

FROM SHAKESPEARE TO SUPER MASTERING TIME VALUE AND BEHAVIOURAL BIASES FOR LASTING WEALTH



BY WEALTH ADVISER

When life throws you a curveball—a broken-down car, an unexpected medical bill, or simply the temptation of a flash sale—how do you respond? The choices you make in these moments can determine whether you build lasting wealth or find yourself trapped in cycles of financial stress. This isn't just about having willpower; it's about understanding the fundamental psychological forces that drive our money decisions and learning how to work with them, not against them.

Introduction: The Time Paradox in Modern Life

Shakespeare's desperate cry "My kingdom for a horse" in Richard III captures something timeless about human nature: when we need something now, rational long-term thinking often goes out the window. Today, this same urgency plays out differently but just as powerfully. Consider Sarah, a 28-year-old marketing coordinator who recently received a \$1,200 tax refund. She could invest it in her superannuation where compound interest would turn it into roughly \$11,500 by retirement. Instead, she's eyeing a weekend getaway that costs exactly \$1,200.

BEFORE YOU GET STARTED

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This tension between immediate desires and long-term benefits isn't a character flaw—it's hardwired into how our brains process rewards and time. Traditional finance assumes we discount future money exponentially—steadily reducing its value at a consistent rate over time. In reality, most of us follow what psychologists call “hyperbolic discounting,” where we dramatically undervalue rewards that aren't immediate, but then value them more normally once both options are pushed into the future¹.

“People can make irrational decisions when it comes to money. For example, behavioural experiments reveal subjects who prefer to have \$50 today over \$100 in six months' time”¹. This explains why Sarah might choose the holiday over superannuation savings, yet if asked whether she'd prefer \$100 in nine months or \$50 in three months, she'd sensibly choose the larger, slightly delayed amount.

Understanding the Modern Financial Landscape

Australia's financial environment makes these behavioural tendencies particularly costly. Over 4.7 million payday loans were issued between 2016 and 2019, worth \$3.09 billion, with lenders earning approximately 17.8% returns through fees and interest². These short-term loans, averaging \$751 but reaching nearly \$1,000 for young Australians aged 18-29, represent hyperbolic discounting in its most expensive form.

Despite having one of the world's most sophisticated retirement savings systems, many Australians approach retirement with inadequate balances. Current data shows the average superannuation balance for those aged 60-64 is \$380,737 for men and \$300,717 for women³. Yet ASFA calculates that a comfortable retirement for a single person requires approximately \$595,000 in savings⁴.

These gaps aren't primarily due to low wages or poor investment performance. Australia's compulsory superannuation system has delivered average annual returns of 7.6% over three decades. The problem lies in our collective struggle with time preference and the psychological barriers that prevent us from making decisions aligned with our long-term interests.

The Psychology Behind Financial Decisions

Hyperbolic Discounting in Daily Life

Beyond payday loans, hyperbolic discounting manifests in countless ways that erode long-term wealth. Consider the difference between buying a coffee daily (\$5) versus

Recent neuroscience research helps explain why these patterns are so persistent. Brain imaging studies show that immediate rewards activate the limbic system—our emotional, impulsive brain region—while delayed rewards primarily engage the prefrontal cortex, responsible for rational planning.

investing that money. At 7% annual returns, that \$1,825 yearly coffee budget compounds to over \$40,000 after 20 years. Yet the immediate pleasure of the morning ritual consistently wins over the abstract future benefit.

This pattern appears across income levels. High earners often display “lifestyle inflation”—increasing spending to match income rather than directing additional earnings toward long-term wealth building. The underlying mechanism is identical: immediate gratification takes priority over delayed rewards, regardless of the amounts involved.

The Neuroscience of Now

Recent neuroscience research helps explain why these patterns are so persistent. Brain imaging studies show that immediate rewards activate the limbic system—our emotional, impulsive brain region—while delayed rewards primarily engage the prefrontal cortex, responsible for rational planning⁵. This neurological reality means that purely rational approaches to financial planning often fail.

