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AUTUMN 2025 EDITION

Don't wait for the perfect moment: The importance of simply being invested

Although Financial markets have experienced a significant rise over the past year, global financial markets have been volatile this past month due to geopolitical issues and changing trade policies. Questions about whether it is still a good time to invest are common in times like these, but focusing solely on market timing can lead to fresh missed opportunities. Successful investing involves much more than predicting market movements; it requires discipline, long-term planning, and time-tested strategies to mitigate risk.

The risks of trying to time the market

Market timing refers to the practice of attempting to predict future market movements and making investment decisions, both investing and withdrawing, based on those predictions. While the idea of buying low and selling high is appealing, the reality is that even experienced investors find it extremely difficult to time the market consistently.

The challenge is that the best of a market's performance in any given year is often concentrated in a small number of key 'best' days. Those best days are often clustered around periods of volatility, making them nearly impossible to predict. Missing out on those critical days regularly can have a serious long-term impact on your investment outcomes.

Why being (and staying) invested matters

The primary reason to be and stay invested is the power of compounding. Compounding occurs when your investment returns generate their own returns, creating a snowball effect over time. By staying invested, you allow compounding returns to work in your favour, which is critical for long-term wealth creation.

Financial markets have historically trended upward over time, despite both short and medium-term bouts volatility and negative performance. Investors who remain committed to being invested and maintaining their strategy consistently across their timeframe are more likely to benefit. Trying to time your entry and exit points unnecessarily increases the risk you're taking.

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The role of dollar cost averaging

One simple, yet effective strategy an investor can use to mitigate the risk of unfortunate market timing is dollar cost averaging (DCA). This involves investing a fixed amount of money at regular intervals, regardless of market conditions. By doing so, you spread your investment over time and reduce the impact of market volatility.

For example, if you invest a set amount each month, you will automatically buy more shares when prices are low and fewer shares when prices are high. This approach can help smooth out the effects of market fluctuations and reduce the emotional decision-making that often leads to poor investment choices. Does this sound familiar?

Benefits of dollar cost averaging:

- **Reduces the impact of volatility:** You are less likely to invest a large sum right before a market downturn.
- **Promotes disciplined investing:** You invest consistently over time, rather than reacting to market movements.
- **Takes emotion out of investing:** By following a regular schedule, you are less likely to make impulsive decisions based on fear or greed.

The only real downside of DCA is that it does not maximise returns in a consistently rising market. However, as noted, volatility is a normal part of long-term investing, and DCA remains a valuable strategy for navigating these fluctuations.

Focus on Long-Term Goals

Investing should be viewed as a long-term journey rather than a series of short-term bets. While it is natural to feel regret after missing out on a market rally such as in 2024, it is essential to remember that markets move in cycles. There will always be periods of growth and periods of decline.

Instead of focusing on market timing, investors should concentrate on investing in a diversified portfolio that aligns with their risk tolerance and financial goals. A well-diversified portfolio can help reduce risk and provide more stable returns over time.

Final Thoughts

While it can be tempting to wait for the “perfect” time to invest, the truth is that the best time to start investing is often as soon as possible. The longer you are in the market, the more you can benefit from compounding returns. Strategies like dollar cost averaging can be useful to help mitigate the risk of market timing and promote consistent investing habits.

Remember, it’s time in the market—not timing the market—that leads to long-term success. Focus on your financial goals, stay disciplined, and let your investments work for you over time. Remember, this is an area where a Financial Adviser can provide substantial value.

Building mental resilience for life’s unexpected challenges

In today’s fast-paced world, we all face challenges like career changes, retirement transition, health issues, or personal loss. These stressors can affect our ability to make clear, informed decisions. Just as we plan for our financial future, building mental resilience is essential for handling life’s uncertainties. Resilience helps us recover from setbacks, stay composed, and move forward with confidence.

