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FINANCIAL SERVICES



## October 2025

Australia's economy showed resilience in September, with inflation remaining sticky and the RBA holding rates steady at 3.6%.

Headline CPI rose more than expected, from 2.8% to 3% prompting analysts to push back forecasts for further rate cuts until November or early 2026. Core inflation fell slightly to 2.6%, edging closer to the RBA's target band, but price pressures persist in housing and services.

GDP grew 0.6% in the June quarter, driven by a rebound in consumer spending and solid wage growth. The unemployment rate held steady at 4.2%.

Despite cautious consumer sentiment – the Westpac-Melbourne Institute Consumer Sentiment Index fell 3.1% in September – business confidence remains upbeat, particularly in retail and manufacturing.

Despite the August/September period noted for being seasonally weak, markets remain at near record levels. The ASX 200 was supported by strong performance in banking and mining stocks. US equities, meanwhile, continue to push higher off the back of the AI boom and anticipation of rate cuts.

Commodity prices and risk appetite helped the Australian dollar touch an 11- month high before easing slightly.

### **In Sync Financial Services**

Suite 203, Level 2, Easts Tower  
9 Bronte Road  
Bondi Junction  
NSW 2022

**P** 02 9387 8199

**E** [info@insyncfs.com.au](mailto:info@insyncfs.com.au)

**W** [www.insyncfs.com.au](http://www.insyncfs.com.au)

Paul Del Grande and In Sync Financial Services are Authorised Representatives of Synchron, AFS Licensee no. 243313.

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# ARE YOU A GLASS-HALF-FULL OR GLASS-HALF-EMPTY INVESTOR?



**When you think about the markets, do you see promise or peril? Are you the type to believe the glass is half-full, or do you focus on the half that is not there?**

Your investing outlook can shape your decisions, influence your risk tolerance, and impact your long-term results. But which approach truly works best? Should investors lean into optimism or prepare for the worst?

## **The historical case for optimism**

Historically, optimism has served investors well. Over the past century, markets in developed economies have consistently trended upward. Despite wars, recessions, political turmoil, and financial crises, the long-term direction of major stock indices like the S&P 500 has been positive. Investors who maintained confidence during turbulent times and stayed invested often reaped the rewards of compounding growth. This pattern suggests that a fundamental belief in human progress and economic expansion is more than just hopeful thinking.

Optimism encourages long-term thinking. It allows investors to endure volatility, view market declines as temporary setbacks, and see opportunities where others may only see risk. Warren Buffett, one of the world's most successful investors, has repeatedly emphasised the importance of having faith in the future. As he famously said, *"I am an optimist. It doesn't seem too much use being anything else."* That sentiment reflects a mindset that has allowed him to stay the course through numerous economic cycles, always betting on the long-term resilience of markets and the human spirit.

## **The value of pessimism and caution**

However, optimism alone is not enough. Investors who ignore risk in favour of hope can find themselves vulnerable when markets correct or when unexpected events occur.

Pessimistic investors tend to focus on risk management, as a pessimist always keeps in mind the possibility of the worst outcome. A pessimistic outlook helps investors anticipate potential downsides and implement strategies to mitigate risks, such as diversification and hedging. This cautious approach reduces exposure to unnecessary risks and prepares them for uncertain times.

Additionally, pessimistic investors are more likely to develop contingency plans for various scenarios, including economic downturns or unexpected personal events.

Thinkers like Nassim Taleb have built entire investment philosophies around recognising fragility and preparing for the unexpected. He is quoted as stating, *"Invest in preparedness, not in prediction."* His approach emphasises the importance of stress-testing ideas and maintaining a strong margin of safety.

## **Balancing both perspectives**

Many of the best investors are neither permanent optimists nor permanent pessimists. Instead, they are what we might call rational optimists. They believe in the long-term potential of markets and innovation but constantly evaluate risks and remain grounded in reality. This blend of forward-looking confidence and present-day caution allows them to stay invested without becoming reckless.

Rational optimism is not about predicting every up or down in the market. Rather, it is about applying common sense, preventing avoidable mistakes, and trusting that the long-term trend of progress will continue, even if the road is sometimes rough.

