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FINANCIAL SERVICES



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While many Australians had the opportunity to enjoy two consecutive long weekends in April, as we move into May the focus is now on the federal election.

The month of April was marked by economic uncertainty and global trade tensions that drove market declines and volatility. These events are anticipated to influence the RBA's cash rate decisions, as will the recent decline in core inflation to within the target range.

Australian shares slumped in early April but recovered with the ASX 200 up 2.5% by month's end. Nonetheless, the index is down nearly 1.3% since the start of the year and may fall further according to some commentators. In the United States, the S&P500 regained strength after falling to its lowest level in a year.

Unemployment increased slightly in the latest figures, up by 4.1% and consumer sentiment declined 6% in April, revealing consumer unease about developments in Australia and abroad associated with US tariff announcements.

The International Monetary Fund (IMF) delivered sombre news for Australia, predicting lower growth than forecast earlier this year. Despite the slowdown, the IMF says global growth remains "well above" recession levels.


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SCAMS: knowledge is protection

Scammers operate in an ever-evolving space and the scams of today are far more sophisticated than they have ever been, targeting even the most financially literate individuals.

In addition to the financial impact from a scam, it can affect your mental health as well as damage your reputation, so understanding how scammers operate is the best way to protect yourself from falling victim.

A growing trend

The statistics provide a sobering reminder that no one is immune – no matter how experienced or cautious they may be – it can happen at the click of a button.

According to the Australian Competition and Consumer Commission's (ACCC) Scamwatch, Australians lost an alarming \$3.18 billion to scams last year.

The average individual loss from scams is significant, with individual losses rising by more than 50 per cent last year, to an average of almost \$20,000. This is due, in part, to scammers using new technology to lure and deceive victims and it underscores the serious financial toll scams can take.

Some of the most common scams include:

Investment scams: Investment scams continue to be a major issue, with losses reaching around \$1.2 billion in 2024. These scams often involve fraudulent online trading platforms or fake cryptocurrency schemes, designed to lure investors with promises of high returns and minimal risk.

Impersonation scams: Fraudsters are increasingly using sophisticated tactics to impersonate trusted organisations, such as government bodies, banks, and financial advisers. In 2024, impersonation scams accounted for \$700 million in losses, with scammers using fake emails, phone calls, and even text messages to trick victims into revealing sensitive personal information or parting with funds.

Romance and relationship scams: These scams often involve scammers establishing a personal relationship with victims before manipulating them into sending money. In 2024, these types of scams led to losses of \$250 million, highlighting the emotional and financial damage they can cause.

While these figures are shocking, they also reflect the changing nature of scams. Scammers are no longer relying on clumsy, obvious frauds. Instead, they are using highly professional methods, often tailored to the specific interests, financial knowledge, and behaviours of their targets.

Why everyone is vulnerable

As scammers become more creative, even the most experienced and financially savvy individuals are at risk. There are several reasons why this is the case.

Sophistication: Scammers now use advanced technology and psychological manipulation to trick their victims. They impersonate respected brands and financial institutions, and they can craft highly convincing emails, websites, and phone calls that look indistinguishable from legitimate communications.

Cryptocurrency and new technologies:

The rise of digital currencies and decentralised finance (DeFi) platforms has created new opportunities for scammers to exploit. These markets are largely unregulated, making them more vulnerable to exploitation by criminals.

Deepfakes: Scammers are increasingly using deepfake technology to make their fraudulent schemes more convincing and harder to detect. By creating hyper-realistic videos or audio recordings, they

can impersonate trusted individuals, such as company executives, colleagues, or even loved ones, to manipulate victims to respond to requests for urgent assistance or money. This manipulation of digital media makes it much more difficult for victims to distinguish between what's real and what's fabricated.

Protecting yourself

Despite the growing sophistication of scammers, there are steps you can take to protect yourself. It's crucial to stay alert and use a combination of scepticism, knowledge, and due diligence.

Be cautious when receiving unsolicited offers or requests, whether by phone, email, or social media. If you weren't expecting to hear from a company or individual, don't rush to react. Don't click on links. Take a step back and verify the legitimacy of the contact by using an email or contact number that you locate online. Always verify account details this way before transferring any money.

Scammers are constantly evolving their tactics, so it's crucial to stay informed. Regularly educate yourself on the latest scam trends and familiarize yourself with common warning signs. Agencies like Scamwatch provide ongoing updates and resources for identifying and reporting scams.

The evolving nature of financial scams means that it's not enough to simply be cautious; you need to stay proactive. If you're unsure whether an opportunity is a scam or simply want a second opinion on a financial matter, we're here to help.

Source for all scam statistics in this article: <https://www.scamwatch.gov.au/research-and-resources/scam-statistics>



steps towards a financially fit retirement



If retirement is just around the corner, the current financial climate may make you feel a little uneasy. Watching the markets fluctuate might leave you worrying about whether your superannuation will be enough to see you through.

It's not a time for hasty moves, though. If you are concerned a calm review of your current portfolio and investment strategy may be helpful.

After all, the average Australian spends around 20 years in retirement, so it's important to create a retirement strategy that takes account not only the current market conditions but also the risks and opportunities in the years ahead.

As one of the most significant retirement assets, your superannuation needs a carefully considered assessment as you approach any new life stage.

Here are five useful tips to help ease you into the next chapter towards retirement.

1. Review your risk profile and portfolio allocation

Check your super portfolio's risk profile. Generally speaking, investors take a high-growth approach when they're younger to take advantage of higher returns, however, as with normal share market cycles, there will be fluctuations in the share market. Having a long-term strategy gives you the time to recover from any market downturns before retirement.

Older investors may prefer a more conservative investment strategy that can help to stabilise returns by potentially protecting super from share market volatility.

