



inTouch

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The silent threat to nest eggs

How falling interest rates can undermine your retirement

After spending what feels like an eternity in a high-rate environment, interest rates are finally coming down.

And while mortgage holders breathe a sigh of relief, retirees may face a different reality: lower rates – and the resulting dip in income – threaten their retirement nest eggs and, ultimately, their financial freedom.

Lower interest rates can shrink the returns on fixed-income assets such as term deposits and bonds — key components of a stable retirement portfolio. For those retirees who rely primarily on interest from these fixed-term assets as a source of retirement income, it may result in a shortfall.

To compensate for this shortfall, many retirees make unwanted adjustments: spend less, live more frugally or dip into savings. Others seek riskier investments in search of higher returns, potentially increasing their exposure to market volatility. Either way, retirees must rethink how they generate retirement income.



The 'double threat': inflation and low interest rates

Another threat is inflation, which drives up the cost of living, stretching retirees' budgets thinner than ever and jeopardising the ability to maintain a desired retirement lifestyle.

Interest rates and inflation often go hand in hand; costs go up while income goes down, creating a gap that can erode savings

– delivering a 'one-two punch' to financial confidence.

Even modest inflation can chip away at your purchasing power, making it more expensive for everyday essentials such as groceries, utilities and healthcare.

If your retirement income does not keep pace, your dollar simply will not stretch as far as it used to.

Understanding how this 'double threat' can impact your savings and income is vital to safeguarding the retirement lifestyle you've diligently built.



Strategies for optimising financial confidence in retirement

Protecting your nest egg in a falling interest rate environment requires a thoughtful approach that balances safety, income and growth.

Diversify

When interest rates are low, relying solely on cash or fixed-income investments may lead to losses in real terms, as declining returns fail to keep up with rising costs.

For this reason, a diversified portfolio is essential. It's important to explore other strategies — including investments that offer growth potential — to protect your financial security.

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- How self-awareness shapes smarter decisions
- Longevity, lifestyle, legacy: The 3 pillars of holistic retirement
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Consider lifetime income products

New, innovative lifetime income products are now available which provide financial certainty and confidence for retirees. True to their name, lifetime income products offer a guaranteed income for life, unaffected by inflation or declining interest rates.

Your financial adviser can help you assess your income needs and create a plan that strikes the right balance between safety, income and long-term growth.



How lifetime income products can increase financial confidence

Lifetime income products offer a stable, predictable income stream that:

- **delivers income certainty** by paying a guaranteed income for life
- **provides the opportunity for continued investment growth** while being protected from market volatility
- **allows access to money** whenever required to meet unforeseen expenses; and
- **creates confidence** knowing you can maintain your desired lifestyle in retirement.

Most importantly, lifetime income products remove the worry of outliving one's savings, ensuring financial security – even in a low-interest-rate environment.



How self-awareness shapes smarter decisions

Financial decisions are often viewed as rational processes based on numbers, forecasts, and logic. In practice, however, our choices are regularly influenced by less visible factors such as stress, habits, and automatic responses to uncertainty.

This is where self-awareness becomes useful. It's a core skill within mental fitness: the ability to recognise our thoughts, emotions, and behaviours as they're happening, and to understand how they might be shaping our actions.

Self-awareness helps create a pause between impulse and action – creating a clearer sense of what's driving our behaviour allows for more deliberate choices.

The brain under pressure

Neuroscience research highlights the role of the brain's prefrontal cortex which is responsible for executive functioning, this includes self-regulation and planning. When we're mentally overloaded or under sustained stress, the parts of the brain responsible for forward-thinking and decision-making tend to be less active.

A small but valuable habit

Positive psychology approaches self-awareness as a practical tool for building agency and self-management. It doesn't require deep introspection just small, consistent habits of observation. For example, noticing when decisions

feel rushed, or identifying situations where the same challenges tend to repeat themselves. These small check-ins can help reduce friction and lead to more deliberate action.

The role of the environment

Self-awareness is also connected to context. Ecological models of wellbeing highlight how our surroundings whether its digital, social, or physical can shape how we think and behave. A fast-paced schedule, constant notifications, or even background noise can all affect decision quality. Becoming more aware of these subtle influences helps us manage them more effectively.

A learnable practical skill

Importantly, self-awareness is a learnable skill. It can be developed over time through reflection, feedback, and small behavioural experiments. This might involve adjusting when certain tasks are done, building in brief pauses before making key decisions, or reducing exposure to known distractions.

In practice, greater self-awareness supports more intentional decision-making. It doesn't eliminate pressure or uncertainty, but it helps create a gap between stimulus and response. That gap can be the difference between a reactive decision and a considered one.

Longevity, lifestyle, legacy:

The 3 pillars of holistic retirement

Retirement is no longer a short chapter – it's an ongoing and evolving journey.

Life expectancies are increasing, superannuation balances are growing, and policy shifts are reshaping how Australians think about their wealth. They aren't just looking at a dollar figure for retirement – they want purpose, freedom, and financial security that lasts.

But while many Australians are preparing for longer retirements, have their financial strategies kept up with the pace? Too often, retirement planning is still framed around one question: “How much is enough?”

It's time to move beyond that and think holistically.