## **A practical, realistic approach**

In practice, rational optimism means staying invested during downturns while managing risk thoughtfully. It involves having a plan that includes diversification, consistent rebalancing, and emotional discipline. It also means resisting the urge to overreact to headlines, hype, or fear.

The optimistic side helps investors believe in the future and recognise long-term opportunities in innovation, global growth, and improving productivity. The cautious side ensures they are not overexposed, overleveraged, or overconfident.

## **A rational optimist wins in the long run**

The most successful investors are those who combine the belief in long-term progress with a realistic understanding of their tolerance of risk and risk management strategies. Investors should lean toward optimism to build wealth but temper it with a healthy scepticism to protect it. The ideal mindset is neither naive nor cynical. It is confident, but not careless. Hopeful, but prepared.

As Buffett suggested, it does not do much good to be anything other than optimistic. But as the great investors remind us, that optimism must be paired with careful thought and strategy. Believe in sunshine but carry an umbrella. The markets, much like life, reward those who prepare for the storms but never lose sight of the clearing skies that follow.



**NEW**

## **AGED CARE ACT:**

### *what you need to know*

Sweeping reforms to aged care are set to begin on 1 November to help improve the quality, transparency and flexibility of care.

With more care levels, clearer pricing, and greater control over how your funding is used, the new system aims to better match services to individual needs. Providers will be required to offer detailed cost breakdowns, empowering you to make informed decisions about your care.

While the reforms are a step forward in care quality, they also come with changes in how services are funded and that may mean higher out-of-pocket costs for some.

What you pay depends on your financial situation – whether you receive a full or part pension or are self-funded – and the services you access.

As the aged care landscape evolves, staying informed is key to making confident choices. Whether you're planning for yourself or supporting a loved one, understanding the new system will help you access the right care at the right time.

#### **Help at home**

From 1 November the current Home Care Packages will be replaced by a new program called Support at Home.

The key changes include:

- Eight levels of care (up from four) to better match individual needs
- Extra funding for assistive technology, home modifications and palliative care

Services are expected to remain the same but the way you pay for them may change.

- For example, clinical care (such as nursing or physiotherapy) will be fully funded by the Government.

- You may pay more for everyday living services (such as meal preparation or cleaning) than you do for independence supports (like personal care or transport).
- The out-of-pocket costs for everyday living will range from 17.5 per cent for full pensioners to 80 per cent for self-funded retirees.
- Non-clinical support, like showering, will cost five per cent for full pensioners to 50 per cent for self-funded retirees.

If you were approved for a Home Care Package on or before 12 September 2024, you will be eligible for fee concessions to ensure you are not worse off under the new rules.

The package level you are assigned sets the total funding available to pay for care, with 10 per cent allocated to the care provider to cover the cost of care management.

You then work with your provider to decide how you want to spend the rest of the budget. The provider will set their fees for services and you will make a contribution based on your income.

#### **Residential aged care**

Room prices in aged care facilities have been steadily rising following an increase in the Refundable Accommodation Deposit (RAD) threshold from \$550,000 to \$750,000.

Higher RADs mean you may need to use more of your savings or income to cover aged care costs.

From 1 November 2025, anyone who moves into care after this date and pays a RAD, will have two per cent of that amount deducted each year, for up to five years.

You can still opt to pay a Daily Accommodation Payment (DAP), but this will increase every six months in line with inflation.

Other fees include:

- the basic daily fee (set at 85 per cent of the single age pension)
- a means-tested fee or non-clinical care contribution
- potentially a higher everyday living fee (previously known as extra or additional services)

#### **Fee caps and planning ahead**

The lifetime cap on aged care contributions continues. You won't pay more than \$130,000 (indexed) over your lifetime towards home care and residential care combined.

Understanding how the changes affect your financial future is vital. You'll need to consider:

- whether someone will remain in the family home
- your current income and assets
- potential age pension entitlements
- estate planning strategies

Use the government's fee estimator at MyAgedCare to get a clearer picture of your potential costs.

#### **Get advice early**

Navigating aged care can be complex and the upcoming changes add new layers of decision-making.

We can help explain your options, structure your assets, minimise fees and plan for your future care needs.