Positive Psychology, a branch of mental health science, provides tools for strengthening resilience by focusing on strengths, optimism, and self-awareness. By engaging in wellbeing practices like mindfulness, meditation, and emotional regulation, we can develop the mental resilience needed to navigate life’s ups and downs.

Mindfulness: Staying present amid stress

Mindfulness involves focusing on the present moment without judgment. It helps break the cycle of worry and anxiety, allowing you to focus on what you can control now. Studies show that mindfulness reduces stress, increases focus, and improves emotional regulation, helping you stay calm and make better decisions in difficult situations.

Meditation: Quieting the mind for better decision-making

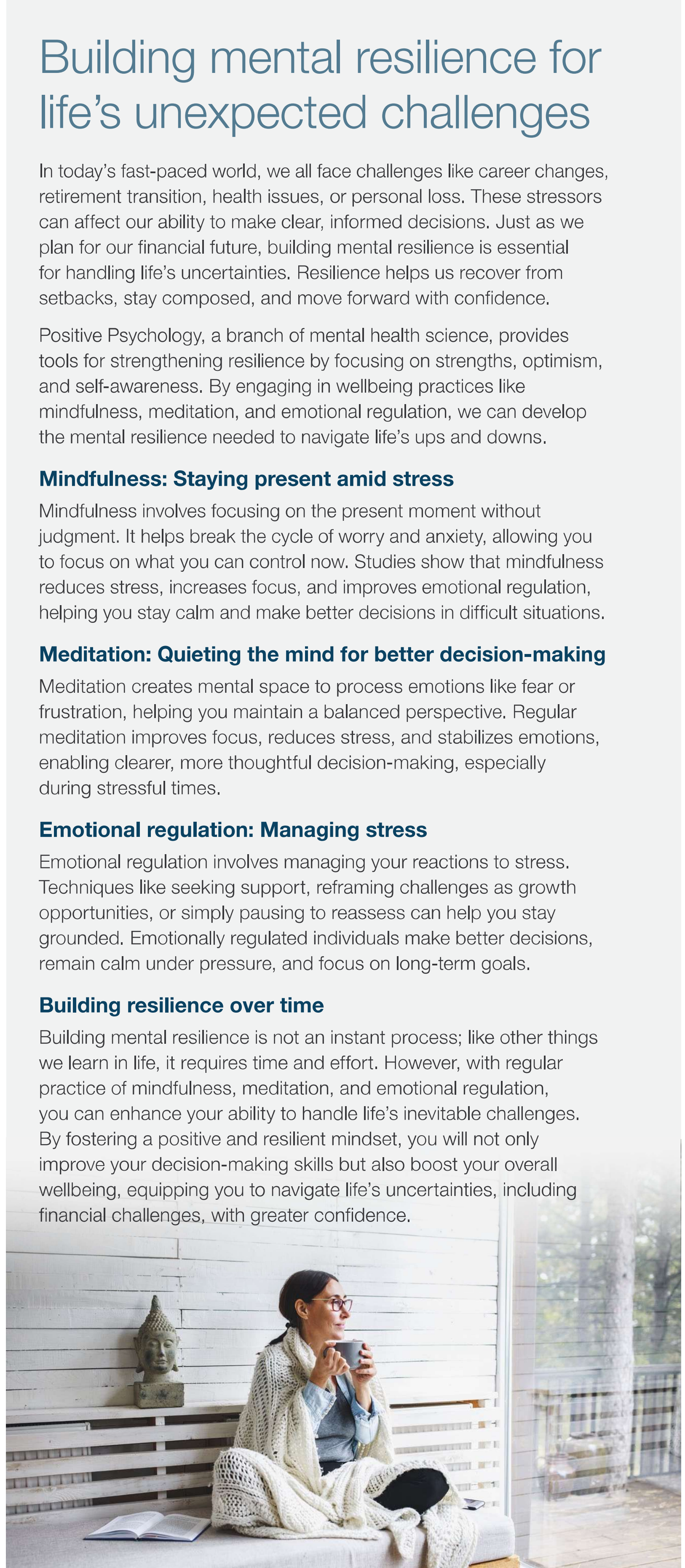
Meditation creates mental space to process emotions like fear or frustration, helping you maintain a balanced perspective. Regular meditation improves focus, reduces stress, and stabilizes emotions, enabling clearer, more thoughtful decision-making, especially during stressful times.

