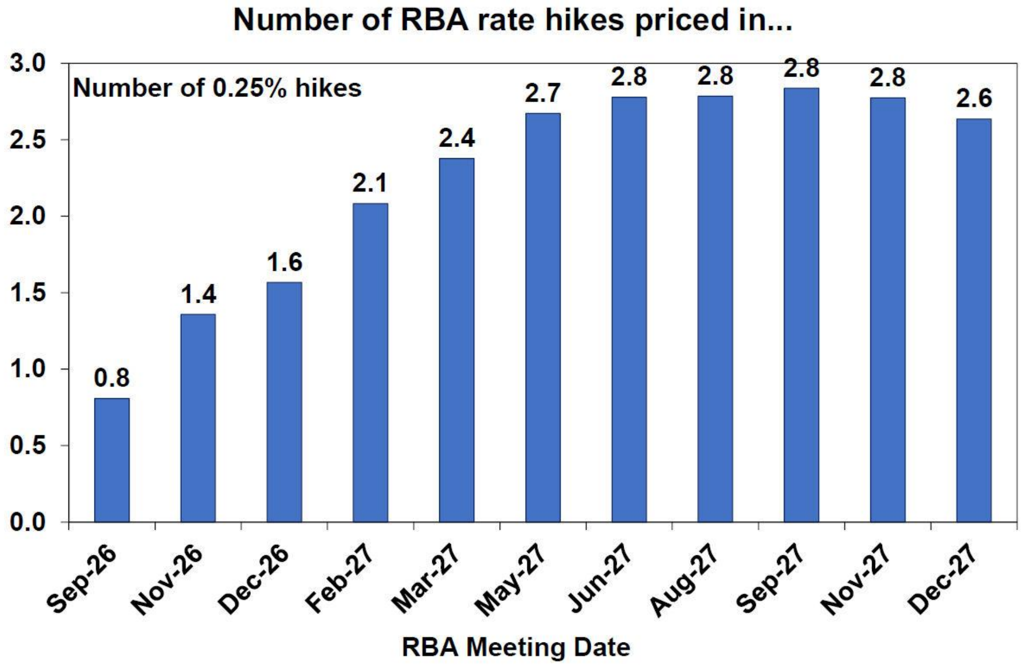
The concern with bond yields rising too far and fast is that it will weigh on sharemarkets. If investors can get a good return for very little risk, they will allocate more to government bonds instead of risking the volatility of investing in growth assets like shares. Right now, strong profit growth is offsetting some of the risks around shares because profit growth is driving prices higher. But if profit growth slows, the relative attractiveness of shares will fall.

Another reason bond yields have moved higher is that investors have started pricing in the risk of further interest rate hikes in both Australia and the US.

2. More rate hikes

In Australia, the July inflation data significantly increased the chances of another RBA rate hike. Financial markets are now pricing almost three additional rate hikes by the end of this year (see chart below). July inflation figures showed the trimmed mean at 3.6% over the year to July – way above the RBA inflation goal of 2.5% and also tracking higher than the RBA's forecasts. As a result, RBA officials have been sounding concerned about the upside inflation risks in recent appearances while downplaying downside growth risks (like the decline in home prices or poor business and consumer confidence surveys). We expect an RBA rate hike later this month, taking the cash rate to a 15-year high of 4.6%.

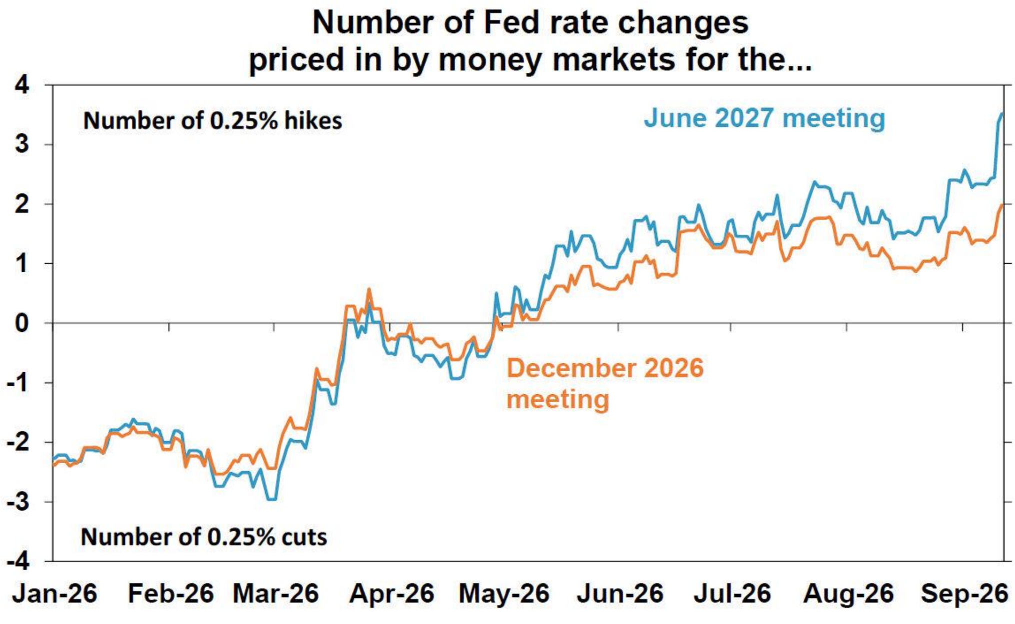
But we are less convinced that the cash rate needs to go above 5% (which is implied by current market pricing). This seems like over-kill at a time that GDP growth is already slowing, home prices are declining and confidence is falling. Financial market pricing does swing around and is being impacted by the rise in oil price recently, so I think expectations of further rate hikes have moved a little too far.



