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The important role technology and geopolitical forces will play in shaping the economic road ahead

Four ways to psychologically prepare for retirement – before you leave work

Count
The confidence to look ahead

The important role technology and geopolitical forces will play in shaping the economic road ahead

The global economy is being shaped by conflicting triggers. These include productivity-boosting technology innovations, geopolitical tensions and the strident efforts of central banks to bring inflation under control. We examine the economic outlook and discuss the implications for your retirement savings.

As countries around the world isolate from globalisation, we're seeing an increasingly fragmented global economy. While governments manage their economies in response to local and global pressures, they're pushed and pulled in different directions. Some countries, like the USA, appear to be thriving, while other regions, like Europe, are struggling. Three overarching themes look set to shape the global economy in the year ahead: transformational technology, geopolitical conflicts, and the actions of central banks to win the war against inflation.

Productivity-boosting technologies

In recent years, we've witnessed ground-breaking developments in generative artificial intelligence, life sciences and sustainable energy.

If you're old enough to remember, we've seen times like these before. The 1990s was also a transformative decade when the rise of the world wide web and the widespread take up of personal computers and mobile phones reshaped the global economy. We saw increased productivity, new jobs and the birth of a new digital economy.

Today's technological advances could also unlock higher growth and deliver long-term productivity gains as they roll through industries across the world. However, with US companies – specifically the 'magnificent seven' – driving most of these gains , the benefits won't be evenly distributed.

Heightened geopolitical temperature

For many commentators, geopolitical tensions are at their greatest heights since the end of the second world war. What's more, tensions percolate across several fronts: the Middle East, Europe and among China, it's neighbours and the USA.

As people, we're naturally concerned about these conflicts. However, it's important to note that, as long as factories continue to produce and trade continues around the world, the global economic engine will keep turning. Where we could see economic risks is if geopolitical deterioration makes it hard for major economies to operate, or leaders make politically motivated decisions that are harmful to their nation's economic interests.

On a positive note, geopolitical tensions aren't always negative for investors. Certain assets can perform strongly, such as assets that support energy-independence or strengthen cybersecurity.

Central bank actions to rein in inflation

Although inflation is coming down, it has proven to be stickier than expected and interest rates have remained higher for longer. Around the world, high interest rates have significantly eroded the savings of households and businesses and have increased debt levels. The longer central bankers wait to cut interest rates, the greater the risk of recession and financial instability, with adverse consequences for households, businesses and the broader economy.

In summary, the global economy faces a bumpy road ahead. The three issues to watch include the timing of central bank interest rate cuts, the resilience of consumer spending and whether productivity-boosting innovations can offset geopolitical headwinds. Tensions between these drivers makes forecasting difficult, with likely outcomes ranging between continued growth, flat growth or a recession that brings financial instability.

Fortunately, there are three ways you can seek to protect your retirement savings from an uncertain global economy.

1. **Take a long-term view**. When there's a lot of political and economic news, it's important to take a medium to long-term view and avoid making knee-jerk investment decisions.
2. **Diversification**. Spreading your investments across regions, assets and companies is a strong defence against geopolitical uncertainty, volatility and dispersion of returns.
3. **Expert investment management**. Professional investment managers watch events closely, monitoring geographic and sector risk to smooth out negative impacts while also positioning for the opportunities that emerge.

How your Count Financial adviser can help

If you have any questions about how technological innovation, geopolitical risks or interest rate changes are impacting your investment portfolio, talk to your Count Financial adviser. They'll be able to advise you on whether any adjustments to your portfolio are warranted, taking into account your financial goals.

References for compliance approval:

What impact will interest rate cuts have on income investors? The March 2024 Quarterly Market Update (perpetual.com.au)

World economy: Fragmentation means the world won't respond to shocks as it did before (afr.com)

Four ways to psychologically prepare for retirement – before you leave work

Retirement can feel like a shockwave, particularly if life's circumstances or a redundancy means that you don't get to choose the timing. We outline below how to set up healthy habits and structures now and set out why having a financial adviser can help smooth your transition.

Leaving work is one of life's biggest changes. It's on the scale of other big transitions like adolescence or new parenthood. This is because retirement forces us to reset where we fit in the world and find our sense of meaning in new ways.

Getting psychologically ready for retirement means we must face up to what we lose: the steady pay cheque, status, collegiate relationships and a highly structured week. We need to proactively replace these losses with new gains, such as pleasurable activities and relationships that give us meaning and purpose. Here are four ways to prepare:

1. Dial down your work hours

Consider gradually withdrawing from full-time work by shifting to part-time work or consulting before you retire. By easing into retirement, you're better able to diffuse the shock that comes from no longer working. And by reducing your work hours, you'll free up the time and mental energy you'll need to invest in social connections and initiate new activities.

2. Dial up your non-work activities

The pleasure of endless leisure time can quickly turn to boredom when you're retired. So, in the years before you retire, build a scaffold of new activities. When you have a motivating reason to get up each day, it's much easier. You'll strengthen your sense of purpose, meaning and identity for your post-work life.

Start by developing a portfolio of personal activities in the same way that you might diversify your investment portfolio and use these activities to create structure and rhythm. Volunteer, learn a new language, take up a sport, find new hobbies, write a book, deepen your religious practice or set up a business. Be brave and proactive in exploring your options rather than waiting for activities to come to you. Use activities to strengthen your identity and boost your self-worth so that when you meet someone for the first time you can confidently describe yourself without referring to your career.

3. Dial up your social life

Without regular contact with colleagues, loneliness is a common problem retirees face. No one's calling, no one's emailing, no one needs your help. Use the time leading up to retirement to develop a full social life. It can be helpful to surround yourself with people on the same journey. Consider joining community groups, advocacy groups, men's sheds, senior sporting groups, choirs, walking clubs and book clubs before retirement. Invite people over for a meal and build community around your neighbourhood or your personal interests.

As much as possible, set up a rhythm of regular social commitments. That structure will help to replace the discipline of going to work.

Another reason to invest in a social network is to prevent overwhelming your close relationships. Because if, after a long career, you're suddenly spending a lot of time at home, you risk disrupting your partner's rhythms. Plus, being socially active will relieve any pressure your partner might feel to keep you busy.

4. Plan your finances

It can be psychologically challenging to leave the certainty of a regular pay cheque. And when you're accustomed to your superannuation and other savings growing year on year, it can be hard to spend what you've saved.

Having confidence that your finances are in good shape makes the transition to retirement much easier. That's why it's critical to have a financial plan. You're then able to retire knowing how much you're able to spend – and that your finances are in safe hands, whatever the future holds.

How your Count Financial adviser can help

If you're planning to retire in the next five years, talk to your Count Financial adviser about how to put in place plans to set you up for financial, social and psychological success in retirement.

The numbers

2.1 million
people without a job did not want a job, with a further
3.4 million
either retired or permanently unable to work[2]

Household saving to income ratio remained at
0.6%[1]

The monthly CPI indicator rose
3.5%
in the 12 months to July[3]

GDP rose
1.5%
in 2023-24[4]

New loan commitments rose
3.9%
for housing[5]

1 Australian Bureau of Statistics
2 Australian Bureau of Statistics
3 Australian Bureau of Statistics
4 Australian Bureau of Statistics
5 Australian Bureau of Statistics

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