Emotional regulation: Managing stress

Emotional regulation involves managing your reactions to stress. Techniques like seeking support, reframing challenges as growth opportunities, or simply pausing to reassess can help you stay grounded. Emotionally regulated individuals make better decisions, remain calm under pressure, and focus on long-term goals.

Building resilience over time

Building mental resilience is not an instant process; like other things we learn in life, it requires time and effort. However, with regular practice of mindfulness, meditation, and emotional regulation, you can enhance your ability to handle life’s inevitable challenges. By fostering a positive and resilient mindset, you will not only improve your decision-making skills but also boost your overall wellbeing, equipping you to navigate life’s uncertainties, including financial challenges, with greater confidence.



Five top tips for financial wellbeing

We know that financial health can be just as important as physical and mental health when it comes to your overall wellbeing. Whether you're looking to improve your budgeting, reduce debt, or plan for your future, here are five easy-to-follow tips and practical strategies that can help set you and your family on the path to financial success.

Budget: Know where your money goes

When was the last time you reviewed your budget? Regularly checking in on your spending can help you stay in control, helping you reach your financial goals.

Creating and sticking to a spending plan is one of the most effective ways to stay financially secure. Start by reviewing your spending over the past six-months against how much you have earned. Are you happy with how much you have saved? One helpful approach is the "bucket method" – you allocate your expenses into different categories for things like, bills, groceries, entertainment and savings. This way you can see where your money goes and adjust your spending in those areas where you feel you need to.

If creating a spending plan seems overwhelming, remember taking small steps is better than none.

Manage debt: Stay on top of what you owe

Have you listed all your debts and their interest rates? Understanding which debts to tackle first can save you money in the long run.

Not all debt is created equal. Good debt – like student loans or a mortgage – can be an investment in your future, but high-interest debt, such as credit cards, where the borrowed money is used to purchase things that often decrease in value, can be a financial drain. Start by listing your debts and their interest rates, then focus on paying off the high-interest ones first. If you have a mortgage, it might be worth exploring options to refinance for a better rate.

Build an emergency fund: Prepare for life's unexpected moments

Do you have an emergency fund? If not, start small and build your savings over time.

An emergency fund is a financial safety net that helps you weather unexpected expenses – whether it's a surprise medical bill, car repair, or a job loss. Aim to set aside 3-6 months' worth of living expenses in a separate account. Start small and add to it whenever you can, using any unexpected income (like a tax refund or work bonus) to boost your savings. Having this buffer may help you avoid dipping into your long-term savings if life takes an unexpected turn. If you have a mortgage, putting this money into an offset or redraw account can help decrease the interest you pay on debt – providing you with two benefits!

Invest wisely: Grow your wealth over time

Have you reviewed your investment strategy recently? A little planning can help you grow your wealth more efficiently.

Investing is one of the best ways to build wealth for the future. If you haven't reviewed your investments lately, now is a good time to check if they still align with your goals. You may want to consider strategies like dollar-cost averaging, where you invest a fixed amount regularly, no matter what's happening in the market. This can help you cope with market fluctuations and build a well-diversified portfolio that works for your financial goals.

By setting up a regular investment plan, you "pay yourself first", and live off what is left – it is a way of forcing yourself to save and living within your means. We don't often notice the money we don't have – by investing it before we get the chance to spend it, we are setting up a better future for ourselves.

Plan for retirement: Set yourself up for a comfortable future

When was the last time you checked your superannuation? Consolidating accounts could save you money on fees.