Cognitive Biases That Compound the Problem

Financial decisions involve multiple biases working together:

Confirmation Bias: We seek information that supports our existing spending patterns while ignoring evidence that challenges them. A person who believes property always outperforms shares will focus on periods when this was true while dismissing contrary evidence.

Information Overload: “People most often make poor financial choices when presented with too many options or when information is unnecessarily complex”⁶. The abundance of investment choices can paralyse decision-making, leading to procrastination or default options that may not serve long-term interests.

Recency Bias: Recent events dominate our perception of future risks and returns. After market crashes, investors often become overly conservative, missing subsequent recoveries.

Overconfidence: Most investors believe they can time markets or pick winning stocks despite overwhelming evidence that professional fund managers struggle with these same tasks.

The Australian Curriculum Response

Recognising these challenges, Australian education authorities have embedded financial literacy across the

national curriculum. “Within Mathematics, the Number, Algebra and Measurement content strands include explicit content to help students develop an understanding of money and apply mathematics to investigate and solve problems involving financial contexts”⁷.

By Year 9, students “learn and can think critically about financial contexts involving the cost of credit and interest earned on investments” and “understand and apply strategies to manage financial risks and rewards”⁷.

The curriculum recognises that financial capability involves more than knowledge. The National Consumer and Financial Capability Strategy 2022 defines five essential elements: financial knowledge, skills, attitudes, confidence, and positive behaviours that lead to sound money management decisions.

Practical Strategies for Overcoming Behavioural Barriers

Automatic Systems and Default Choices

The power of automation cannot be overstated. When contributions are automatically deducted before we see our pay, hyperbolic discounting loses its grip. Consider Emma, a 25-year-old teacher who sets up automatic salary sacrifice contributions of \$100 weekly to her superannuation. Over 42 years until retirement, assuming 7% annual returns, this creates an additional \$906,175 in retirement savings. The total contributions amount to \$218,400, meaning compound interest adds nearly \$688,000 to her retirement nest egg.

The Power of Specific Goals

Vague goals like “save more for retirement” compete poorly against specific immediate desires. Successful savers translate distant objectives into concrete, emotionally resonant terms. ASIC’s MoneySmart calculators show that a 30-year-old with a current \$40,000 super balance who contributes an extra \$50 weekly would have approximately \$1.1 million at retirement⁸. Frame this differently: that extra \$50 weekly—roughly seven coffees—funds 25 years of comfortable retirement.

Implementation Intentions and Pre-Commitment

Psychology research shows that “implementation intentions”—specific if-then plans—dramatically improve follow-through on goals. Rather than resolving to “spend less on entertainment,” create specific rules: “If I’m tempted to buy something over \$100 that isn’t essential, I’ll wait 48 hours before purchasing.”

Making the Future Vivid

One reason immediate rewards win over delayed ones is that we can clearly visualise the immediate benefit while future rewards remain abstract. AustralianSuper provides a

compelling example: “A 20-year-old who starts putting aside \$110 a fortnight at a 5% per annum net investment return may save close to half a million dollars by the time they’re 65 years old”⁹.

Real-World Applications: From Debt to Wealth Building

Breaking the Debt Cycle

For Australians struggling with high-cost debt, understanding these psychological patterns is crucial for escape. Credit card debt, averaging 20.07% for standard cards and 13.23% for low-rate cards, compounds against borrowers through the same mathematical principles that could otherwise build wealth.

Breaking debt cycles requires addressing both the mathematics and psychology involved. This often means confronting the emotional and social drivers of spending—using purchases to manage stress, maintain social status, or provide short-term mood boosts.

Building Investment Discipline

Consider two friends, both 30 years old: James invests \$5,000 annually for 10 years, then stops contributing but leaves his money invested. Sarah waits until 40, then invests \$5,000 annually for 25 years until retirement. Despite contributing \$50,000 versus Sarah’s \$125,000, James ends up with more money due to the additional decade of compound growth¹⁰.