Source: Bloomberg, AMP

A similar story is playing out in the US. US economic data has had a strong run lately including solid monthly payrolls and firmer inflation readings. Upside inflation risks have also become apparent from another round of tariffs (like those on Canada) and a further rise in oil prices.

Rate hikes are now expected from the US Fed, with markets pricing in two more before the end of the year (see the chart below) and another one in early 2027. Expectations of more rate hikes fuel bond yields and are a key driver of higher yields.



Source Bloomberg, AMP

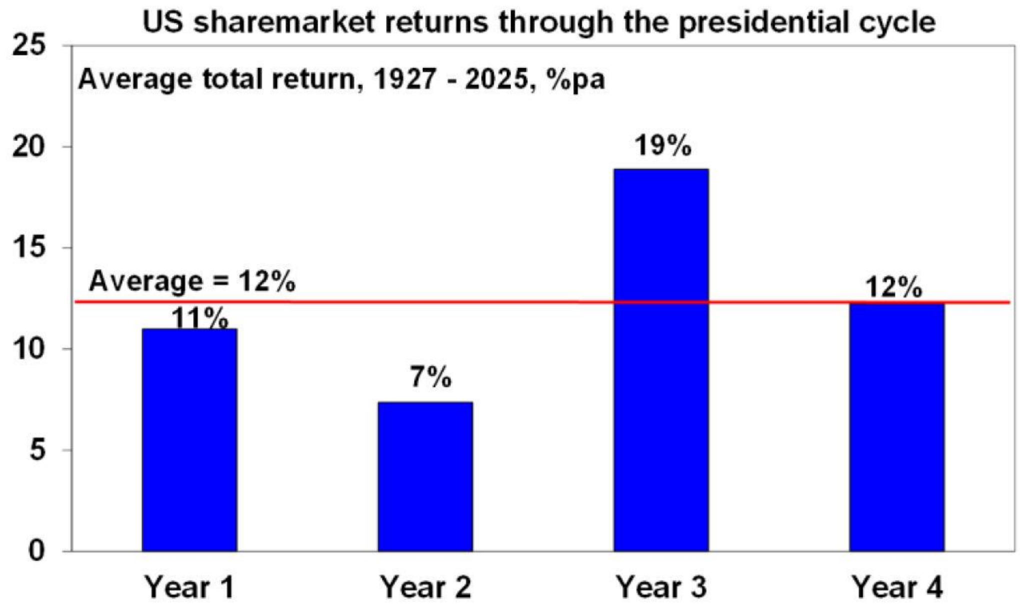
Rate hikes slow economic growth and can weigh on sharemarkets, particularly if there are a string of rate hikes. Higher interest rates increase borrowing costs for households and businesses, which tends to slow consumer spending, business investment and employment growth.

3. The US mid-terms

The US will have its mid-term election in November where all seats of the House of Representatives and a third of Senate seats are up for re-election. Historically, the President's party tends to lose ground in mid-term elections, otherwise known as the "mid-term curse". This happens because voters get frustrated with the incumbent administration and vote for change.

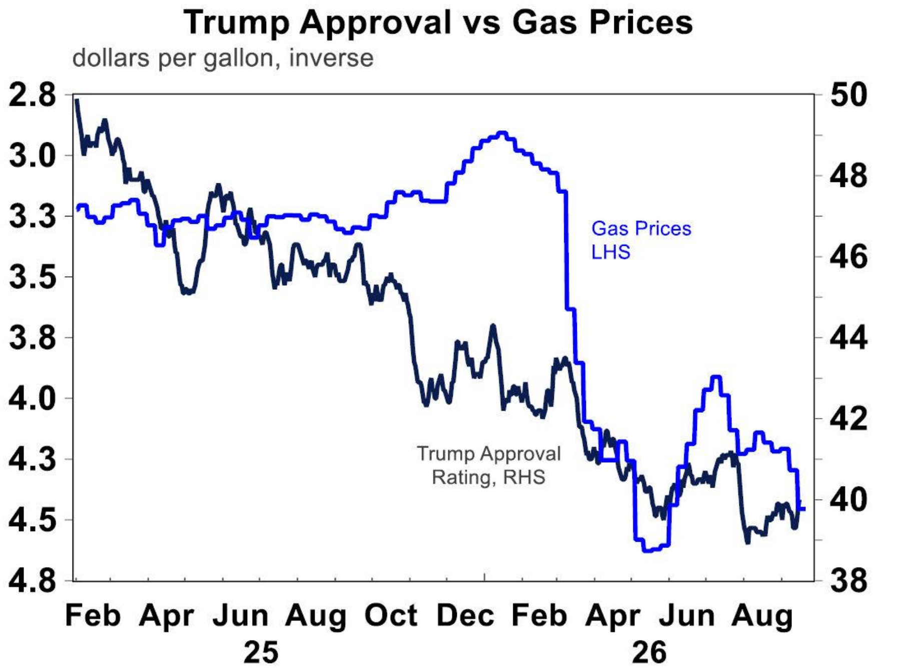
This mid-term election comes at a challenging time for President Trump's second term. His administration has had to contend with multiple global conflicts that the US is heavily involved in and higher inflation linked to tariffs and energy prices is causing a further deterioration in household purchasing power. At the same time, the US economy has remained resilient, the labour market has stayed relatively strong and border security has become tighter which was a key issue for voters.

Mid-term election years tend to be the worst year in the four-year Presidential Cycle for sharemarket performance (see the next chart). The average total return for US shares in the second year is 7%, compared to the average of 12% in the four-year cycle – see the chart below. Returns have held up so far this year, but the risk is that returns start to fall towards the end of the year.



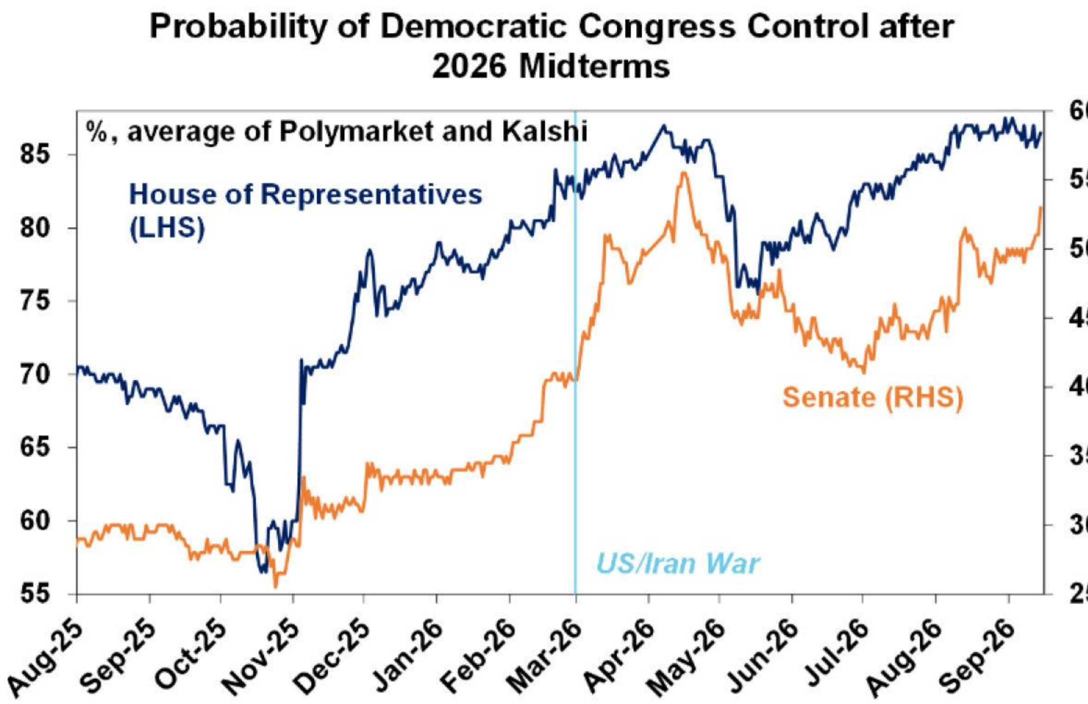
Source: Bloomberg, AMP

This tends to occur because favourable policies are put through in the first year, whilst in the second-year, presidents often become more populist, which leads to a slide in approval ratings – and this has happened this time (although the current situation reflects the large increase in gasoline prices since early 2025 due to the Middle East conflict).



Source: Macrobond, AMP

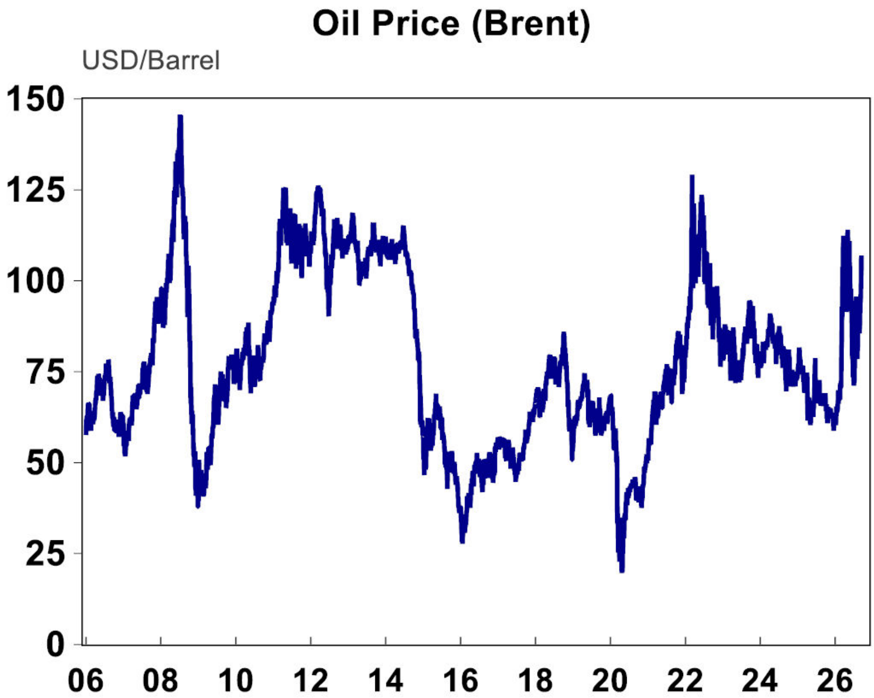
Betting markets are increasingly expecting the Republicans to lose control of the House of Representatives, reflecting historical mid-term election trends and softer approval ratings for the administration. But the outlook for the Senate is less clear, with control likely to be decided by a handful of closely contended races. Either way, even a modest loss of Republican seats could make it harder to pass policy in the last 2 years of Trump's term, a higher risk of impeachment, which is ultimately more policy uncertainty for markets and doesn't bode well for returns.