2. Calculate retirement expenses

Be realistic about the living expenses you'll need when you finish working. For some, it may cost less to live in retirement because of reduced expenses such as commuting costs and maintaining a work wardrobe.

On the other hand, you may plan to travel more or buy a new vehicle or renovate

your home, so these expenses need to be factored in when working out how much you'll need.

According to the Association of Superannuation Funds of Australia (ASFA), the annual average budget to maintain a comfortable lifestyle in retirement is \$73,077 for a couple and \$51,805 for a single person.ⁱ

And to maintain a modest lifestyle, ASFA estimates a couple will need \$47,470 and a single person will need \$32,897. Both estimates assume you already own your own home.

You can find easy-to-use tools on the MoneySmart website to help you work out your budget and also estimate your income from super and the Age Pension.

3. Take action on mortgages and loans

Entering retirement with manageable or small levels of debt can contribute to feeling more financial stable.

If you'll still be repaying a mortgage after you've retired, you could consider downsizing your home or using superannuation funds to pay down the debt, keeping in mind the tax implications and ensuring that you comply with superannuation laws. If you're considering either of these courses of action, we'd be happy to explain your options and obligations.

4. Check your timing

Understanding when and how you can access your super is important.

You can use your super to fund your retirement when you reach "preservation age", which is from age 60. You can also

use your super to begin a transition to retirement income stream (TRIS) while continuing to work.ⁱⁱ

Alternatively, if you continue working beyond preservation age, you can withdraw your super once you turn 65.

There are also some circumstances in which you can access your super early such as illness and financial hardship, however, eligibility requirements do apply.ⁱⁱⁱ

5. Decide how to withdraw your funds

You may be able to withdraw your super in a lump sum, if your fund allows it. This could be the entire amount you have invested, or you could receive regular payments.

If you ask your fund for regular payments (paid at least once a year), it is known as an income stream and your super account transitions from the accumulation phase – where contributions are made – to a pension.

There are minimum withdrawals that you must make once you commence an income stream from super. For example, for those aged under age 65, a minimum annual withdrawal of 4 per cent of your super balance is required and this drawdown rate increases as you get older.^{iv}

There is a lot to think about as you approach retirement, so if you'd like to discuss your retirement income options, please give us a call.

ⁱ <https://www.superannuation.asn.au/resources/retirement-standard/>

ⁱⁱ <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/super-withdrawal-options#Preservationage>

ⁱⁱⁱ <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/early-access-to-super/when-you-can-access-your-super-early>

^{iv} <https://www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/payments-from-super#ato-Minimumannualpaymentsforsuperincomestreams>



FORGING new bonds

– *how bonds work*

Bonds are not usually the flashy upstarts of the investment world with their every move reported, like stocks.

But the Trump Administration's extraordinary refashioning of world trade, with on-again off-again tariffs of eye watering amounts, has put bond markets in a similar position to share markets – in turmoil.

So, with the bond markets attracting more attention than usual, we take a closer look at the asset class.

What is a bond?

A bond is a bit like an interest-only loan and there are many different types of bonds available. A government (government bond), or sometimes a large company (corporate bond), issues bonds to investors to raise funds for infrastructure or, in the case of a company, for expansion.

Large institutional investors tend to favour some of the more complex types. Retail investors are more often interested in fixed-rate bonds, known as a fixed-income investment because of the regular payments made to the investor (or the coupon interest rate). The principal (called the face value) is repaid at an agreed date when the bond matures.

These bonds can also be traded on a secondary market by those who've chosen to sell their bonds before maturity. In this case, depending on the state of the markets and the economy, the amount they're worth, or their capital value, may be higher or lower than the face value, which is fixed.

The most common fixed-rate bonds, issued by governments, are generally considered more stable. Nonetheless, all bonds are assigned a credit rating by independent rating agencies such as Standard & Poor's or Moody's.

Australia's Commonwealth bonds, issued by the federal government, are AAA-rated reflecting strong fiscal management, economic stability and low default risk.ⁱ

State governments and quasi-government organisations such as the World Bank also issue bonds. The risk level for this category of bonds can vary.

Large companies, looking to expand or start new projects, often use bonds as a way to raise funds. Corporate bonds generally pay higher interest but are considered slightly more risky.

How to buy bonds

Investing in bonds can help to diversify a portfolio and provide a steady stream of income but for those with no knowledge or experience of the market, it is important to get quality professional advice and speak to us.

For example, if you had been relying on the conventional wisdom that bond markets are often up when share markets are down, recent share market activity would have delivered a shock. The usual flight to safety from share price volatility to bonds did not happen in the United States where, for a time, both markets were falling.

While it is possible to buy bonds directly when there is a public offer, it can be difficult for smaller individual investors to participate because of the large minimum transactions required.

Instead, most retail investors look to bond funds, bond exchange traded funds (ETFs) or managed funds for exposure to the bond market. The variety of funds on offer can help to diversify a portfolio by giving access to a range of different markets.

What affects bond rates?

Interest rate movements directly affect bond prices on the secondary market.

When interest rates rise, bond prices fall because newly issued bonds will be at the higher rate making older bonds less attractive and reducing demand.

Conversely, bond prices rise when interest rates fall because new bonds will offer the lower rates meaning there will be higher demand for older bonds, driving their prices up.

Bond prices are also influenced by economic conditions and investor sentiment.

Rising inflation can cause bond prices to rise while strong economic growth may decrease bond prices because investors often prefer to buy shares. Bonds with a lower credit risk, such as AAA-rated government bonds, tend to attract higher prices.

If you would like to learn more about your options for investing in bonds, please give us a call.

ⁱ <https://www.fitchratings.com/research/sovereigns/fitch-affirms-australia-at-aaa-outlook-stable-01-11-2024>