Superannuation: Australia’s Compounding Engine

The Mathematics of Super Success

Current data shows significant variation in superannuation balances by age and gender. For Australians aged 35-39, average balances are \$90,822 for males and \$71,686 for females. By ages 60-64, these have grown to \$380,737 and \$300,717 respectively³.

Consider Maria, a 35-year-old with the average female super balance of \$71,686. If she contributes only the mandatory 11.5% on a \$65,000 salary, her balance grows to approximately \$580,000 by retirement. However, adding just \$50 weekly in extra contributions increases this to roughly \$750,000—an additional \$170,000 for \$108,000 in extra contributions.

Salary Sacrificing: The Behavioural Sweet Spot

Salary sacrifice contributions work particularly well because they occur before money reaches your bank account, eliminating the psychological difficulty of “giving up” money you already possess. For a professional earning \$80,000 annually, sacrificing \$5,000 reduces take-home pay by only \$3,250 after tax savings. Over 25 years, this \$5,000

annual contribution compounds to approximately \$342,000 at 7% returns.

The Gender Superannuation Gap

Women aged 60-64 have average superannuation balances 21% lower than men³. This gap reflects multiple factors: career interruptions for child-rearing, greater representation in part-time work, and concentration in lower-paid industries.

The mathematical impact of these factors is amplified by compounding. A five-year career break not only means five years of missed contributions—it also eliminates the compound growth on those contributions over subsequent decades. For a 30-year-old woman taking five years out of the workforce, the total retirement impact might be \$200,000-300,000.

Understanding this dynamic can inform better decision-making for couples. Spouse contributions allow working partners to contribute up to \$3,000 annually to non-working or low-earning partners' superannuation, with government co-contributions potentially adding another \$540.

Implementation: Your Personal Action Plan

The First 30 Days

1. **Review your superannuation:** Check your current balance, investment options, and contribution rates. Use online calculators to model the impact of additional contributions.
2. **Set up automatic transfers:** Create a separate savings account with automatic weekly transfers, starting with even \$20 weekly.
3. **Consolidate high-cost debt:** Investigate consolidation options or balance transfer offers to reduce interest rates.

The First 90 Days

1. **Optimise salary sacrifice:** Calculate the tax benefits of additional superannuation contributions.
2. **Establish investment discipline:** Set up regular contributions to diversified index funds or ETFs.
3. **Create implementation intentions:** Define specific rules for discretionary spending decisions.

Ongoing Optimisation

- Increase contributions regularly as income grows
- Review investment allocations annually
- Track meaningful metrics like monthly savings rate and net worth growth
- Celebrate milestones like reaching \$10,000 in investments or paying off high-interest debt

Conclusion: Harnessing Time and Psychology for Lasting Wealth

The path to lasting wealth isn't just about earning more money or finding better investments—it's about understanding and working with the psychological forces that drive our financial decisions. Successful wealth builders recognise these tendencies and create systems that channel them toward productive outcomes.

Australia's superannuation system provides a powerful foundation, but realising its potential requires active engagement with both the technical and psychological aspects of wealth building. The difference between retiring with \$300,000 and \$600,000 in superannuation might come down to small, consistent behaviours maintained over decades.

The mathematics of compound interest are remarkable: money invested at 7% annual returns doubles every decade, meaning \$1 invested at age 25 becomes \$16 by retirement. But mathematics alone rarely drives behaviour change. The real breakthrough comes when you combine these powerful mathematical forces with practical understanding of your own psychological patterns.

Start small, automate what you can, and remember that perfect timing is less important than simply beginning. The most powerful force for building wealth isn't complex investment strategies or perfect market timing—it's the disciplined application of compound interest over long time periods, combined with systems that work with your psychology rather than against it.