Source: Bloomberg, AMP

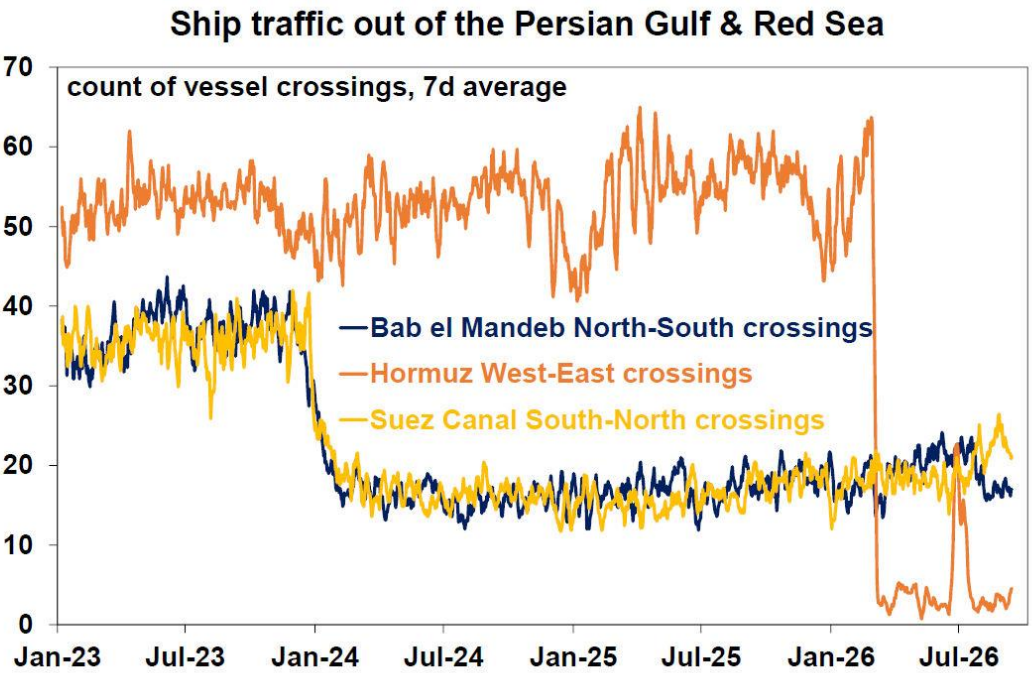
4. Deteriorating oil supplies

The situation in the Middle East has not improved in recent months. Oil prices are back up above $100/barrel – see the chart below.



Source: Macrobond, AMP

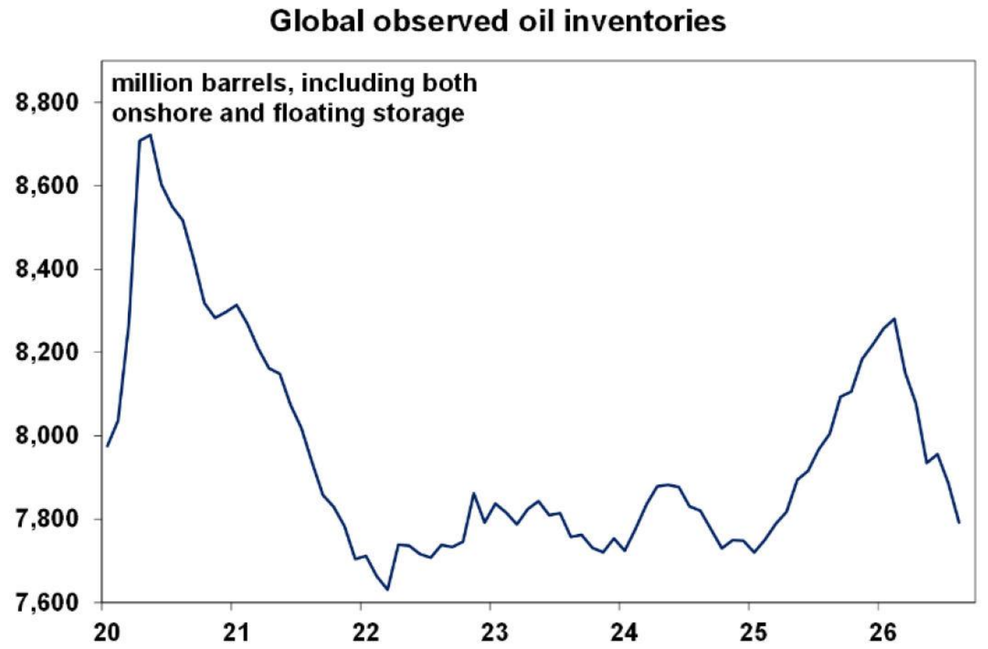
And the problem is that there do not appear to be any real talks going on between the US and Iran. Some missile attacks have occurred in Iran, on US bases in the Middle East and on ships transiting in the Strait of Hormuz. Now the Iran-backed Houthi rebels have made territorial gains on Yemen's Red Sea coast which is affecting oil shipping through Bab el-Mandeb Strait which was seeing higher oil flows given the impasse in the Strait of Hormuz.



