Your PERSONAL WEALTH

Summer 2025-26

We hope you enjoy this Summer edition of Your Personal Wealth.

In addition to our market update, we look at the prices of Big Macs around the world as an indicator of relative buying power, and why professional financial advice is crucial as you head towards retirement. We wrap up with an overview of the recent changes to the Aged Care system in Australia.

Happy reading!

Big Mac index and travel

Where's your next vacation?
The Big Mac index has been used as a baseline indicator to measure currency values and purchasing power across nations. Interestingly, from January 2023 to January 2025, several nations, including Australia, New Zealand, and Japan, experienced a relative price decline. Countries including Switzerland, the European Union, and Singapore saw a 10-15% hike, while the UK jumped almost 23%!

Big Mac Index

(Average price in U.S. dollars)

	Jan 2023	% price increase	Jan 2025
Switzerland	$7.26	10.12%	$7.99
US	$5.36	8.02%	$5.79
Euro area	$5.23	13.80%	$5.95
Australia	$5.11	-4.70%	$4.87
UK	$4.67	22.68%	$5.73
New Zealand	$4.88	-2.11%	$4.77
Singapore	$4.47	15.67%	$5.17
China	$3.54	-0.55%	$3.52
Japan	$3.15	-1.32%	$3.11
India	$2.53	3.33%	$2.62
Indonesia	$2.35	7.84%	$2.54

big-mac-data/output-data/big-mac-2025-01-01.xls at master · TheEconomist/big-mac-data · GitHub

We remain positive on markets but recommend active management to reduce increasing risk in portfolios

Our base case for the next 6 months is that the share market will sustain its optimism, with the odds of recession quite low. However, over the next few years, we expect market returns to be lower.

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Key market themes

- Strong returns driven by optimism around Artificial Intelligence (AI) prospects, lower US interest rates, strong corporate profit results and easing China-US trade tensions.
- Broader global earnings growth beyond the Magnificent 7 (US tech stocks) in late 2025 and 2026.
- Opportunities continue outside the US share market, including emerging markets, global listed infrastructure and global listed property.

Major asset class returns to 31 October 2025

The rally across all asset classes since May has continued with solid calendar year-to-date (CYTD) returns in shares and bonds. The returns on growth assets have been exceptional over the last 3 years.

- Global shares CYTD have delivered very strong returns. US large cap share prices have reached new historic highs, with the Magnificent 7 representing 69% of the increase in profits over the past year, according to FactSet. The high Australian dollar reduced returns in AUD.
- Emerging markets delivered impressive returns for the quarter and CYTD, led by strong returns from Asian share markets.
- Australian shares generated good returns, with the Resources sector a key driver. Small cap stocks provided impressive returns for the quarter and year to date. Listed property also performed well. Both sectors benefited from the RBA interest rate cut in August.
- Australian and global bonds (hedged) delivered solid returns CYTD and outperformed the cash rate.

Asset Class %	CYTD	3 months	6 months	1 year	Ann.3 year	Ann. 5 Year	Ann.10 year
Global Shares in USD	21.5	8.7	21.9	23.2	22.2	15.1	11.9
Global Shares in AU	13.7	6.9	19.1	23.3	21.3	16.8	12.8
US Shares in AU	11.2	6.4	20.8	21.5	21.7	19.3	15.6
Emerging Markets in AU	26.2	13.8	27.5	28.7	21.5	9.8	9.5
Australian Shares	11.9	2.7	11.1	12.5	13.1	12.6	9.7
Australian Small Companies	25.1	14.3	25.3	22.8	13.9	9.6	9.1
Australian Listed Property	11.4	1.8	12.5	7.4	16.4	12.1	8.2
Australian Bonds	4.8	0.8	1.7	6.5	4.1	-0.2	2.1
Global Bonds (Hedged AUD)	4.5	1.9	2.3	4.8	4.4	-0.4	2.0

Outlook for economies and markets

Our base case for the next 6 months is that the share market will sustain its optimism, with the odds of recession relatively low. For the US, this is supported by an accommodative Federal Reserve, strong investment in AI, a pro-growth policy agenda and high liquidity levels.