If you would like to discuss your aged care options, please give us a call.

# Financial missteps can mean **missed opportunities**



In a world of constant financial noise, from market updates and interest rate speculation to economic forecasts, it's easy to feel overwhelmed and choose to do nothing.

But inaction can be costly when it comes to building long-term wealth. Whether it's leaving money in cash, delaying investment decisions or ignoring the power of regular contributions, the financial consequences of sitting still can quietly erode your future goals.

## Inflation is a wealth killer

One of the most overlooked risks of doing nothing is inflation. While your money might feel 'safe' sitting in a savings account or term deposit, its purchasing power is shrinking every year.

For example, if you'd tucked \$10,000 under the mattress in 2014, ten years later in 2024 it was worth just \$6926.70 in real terms, thanks to the average annual inflation rate of 2.7 per cent. That's a 30.7 per cent loss in value without spending a cent.<sup>i</sup>

Even in low-inflation environments, the real return on cash is often negative once you factor in tax and inflation.

## The 'cost' of cash

Holding too much cash for too long can be a drag on your portfolio's performance. While cash plays an important role, it's not designed for long-term growth.

Consider this:

- Over the past 30 years, Australian shares have returned an average of 9.3 per cent per year, while cash has returned 4.1 per cent annually.<sup>ii</sup>
- That difference compounds significantly over time. Based on those rates, \$100,000 invested in shares could grow to approximately \$1.4 million in 30 years, while the same amount in cash might only reach around \$330,000.

By staying in cash, investors miss out on the growth potential of other asset classes.

## The perils of 'set and forget'

Many investors start out with good intentions. They set up a portfolio, make an initial contribution and then leave it untouched for years.

While long-term investing is a sound strategy, neglecting your portfolio entirely can lead to missed opportunities.

Here's what you need to be aware of:

- **Asset allocation changes** – Market movements over time can affect your portfolio's intended risk profile.
- **Dividends** – If dividends are paid out and not reinvested, you lose the benefit of the compounding effect.
- **Changing goals** – Your financial needs are likely to change as you age, but your portfolio won't reflect that it's unless reviewed.

Annual check-ups can help ensure your investments are still working for you.

## Missed opportunities

Compound interest is one of the most powerful tools in wealth creation. But compounding works best if you're consistently contributing and reinvesting.

Consider two hypothetical investors who both invest \$10,000 earning an average 7 per cent per annum:

- Investor A contributes an extra \$5,000 each year
- Investor B contributes nothing after the initial \$10,000 investment

After 30 years (and not accounting for fees and other costs):

- Investor A may end up with more than \$500,000
- Investor B may end up with around \$76,000

The difference? Regular contributions and the magic of compounding.

You can do your own calculations with ASIC's MoneySmart calculator.

## From passive wealth to active growth

The cost of doing nothing can be even more pronounced for high-net-worth investors. With larger sums at play, the opportunity cost of holding excess cash or delaying strategic investment decisions can translate into millions of dollars in missed growth over time.

While capital preservation is important, so is capital productivity. Allocating funds across diversified asset classes can help balance risk while enhancing long-term returns.

Inaction, especially in times of market uncertainty, may feel prudent, but it often results in underutilised capital that fails to keep pace with inflation or evolving financial goals.

After all, your financial plan should evolve with you. A portfolio designed five years ago may no longer suit your goals, risk tolerance or tax situation. Life changes – marriage, children, career shifts, retirement planning – and your investments should reflect those changes.

## The bottom line

Doing nothing might feel safe but it's often the riskiest choice of all. Inflation erodes your savings; cash underperforms over time and missed opportunities can delay or derail your financial goals.

By taking small, consistent steps such as contributing regularly, reinvesting earnings and reviewing your plan regularly, you can build a strong foundation for long-term financial success.

We're here to help you take control and make your money work harder for your future.

<sup>i</sup> <https://www.rba.gov.au/calculator/annualDecimal.html>

<sup>ii</sup> [https://fund-docs.vanguard.com/AU-Vanguard\\_Index\\_Chart\\_poster.pdf](https://fund-docs.vanguard.com/AU-Vanguard_Index_Chart_poster.pdf)