Source: Bloomberg, AMP

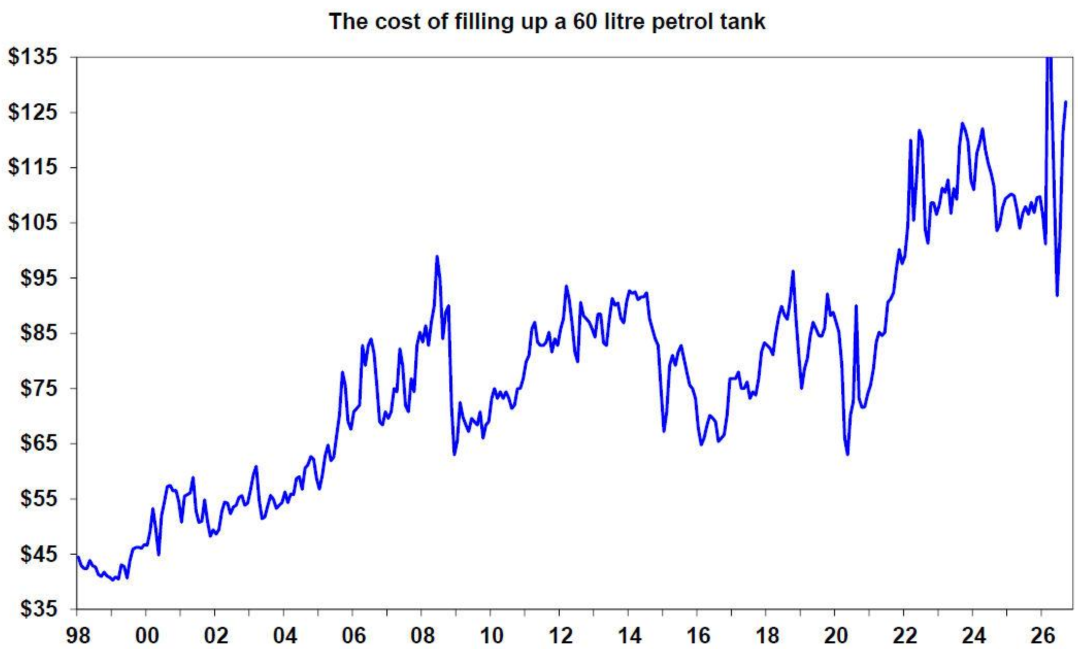
Apparently Iran and Oman have made a deal around shipping routes through Hormuz, but nothing is yet confirmed.

Given this impasse, global oil inventory has continued to be drawn down and is now back to its early 2025 levels (see the chart below). This is not yet "crisis" territory. But the longer that oil shipping is impacted, the more existing inventories are drawn down. This increases the risk that oil prices move towards $150/barrel, which would cause a further hit to growth and higher inflation.



Source: IEA, AMP

The impact of higher oil prices for households is higher energy costs, mostly through fuel spending but also on utilities because of gas prices. The average Australian household who has a petrol-car is now spending around $127 per week on filling up their car, up $20 a week from pre-war levels.