The key issue for investors is that while most large cap equity (and credit) markets are expensive, the indexes for the US and Australia, which dominate portfolios, are at extreme levels; highly concentrated and with growth above earnings expectations. This means that over the next few years, we expect market returns to be lower.

We are positive on growth assets but focused on active management and in sub-asset classes where we see value and are better positioned for this stage of the cycle.

Australia's prospects are vulnerable to tensions between China and the US and the reduced likelihood of further RBA rate cuts going forward.

Conclusion

Our preferred approach in times of uncertainty remains:

- Asset class diversification.
- Remain flexible and incorporate active management.
- Bonds and high-quality credit for income and stability.
- Regular rebalancing to maintain target allocations.

Financial Confidence

Nearly 60% of Australians aged 60+ feel confident about their retirement financial knowledge, but confidence varies:

Men 66%

Women 51%

Partnered 64%

Single 49%

Retirees 61%

Pre-retirees 53%

Advised 66%

No adviser 51%

www.challenger.com.au/individual/Campaigns/Happiness-Index

Why advice matters most as you approach retirement

Australia's retirement landscape is changing. According to the Australian Bureau of Statistics, by 2032, there will be more Australians over 65 than under 18, marking a significant demographic shift. While we've built a world-class superannuation system worth over $4.1 trillion[1], many retirees still struggle with a crucial question: how do I turn my savings into confidence?

The gap between saving and spending

The Superannuation Guarantee is now 12%, meaning retirees recently leaving the workforce are wealthier than any previous generation, but the transition to retirement often brings anxiety rather than excitement. According to Challenger's recent *Retirement Happiness Index*, two in five Australians aged over 60 rank running out of money as one of their top retirement concerns, second only to maintaining good physical health.

The confidence gap: Advised vs Unadvised

The difference professional financial advice makes is striking. Unadvised Australians are twice as likely to be extremely or very worried about outliving their retirement savings compared to those who have sought advice, 35% versus 19%[2]. The research also shows that Australians with professional financial advice report higher happiness levels (73.9%) compared to those without (64.4%).

The benefits of advice extend beyond financial peace of mind:

- **Mental wellbeing**: 82% of advised Australians report good mental health, compared to 72% of those without advice.
- **Knowledge confidence:** 72% of advised retirees feel confident in their retirement financial knowledge, versus just 46% of the unadvised.

Pre-retirees need support

Those approaching retirement face unique anxieties. Pre-retirees are significantly more worried about financial issues than current retirees:

- 46% worry about not having enough money to do what they want (compared to 34% of retirees).
- 44% fear running out of money in retirement (compared to 33% of retirees).

This is where financial advice proves most valuable, in navigating the critical transition from accumulation to drawing down their savings with confidence.

What retirees really want

The research is clear: Australians crave income certainty. With 78% aged over 60 saying they'd be happier with a guaranteed income for life. This isn't just wishful thinking; it's driving real behaviour. Recent CoreData research shows that product adoption has surged 150% since 2023.

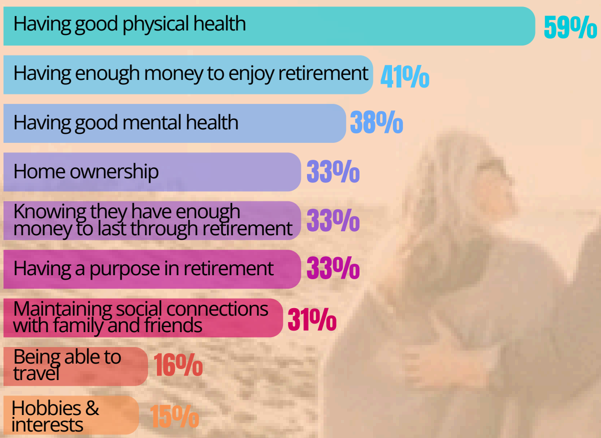
Your retirement, your confidence

Retirement should be a time of opportunity, not anxiety. While building wealth is important, converting that wealth into a reliable income and genuine confidence requires guidance and planning. Professional financial advice isn't just about managing money. It's about creating the certainty and confidence you need to truly enjoy the retirement you've worked so hard to achieve.

We can help build a plan that turns your superannuation into the retirement lifestyle you envision, with the peace of mind that comes from knowing your money will last.