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STABLE MONEY IN AN UNSTABLE WORLD

WEIGHING THE PROMISE AND PERIL OF DIGITAL CURRENCIES

BY WEALTH ADVISER

Introduction: The Changing Face of Money

Economic turbulence and rapid technological change have converged to reshape our understanding of what constitutes money. As digitisation permeates every aspect of modern life, the very nature of currency is evolving beyond physical notes and coins. “As every aspect of our lives has been transformed by digitisation, the changing nature of money and currencies should come as no surprise”¹. Stablecoins—cryptocurrencies pegged to fiat currencies and built on blockchain—have emerged as a new form of digital money promising faster, cheaper transactions. Yet their rapid rise brings profound questions around privacy, surveillance and financial control. This article examines both sides of the stablecoin story, helping Australian consumers navigate opportunities and risks in an increasingly digital payments landscape.

1 Promise of Stablecoins: Speed, Cost and Accessibility

Stablecoins offer near-instant settlement and often lower transaction costs compared with traditional rails, particularly in cross-border and underbanked contexts. “Stablecoins

can strengthen remittance and payroll systems for global businesses...improve the experience for participants by reducing settlement times and costs”².

Circle’s USDC exemplifies these benefits: transactions settle almost instantly on-chain, with fees often a fraction of bank wire costs³. In remittances—from Australia to the Pacific Islands, for instance—stablecoins could cut intermediaries and foreign-exchange margins.

Moreover, stablecoins serve as a store of value in volatile currencies. As one Australian analysis notes, AUD-pegged tokens offer protection against inflationary pressures in emerging markets: “AUD stablecoins matter as a hedge against inflationary pressures, preserving purchasing power where local currencies fall short”⁴.

With more than two billion dollars paid annually in card fees domestically, Australians stand to benefit from reduced costs⁵. For freelancers, small exporters and families supporting loved ones overseas, stablecoins present a compelling alternative.

2 Peril of Surveillance and Control

Yet the architecture that gives stablecoins transparency also raises critical privacy concerns. Blockchain’s public

Australia's digital identity proposals, aiming to link digital wallets with verified identity systems, further blur lines between convenience and surveillance. Citizens must weigh faster payments against potential loss of transactional privacy.

ledger can expose transaction histories in granular detail. Policy proposals in the United States have ignited debate over mandatory data collection. As the Cato Institute warns, “Stablecoin legislation must ensure financial privacy, or risk a surveillance infrastructure rivalled only by centralised digital currencies”⁵.

Similarly, concerns have been raised that U.S. regulatory drafts would require transaction reporting far beyond existing banking requirements: “Concerns raised over privacy in U.S. stablecoin legislation highlight the risk of blanket data collection on consumer behaviour”⁶.

These issues echo debates over central bank digital currencies (CBDCs). Unlike private stablecoins, CBDCs give central banks ultimate control: “Bitcoin vs. CBDCs: The difference is control—CBDCs enable government oversight over every transaction, while private cryptos preserve more user autonomy”⁷.

Australia's digital identity proposals, aiming to link digital wallets with verified identity systems, further blur lines between convenience and surveillance. Citizens must weigh faster payments against potential loss of transactional privacy.

3 Incumbent Competition and Regulatory Dynamics

Stablecoins have been hyped as disruptors to Visa and Mastercard networks. However, the established card rails benefit from decades of investment, scale and regulatory integration. Magellan's analysis cautions: “Much of the excitement around stablecoin being the next big disruptor in consumer payments is misplaced...they lack the seamless, secure global network and consumer protections of V/MA”¹.

Visa processes roughly 65,000 transactions per second across 200+ countries with built-in fraud protections and chargeback rights—features that stablecoins cannot yet rival¹. Regulators in Australia and the EU have acted to cap interchange fees, preserving consumer outcomes while ensuring network viability¹.

Government policy will shape stablecoin trajectories. Australia's Treasury is modernising payment regulation to include licensing frameworks for digital payments providers, including stablecoin issuers⁸. The Reserve Bank's 2022 Bulletin called for clear guidelines on reserve backing, operational resilience and AML/KYC compliance⁹. These

guardrails aim to balance innovation with financial system stability and consumer protection.