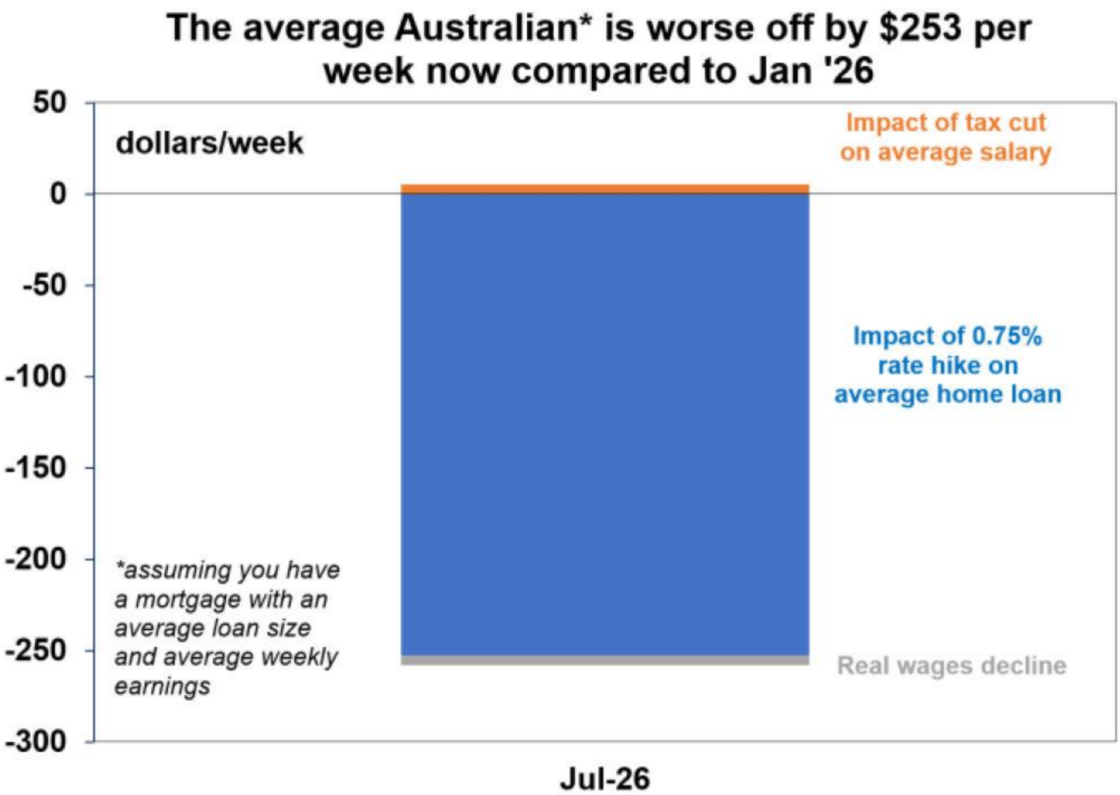
Source: Bloomberg, AMP

5. Worsening Australian economic data

Australian economic growth is going to slow in the next 12 months from the effects of interest rate hikes and higher inflation hurting purchasing power. We expect GDP growth to moderate to 1.5% by mid 2027, from 2.1% as at June this year.

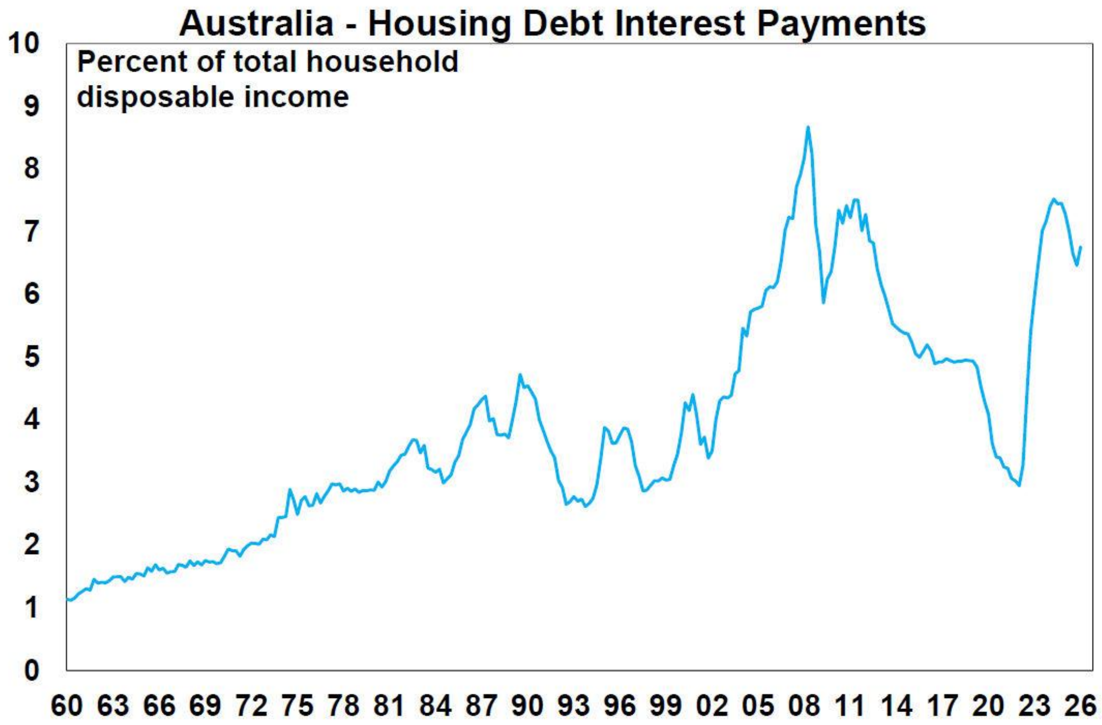
The concern is that the Australian consumer is starting to buckle more under the weight of growing negatives: rising interest rates, elevated inflation eroding purchasing power, falling home prices, disillusion with government, leaving consumer sentiment at recession-like lows.

The impact of inflation and changes to wages (which is the real wage change), the small tax cuts from July and the increase to interest rates since February means that an Australian consumer with an average new mortgage (worth around $720,000) is around $253/week worse off compared to January 2026 – which is a sizeable hit.



Source: ABS, RBA, Bloomberg, AMP

The good news is that mortgage arrears are still low at ~1% of all outstanding loans. But, this will probably rise a little further on more rate hikes and some lift to the unemployment rate. The key is that it doesn't increase too far. Housing interest repayments (as a share of household income) have risen to ~7%, back to ~2011/12 highs (see the chart below) and are likely to get back to their record highs (at over 8%) as interest rate hikes take time to flow through to payments and with further expected rate hikes, as well as large loans taken out increasing interest expenses. This measure looks at all households, even those without a mortgage, so for households with mortgages, the share of income going to housing debt would be even higher.



Source: ABS, BIS, AMP

Australian consumer discretionary stocks have not been performing well recently, after the latest reporting season (see the chart below), which could also be a sign that consumer discretionary spending will slow from here.

Source: Macrobond, AMP

Implications for investors

Taken together, these risks suggest that investors are entering a more challenging period as we go into the last quarter of 2026. Higher bond yields, more central bank rate hikes, US political uncertainty and in

Australia softer economic data points to a less supportive backdrop for global and domestic sharemarkets in the near-term.