Happy retirement essentials

What Australians 60+ consider essential for a happy retirement.



What keeps you up at night?

Comparing pre-retiree and retiree concerns as they look into the future

Pre-retirees		Retirees
46%	not having enough money to do what they want	34%
44%	running out of money in retirement	33%
24%	being overly reliant on loved ones	37%
16%	losing social connections	20%

[1] https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-for-march-2025
[2] https://www.challenger.com.au/individual/Campaigns/Happiness-Index

A new chapter in Australia's Aged Care begins

When Mary turned 85, she never imagined she'd be navigating an entirely new aged care system.

The new Aged Care Act 2024 officially commenced on November 1, 2025, marking a significant transformation to the Australian aged care system.

For Mary and approximately 1.4 million Australians who will benefit by 2035, this represents a fundamental shift in how the nation cares for its elderly[1].

The reforms emerged from years of scrutiny following the Royal Commission into Aged Care Quality and Safety. The new Aged Care Act puts the rights of older people at the centre of the aged care system, with a rights-based approach that prioritises dignity, safety, and choice[2].

Support at Home replacing Home Care

Significantly, the Support at Home program has replaced the existing Home Care Packages Program and Short-Term Restorative Care Program[3]. This aims to help seniors like Mary remain in their own homes longer, rather than moving prematurely into residential facilities.

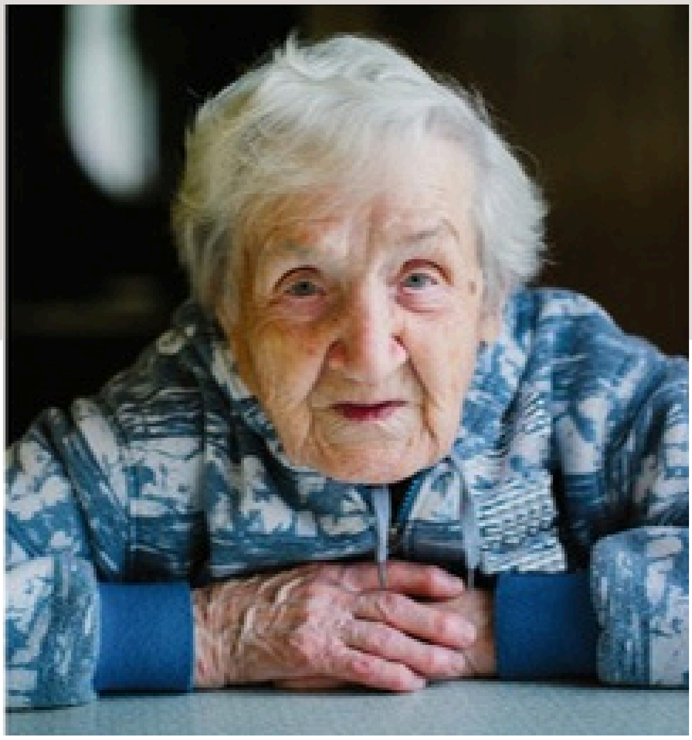
For those already receiving care, a "no worse off" provision ensures that clients already on a Home Care Package or in the national queue as of September 12, 2024, will not be financially disadvantaged by the changes[4]. However, those entering the system after that date are subject to means testing to determine their contributions.

Changes to residential care

Residential care has also transformed. The Aged Care Quality and Safety Commission now holds providers accountable through stronger care standards and improved monitoring systems[5]. Providers must register and meet rigorous expectations to receive government funding.

The single assessment process aims to make it simpler and fairer to determine what services people want and need, giving greater choice and control[6]. For Aboriginal and Torres Strait Islander people, and those experiencing homelessness, access begins at age 50 rather than 65.

While the reforms add complexity with new contributions such as the Hotelling Supplement and the Non-Clinical Care Contribution, the underlying promise remains clear: Australian seniors deserve care that respects their autonomy, dignity, and individual needs. For Mary and her loved ones, that means peace of mind knowing the system is designed around her.



[1],[2],[5],[6] https://www.health.gov.au/our-work/aged-care-act/about
[3] https://www.myagedcare.gov.au/news-and-updates/big-changes-aged-care-sector
[4] https://www.catholichealthcare.com.au/aged-care-reforms-explained

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