You can never start saving for retirement too early. Take a look at your superannuation accounts to make sure they're all working in your favour. Consolidating multiple super accounts into one can reduce unnecessary fees and help you keep track of your savings. Regularly reviewing your super ensures it's still aligned with your retirement goals, helping you build a comfortable future. Be careful though about potentially losing insurance benefits within your superannuation. Expert advice can help you protect your family, while growing your wealth more efficiently.

Small steps, big results

By incorporating these simple strategies into your everyday financial habits, you can build a solid foundation for a secure and stress-free financial future. Saving for retirement can seem like a big challenge. But most big challenges are really just a series of smaller ones. Tackle enough smaller challenges and you will have achieved big things.

Need help along the way?

If you're unsure where to begin or need help, we recommend speaking with a financial adviser. Personalised advice can give you the confidence you need to achieve your financial goals.

Disclaimer: This information is general in nature and not a substitute for personalised financial advice. Always consult a financial advisor for advice tailored to your specific circumstances.

Manage capital gains tax and boost your super

If you make a gain on the sale of an investment, capital gains tax (CGT) can eat into your profits. But the good news is you may be able to use some of the sale proceeds to help you save on tax and grow your super. It involves making a super contribution and claiming a tax deduction to reduce your tax bill.

Here's how it works

When you sell an investment for a profit, the taxable capital gain is added to your other income and taxed at your marginal rate, which can be up to 47%[1] including Medicare levy.

But if you use some of the sale proceeds to make a super contribution and claim a tax deduction:

- you can offset some (or all) of the taxable capital gain, and
- the super contribution will generally be taxed at only 15% (or 30% if your income from certain sources is over $250,000).

By using this strategy, you may pay less tax on the sale of the investment. Also, once the money is invested in super, you can benefit from ongoing tax concessions. Earnings in super are taxed at a maximum rate of 15% (or 0% if the investments are supporting a 'retirement phase pension').

CASE STUDY

Tax savings from deductible super contribution

Anna, aged 42, is self-employed and earns a taxable income of $100,000 pa. She sold some shares for $80,000 and made a taxable capital gain of $20,000. If she doesn't make a deductible super contribution, the gain will be taxed at her marginal rate of 32%[1]. She'll therefore have to pay tax of $6,400, leaving $13,600 for her to save, invest or spend. If she makes a deductible super contribution of $20,000[2], she'll offset the taxable capital gain and 15% tax ($3,000) will be deducted from the super contribution. By making a deductible contribution, she'll save $3,400 in tax and add a net $17,000 to her super.

Key issues to consider

- It's generally not tax-effective to claim a tax deduction for an amount that reduces your taxable income below the effective tax-free threshold. This is because you would end up paying more tax (you will pay tax on the super contribution but get no tax benefit from the tax deduction claimed).
- To be eligible to claim the super contribution as a tax deduction, you need to submit a valid 'Notice of Intent' form before certain timeframes. You'll also need to receive an acknowledgement from the super fund before you complete your tax return, start a pension or withdraw or rollover money from the fund to which you made your personal contribution.
- Personal deductible contributions count towards your 'concessional contribution' cap. This cap is $30,000 in 2024/25, but may be higher if you didn't contribute your full concessional contribution cap in any of the previous five financial years and are eligible to make 'catch-up' contributions. Tax implications and penalties may apply if you exceed your cap.
- If you're between ages 67 and 74 at the time you make the contribution, you'll need to have met a work test or satisfy the work-test exemption. Generally, you cannot make a personal deductible contribution if you're aged 75 or older.
- You can't access super until you meet certain conditions.

While this strategy has some potentially powerful benefits, you should seek tax and financial advice before going ahead, to ensure it suits your needs and circumstances.

[1]Includes 2% Medicare levy

[2]Anna is eligible for and uses catch-up contributions.

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

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