4 Financial-Infrastructure Resilience and Innovation

Traditional networks' resilience stems from their network effects—each additional user increases value for all participants. Stablecoins must replicate these features to compete meaningfully. Collateral requirements, reserve audits and governance frameworks underpin trust in fiat-backed tokens. As Magellan notes, the Genius Act's AML/KYC mandates are a “step in the right direction for stablecoins to be considered as an ‘alternative payment’ mechanism”¹.

Collaboration between fintechs, stablecoin issuers and incumbents offers a path to incremental innovation. For instance, Taurus's open-source privacy layer for USDC could allow users to shield transaction details selectively, combining blockchain transparency with enhanced privacy¹⁰. Major banks in Australia are exploring partnerships with token issuers to streamline cross-border settlement, drawing on both regulated expertise and blockchain efficiency.

5 Navigating the Trade-Offs: Practical Guidance for Consumers

Australian consumers curious about stablecoins should adopt a cautious, informed approach:

Evaluate Provider Transparency: Choose issuers with regular reserve attestation, clear governance and robust AML/KYC practices¹.

Use Privacy-Enhancing Tools: Opt for wallets or layer-two solutions that support selective disclosure and advanced privacy features¹⁰.

Limit Exposure in Day-to-Day Spending: Reserve stablecoins chiefly for cross-border transfers or niche use cases; continue using regulated card and bank networks for everyday purchases to retain consumer protections.

Stay Informed on Regulation: Monitor developments from the RBA and Treasury regarding licensing, consumer

protections and interchange-fee reforms⁸⁹.

Ultimately, trust in money has long hinged on both convenience and confidence. As stablecoins reshape the payments landscape, consumers must weigh the promise of speed and cost savings against the potential perils of surveillance and system fragility.

Conclusion

Stablecoins represent a profound shift in how value can be stored and moved—offering speed, cost efficiencies and inclusion for underserved markets. Yet their public-ledger design and evolving regulatory frameworks give rise to serious concerns around privacy and control. In an unstable world, Australians should remain vigilant: embrace the innovative potential of stablecoins for specific use cases, but guard against unwitting surrender of financial privacy. As digital and regulated payments converge, the future of money may well be stable—yet the liberty it affords will depend on the trade-offs each consumer is willing to accept.

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Q&A: Ask a Question

How much can I add to my super before retirement under the latest concessional caps?

The concessional contributions cap for this financial year is \$30,000 and this applies to all concessional (before-tax) contributions, such as employer contributions (Super Guarantee) and salary sacrifice. If you haven't fully utilised your concessional cap in previous years, you can carry forward any unused cap amounts for up to five years, provided your super balance was less than \$500,000 as of June 30 in the previous financial year. Keep in mind, concessional contributions are taxed at 15% within your super fund, which is generally lower than personal income tax rates.

You can also make non-concessional contributions which are after-tax contributions. The cap for NCCs is \$120,000 per year, or up to \$360,000 using the three-year bring-forward rule, depending on your total super balance

However, if your total super balance exceeds \$2 million, your ability to make non-concessional contributions (after-tax contributions) may be limited. To maximise your contributions in a tax-effective manner, it's a good idea to speak with a financial adviser who can help you take full advantage of these caps and structure your super contributions.

How is capital gains tax (CGT) treated for investments in superannuation?

Capital gains tax (CGT) within superannuation is typically taxed at 15%, but the application varies depending on the type of super fund you hold. In a master trust or pooled trust structure, CGT is often reflected in the unit price of the fund. This means that the fund itself takes care of any realised capital gains, and the tax impact is embedded within the unit price. You do not have direct control over when gains are realised.

On the other hand, in a wrap account, CGT is only triggered when you sell specific assets held within the account. This allows you to manage the timing of CGT events, potentially giving you more flexibility to manage your tax situation. However, this comes with the need for more active management and potentially higher fees.

A financial adviser can help you choose the right superannuation strategy to optimise your tax position.