That's why the next few months could see more volatility and periods of market weakness. US shares are up 10% so far this year while Australian shares had a recent tumble and are now basically flat since the start of the year. Share returns could be softer heading into the end of the year and we expect Australian shares to underperform.

Source: Macrobond, AMP

However, on a longer-term horizon over the next 12 months we are still positive around the outlook thanks to profit growth still holding up, particularly in the tech sector, okay economic growth and no signs of a serious economic downturn.

Diana Mousina is Deputy Chief Economist at [AMP](). This article has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs.

Do you qualify as 'rich'?

Mark LaMonica CFA

When I was in my first year of university, I pulled up to an ATM to make a withdrawal. A man and his son were ahead of me in line and the kid turned to his father and asked if I was James Bond. This might be the high point of my life. I've been on this earth for a little more than 16,600 days. That was the first, only, and likely last time I have ever been confused with anyone as remotely as cool as James Bond. My most frequent celebrity comparison is to Kermit the Frog from listeners to our podcast.

Some context is probably needed. I had borrowed my dad's car, a BMW Z3, that featured in the Bond movie that was out at the time. I was wearing a tux because I was invited to an anachronistic social function in NY. I didn't have the heart to tell the kid that everything he saw was an illusion. If he saw me sleeping in my tux at the end of a long night of 'socialising', the illusion would have quickly worn off.

Being rich is also an illusion. We judge people by what we see and not their actual circumstances. That is hidden away within the prevailing social custom to not talk about money. Many of us hide our actual circumstances from ourselves. It is far easier than facing the truth. This focus on perception has consequences to achieving the real goals that so many of us strive for – financial security and financial independence.

What is rich?

The official definition of where individuals fall on the spectrum of working, middle and upper classes uses income as the metric to divide the population. The top 10% of earners are considered upper class with the bottom 50% working class. The middle class falls in-between.

In 2022 the median income in Australia was $65,000 a year according to the Australian Bureau of Statistics. Anyone making less than this amount would be considered working class. Anyone making more than $137,000 falls in the top 10% which is considered upper class. To reach the top 1% of income earners in Australia requires a salary of $253,000.

When Australians are asked where they would self-classify themselves there are significant differences. Researchers from ANU asked Australians in 2023 if they considered themselves working, middle or upper class. Around 43% of survey respondents considered themselves as working class and 56% middle class. That leaves 1.4% that self-classified as upper class.

There are also surveys on how we perceive others. According to a Dacxi survey 40% of Australians consider the upper class as those that earn more than an after-tax income of $150,000 annually. 33% apply a net worth lens to the definition and classify the upper class as those with a net worth of over $1 million. It should come as no surprise in housing obsessed Australia that 25% of respondents say the upper class are those that own their home outright.

Definition of 'rich'	Percentage of population meeting criteria
After-tax income of $150k	~1.56%
Net-worth of above $1m	~2.36%
Own their home outright	~32%
Self-identify	1.40%
Official definition	10%

There are several inferences that we can make from this conflicting information. The first is that far more Australians consider other people 'rich' than see themselves as 'rich'. This makes sense because an ambiguous term like 'rich' is simply a point of comparison to peers. Somebody living in a $10 million home that is neighbours with someone in a $15 million home may feel middle class in comparison.

The second is that the definitions of rich are so disparate that many people can significantly exceed one category while not qualifying in another. A retiree with tax-free retirement savings of $2 million who owns their own home outright meets the definition in two categories but may have an after-tax income well below the $150,000 threshold.

Finally, using terms like net worth or income doesn't provide any context into the actual life that someone leads. Living in different parts of the country costs different amounts of money. A salary may not feel high in Sydney or Melbourne but could be a windfall in regional Australia. Different debt levels and lifestyle choices mean people with a high net worth and high income could be barely making ends meet. Basing a definition of 'rich' on fluctuating asset levels also may have little bearing on day-to-day life. If your house value fluctuated plus or minus 10% it may make a significant difference to your net worth. But would your day-to-day life be any different?

Implications on how you invest

The fact that so few Australians consider themselves 'rich' compared to the actual data and the official and unofficial definitions exposes the folly of investing to 'get rich'. Like Sisyphus perpetually pushing a boulder up the hill there is no end to the journey. As Bud Fox says to Gordon Gekko in Wall Street, "When does it all end? How many yachts can you water ski behind?"

To feel successful at anything means setting concrete and incremental goals that induce a feeling of accomplishment as each is met. And that feeling of accomplishment of meeting an incremental goal is important because that is what keeps us going. The secret to successful investing is patience, discipline and consistency. And we need to acknowledge that is hard. We need to find a way to persevere.

Building wealth is a means to an end. The point is to improve our lives. Being the richest person in the cemetery holds little appeal. When I first started my career, my goal was to build a small emergency fund. Looking back on it now my modest goal seems contrite. I pay more for an international flight than I was trying to save. But achieving that goal improved my life. It reduced my financial stress levels. I may not have felt rich but I did feel more financially secure. And that feeling of security is far more important than meeting an ambiguous definition of 'rich'.

Final thoughts

The second definition of rich in the Oxford Dictionary is "existing in plentiful quantities, abundant". This definition has nothing to do with money. The example sentence is "the rich flora and fauna of the forest". Maybe this is a better way of thinking about things. Don't aim to be rich. Aim for a rich life – whatever that means for you.

The eye-rolling is almost palpable when I tell people that their financial goals shouldn't be having the most money possible or getting rich. But the whole point of defining goals is to help you achieve them. How can you come up with a plan and strategy to achieve an ambiguous goal? How can you persist in trying to achieve it when there is no destination?

The paradox of the goal setting process is that if you do it correctly you are far more likely to end up with the most money possible than blindly thrashing around the emotional roller coaster of the share market. Want to get your finances on track? Think about your definition of a rich life. Come up with a five-year plan and concrete goals to progress along that journey. Your future self will thank you.

What is your definition of a rich life? Email me at mark.lamonica1@morningstar.com. Any emails sent to james.bond@morningstar.com are unlikely to reach me.

Mark LaMonica, CFA, is Director of Personal Finance at Morningstar Australia.

If you're worried about your bond portfolio, you're missing the point

Christine Benz

"I'm worried about the bond market," a friend who's close to retirement texted the other day. After reading the hard-to-miss headlines about the weakness in global bonds, she was concerned about the fixed-income allocation that she has been building out over the past several years at the urging of her adviser.

I didn't respond, "You're doing it wrong!" But the exchange did make me wonder if some people might have misguided ideas about bonds.

Volatility is much lower than for stocks

For one thing, notwithstanding the recent headlines, bonds' volatility is almost always going to be mild alongside the fluctuations that stocks experience. For example, on Sept. 1, 2026, a day when bonds grabbed the top headline on *The Wall Street Journal's* website, total bond market index funds were down about half a percentage point. Returns for the year to date were just barely in the red. As the saying goes, "A bad year in the bond market is like a bad day in the stock market."

Of course, the 2022 bond rout is fresh in everyone's minds: Amid the Federal Reserve's seven interest rate increases that year, the typical intermediate-term bond fund shed about 13%, and long-term Treasury bonds dropped nearly 30%. But those were the worst bond market losses in history, exacerbated by the fact that starting yields were so low at the time of the selloff. When bond yields go up, hurting prices of already-existing bonds with lower yields attached to them, investors still receive whatever interest the bond pays; those interest payments help offset price declines. But with 10-year Treasury yields of about 1.5% in early 2022, yields provided limited cover for the interest rate-related losses in bond prices. In 2026, with 10-year Treasury yields at roughly 4.8%, bond investors have more protection in the form of higher yields.

The goal is return of capital, not return on capital

Another point that can get lost in the shuffle is why you hold bonds in the first place. Stocks are your growth engine, but bonds and cash are the sleep-at-night portion of your portfolio, designed to hold their value or lose just a bit when stocks are down. So, if the potential for losses in your bond portfolio is stressing you out, that can be a sound reason to change it up so that it doesn't. You might give up some return potential in the process, but that's OK. Your goal for your bond portfolio is "return of capital, not return on capital," as the saying goes. Sure, you probably hope to earn a bit of return on your bonds, perhaps enough to outrun inflation. But return on capital is why you hold stocks.

One of the simplest ways to help ensure that your bond holdings will land in the black in the runup to a specific spending need is to use individual bonds, especially Treasury bonds and Treasury Inflation-Protected Securities, and hold them to maturity. This approach also allows you to lock in a specific yield, whereas bond mutual funds' yields will ebb and flow based on prevailing market yields. Building a laddered portfolio of Treasury Inflation-Protected Securities is a popular strategy to address retiree spending needs.

Alternatively, you can use mutual funds or exchange-traded funds for the job. That approach doesn't provide the same type of principal protection as buying and holding individual bonds to maturity, but it's less rigid and can make sense for people with less precise spending goals.

If you go with bond funds, the best way to ensure their "sleep-at-night" functionality is to be willing to give up some return potential in exchange for more stability. That means that for money you'll need to spend within the next few years, stick with cash instruments like money market funds or high-interest savings accounts. For spending horizons of three to 10 years, short- and intermediate-term high-quality bond funds are a solid option. They have some potential for losses, but if you match the bond fund's duration to your anticipated holding period, your bond fund is likely to be in the black when it comes time to access your money.

This is not the spot to be a tactician

Finally, a persistent misconception with bonds is that this is a reasonable spot to be tactical. Even as investors seem to have come around to not timing their entrance and exit from stocks, I've often heard from financial advisers and individual investors who are inclined to make tactical moves: shifting into shorter-term bonds or even cash when it appears higher rates are in the offing, or back into longer-duration bonds when they think yields are at a high-water mark.

My advice: Get out of the timing business. Most professional bond-fund managers don't make active bets regarding their portfolios' interest rate sensitivity, so it's hard to see why individual investors would be able to gain an advantage with those types of activities.

Morningstar's "Mind the Gap" research provides a stark reminder that investors in higher-risk asset classes—sector funds, crypto, and so on—aren't the only ones who give up returns due to ill-conceived timing decisions; bond investors do, too. And in a relatively low-returning asset class like bonds, those poor timing decisions can take an even bigger bite out of returns, on a percentage basis, than is the case with higher-returning assets like stocks.

For the 10-year period through December 2025, for example, the typical taxable bond fund earned 3.0%, but the typical *investor* in such a fund earned just 2.1%. (Investors in taxable-bond ETFs fared even worse!) That's not to say that investors' poorly timed investments in bond funds had a tactical underpinning; they may have wanted to derisk for the long term, but their entry points were ill-timed. But focusing on your individual situation and not taking more risk than you need to are key ways to avoid unforced errors with your bond portfolio.

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.

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