Longevity

Longevity risks – a rising concern for Australians

Did you know that we spend on average 25 years in retirement? That's a third of our lives.¹ And almost one in two Australians have said they're unsure if their money will last in retirement.²

To address this effectively, you need solutions that can provide certainty and stability at the core of retirement portfolios. Products such as lifetime income streams are helping address this head-on through providing retirees with the confidence of a regular income, guaranteed for life.



Legacy

Leaving a legacy is one of the most emotional goals a person will work towards

A holistic retirement also means planning not just for today, but for the future. Thinking about your legacy plan as part of your retirement planning ensures that your retirement can also be meaningful.

One unexpected beneficiary payout tool that helps challenge this uncertainty comes in the form of the investment-linked lifetime income stream.



Lifestyle

Australian retirees are living frugally out of fear of outliving savings

Modern retirement planning is no longer just about managing money – it's about managing life.

Regret risk is a very real phenomenon amongst Australian retirees. It's the notion that retirees live frugally in their early years of retirement out of fear of running out of money, only to look back once they reach their later years and feel a sense of regret from being overly frugal.

Annuitying a portion of your retirement savings can enhance lifestyle and restore confidence in spending. It complements account-based pensions and other income sources, such as the Age Pension, allowing these to be used more strategically. This approach can also simplify budgeting and reduce the stress of sequencing risk – that is, the impact that the volatility of returns has on your investment portfolio.

Lifetime income streams empower a holistic retirement

A strong retirement strategy doesn't rely on a single product. It's built on a combination of tools. Lifetime incomes streams are one tool that can support all three pillars of holistic retirement planning.

Investment-linked lifetime income streams can offer:

- **Income guaranteed for life** – confidence of an income guaranteed for life backed by one of the world's largest reinsurers.
- **Annual income reset** – income payments that adjust annually, based on investment performance.
- **Switch at any time** – flexibility to adapt your investment strategy as your circumstances evolve and switch investment options at any time.³
- **Gain access to the Age Pension** – for many couples with an estimated average of \$800,000 – \$1,100,000 in assets, annuitisation can improve Age Pension eligibility.

Speak to your financial adviser to learn how lifetime income streams can complement your retirement strategy.

Your estate planning checklist

Estate planning is more than just having a will; it's an overall financial management plan.

Estate planning isn't something people like to think about, but it's one of the most important things you can do to ensure your loved ones are taken care of. It allows you to make decisions about who will care for your dependents – or for you – or manage the complexity of blended families. By considering tax implications, it can also help preserve and maximise the value of your estate.

☐ Get your will sorted

It's estimated around 60%¹ of Australians do not have a will. If you die without making a will, your assets will be distributed according to the intestacy laws of your state², which means they may not go where you want them to. If you do have a will, remember to regularly update it and discuss the provisions with your beneficiaries. Having these discussions now can help avoid challenges to the will later, which can result in considerable costs and lengthy delays in distributing assets.

☐ Superannuation

Different funds have different rules when it comes to paying out your death benefit. Your superannuation balance will usually be paid to your dependants or legal personal. Dependants can be defined as any person who is financially dependent on you, such as your current spouse or partner, your children or any other person who relies on you financially. If you don't have any dependants, the total balance will be paid to your estate and dealt with according to your will. Nominating beneficiaries ensures your superannuation will be distributed to the beneficiaries of your choice.

☐ Life insurance

As with superannuation, it's important to nominate your beneficiaries to ensure the payout goes to the right people. You might also investigate whether your policy includes funeral insurance or a funeral benefit, which could help your family manage funeral costs at a difficult time.

☐ Health care directives and power of attorney

An enduring power of attorney (EPoA) lets you nominate someone to make legal and financial decisions on your behalf if you're incapacitated³. It's important to choose someone you trust and get legal advice to ensure the EPoA is legal and binding.

☐ Consider your children

If something happens and your children aren't of legal age, can you be sure they'll be looked after the way you want them to be? If there are no specific guardianship instructions, any person with an interest in your child, including grandparents, aunts and uncles and even cousins, can apply for guardianship⁴. This means your children may end up being looked after by someone you don't necessarily want involved in their care – this could even be the Public Trustee.

Where to now?

There are a few steps to the estate planning process:

- **Create a list of all assets that form part of your estate**, including property, art, personal assets, cars and valuables. Separately, list out any trusts, superannuation and life insurance where you may need to nominate beneficiaries.
- **Consider the debts associated with each asset.**
- **Identify any potential risks that may arise**, such as death, divorce and mental incapacity. Talk to your solicitor about mitigating these, and don't forget, we can help you too.
- **Make decisions about where you want your assets to end up.** This is something we can walk you through, so you feel confident in making informed decisions.



Sources: ¹ <https://www.finder.com.au/news/australians-have-no-estate-plans> ² <https://www.mauriceblackburn.com.au/blog/wills-estates/dying-without-a-will/>
³ <https://www.nsw.gov.au/family-and-relationships/planning-for-end-of-life/make-power-of-attorney> ⁴ <https://www.statetrustees.com.au/resources/choose-appoint-guardian-minor-children/>

Thinking ahead? Let's talk about strategies for creating a positive financial future.

Important information: