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FINANCIAL SERVICES



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While headline inflation eased to 2.8% in the September quarter, the Reserve Bank remains unmoved on interest rates. RBA Governor Michelle Bullock says the drop in the cost of living may be welcome relief for most of us, but the Board's measure to watch is trimmed mean inflation and that's still not "sustainably" in the desired target range of 2-3%. It's not likely to get there until late in 2026, the RBA predicts.

The sharemarket reacted sharply to the Governor's comments in the last days of a month that had seen several all-time highs. US President-elect Donald Trump's promise for 25% tariffs on Canadian and Mexican goods also contributed to the billion dollar shares sell-off. Nonetheless, the S&P ASX200 finished November 3.4% higher.

The Australian dollar is also taking a beating from the possibility of both the US tariffs and the RBA's rates forecast. It hit a seven-month low below 65 US cents near the end of the month.

And, in good news the ANZ-Roy Morgan Consumer Confidence Index, while down slightly has stayed above a mark of 85 points for the sixth week in a row for the first time in two years. Commonwealth Bank projections expect a boost in sales for small businesses thanks to the Black Friday and Cyber Monday sales and the coming festive period.

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DOLLAR COST AVERAGING:

CAN IT WORK FOR YOU?



Australian share prices have seen record highs in 2024 after a sluggish couple of years.

The S&P ASX200 index added just under 7 per cent in the 10 months to October 31 closing at 8160.ⁱ It reached its previous all-time high of 8355 just two weeks before.

So, if you were invested in an index fund or a basket of shares mirroring the ASX200 for the entire period, it's likely you would have added some value to your portfolio.

Over the course of the year, the index has ebbed and flowed, recording several all-time highs and some jarring notes in response to global events.

Geopolitical tensions have also played a part in market skittishness as the wars in the Middle East and Ukraine continue and economists argue about the future impact on Australia of a Trump presidency.

US share prices surged the day after Donald Trump's election in what many saw as a positive reaction to the returning President's policies. Since then, prices have declined in a not-unexpected correction. Various analysts are predicting future volatility as markets respond to the proposed policies including tariffs and mass deportations promised by the President-elect.

These ups and downs in prices can have investors scurrying to hit the 'buy' or 'sell' buttons. They may be desperate to save further losses when share prices are falling rapidly or wanting to cash in on a rising market. Meanwhile, those with lump sums to invest may delay, trying to pick the time when prices are lowest.

Timing the market

It's a strategy – known as timing the market – that may work for some, particularly if you need access to your investment in the short term. But, for mid- to long-term investors, it's generally accepted to be problematic.

To begin with, predicting the next market movement is extremely difficult – even for experienced investors – because of the endless factors that can influence the markets.

Reacting to major market movements by selling or keeping a lump sum in cash until 'the time is right' means you run the risk of missing the market's best days and reducing your overall return.

Countless studies show that better long-term results are achieved by consistent investing over time.

In Australia, \$10,000 invested in the ASX/S&P 200 during the 20 years to October 2024 would have increased to \$60,777.ⁱⁱ But, if you had missed the 10 best days during that time, your total investment would be just \$36,014.

Dollar cost averaging

One way of removing the emotion and guesswork is to consider investing at regular intervals over time, ignoring any market signals, in a strategy known as 'dollar cost averaging'.

The strategy works best if you are investing over the medium to long term because it helps to smooth out the price peaks and troughs.

In fact, compulsory superannuation paid by employers is a form of dollar cost averaging. Smaller, regular amounts are invested automatically, regardless of market movements and, over time, the investment grows.

However, the jury is out on whether dollar cost averaging is a useful strategy when you have a lump sum in cash to invest.

Some advocates of dollar cost averaging argue that there's a better return because you reduce the risk of making a large investment just before markets plunge.

Those opposed to the strategy for lump sum investing say that, with a lump sum sitting in a bank account as you chip away at regular stock purchases, there is a risk that you will miss the best of the market.

A 2023 study found that investing a lump sum in the markets at once over the long term delivers a better return than a dollar cost averaging strategy.ⁱⁱⁱ

So, avoid the risks of timing the market and consider whether dollar cost averaging might be an appropriate strategy for you.

We'd be happy to discuss how best to ensure your regular investing strategy or investment of a lump sum, takes account of future market movements and volatility.

ⁱ <https://tradingeconomics.com/australia/stock-market>

ⁱⁱ <https://www.fidelity.com.au/learning-hub/understanding-markets/timing-the-market/>

ⁱⁱⁱ <https://investor.vanguard.com/investor-resources-education/news/lump-sum-investing-versus-cost-averaging-which-is-better?msocid=1d0ef73d34e2669b38aae39035f26789>



Gifts for future generations

At this time of year, when giving is particularly on our minds, some might turn their attention to how best share their wealth or an unexpected windfall with their loved ones.

You might be thinking about handing over a lump sum to help them with a major purchase or business opportunity, or be keen to help reduce or extinguish their student loans. Alternatively, it might be about helping to solve a housing problem.

Whatever the reason there are some rules that it is worth being aware of to ensure both you and they are protected.

Giving a cash gift

You can give anyone, family or not, a gift of cash for any amount and, as long as you don't materially benefit from the gift or expect anything in return, no tax is paid on the amount by either you or the receiver.ⁱ

The same applies if you're planning to pay out your child's student loans.

However, be aware that if the beneficiary of your cash gift is receiving a government benefit, such as an unemployment benefit or a student allowance, there is a limit on the size of the gift they can receive without it affecting their payments.

They may receive up to \$10,000 in one financial year or \$30,000 over five financial years (which can not include more than \$10,000 in one financial year).ⁱⁱ

Helping out with housing

Many parents also like to help their children get into the property market, where possible.

It's been a difficult time for many in the past few years in dealing with the COVID-19

pandemic, the rising cost of living and interest rates, and a housing crisis.

A Productivity Commission report released this year found that while most people born between 1976 and 1982 earn more than their parents did at a similar age, income growth is slower for those after 1990.ⁱⁱⁱ

With money tight and house prices climbing, three in five renters don't believe they will ever own a home even though most (78 per cent) want to be homeowners, according to data collected by the Australian Housing and Urban Research Institute (AHURI).^{iv}

Just over half of those surveyed (52 per cent) were renting because they didn't have enough for a home deposit and 42 per cent said they couldn't afford to buy anything appropriate, the AHURI survey found.

So, in this climate, help from parents to buy a home isn't just a nice-to-have it's becoming a necessity for many.

Moving home

Allowing your adult child, perhaps with a partner and family, to share the family home rent-free is a common option, giving them the chance to save up for a deposit.

One Australian survey found that one-in-10 people had moved back in with their parents either to save money or because they could no longer afford to rent.^v

If it gets too much living under the same roof, building a granny flat in your backyard may be an option. Of course

there are council regulations to consider, permits to be obtained and the cost of building or buying a kit but on the upside, it may add value to your home.

Becoming a guarantor

Another way to help might be to become a guarantor on your child's mortgage. This might be the best way into a mortgage for many but before you sign, think it through carefully, understand the loan contract and know the risks.^{vi}

Don't forget that, as guarantor, you're responsible for the debt. You will have to step in and repay if the lender can't afford to repay, and the loan will be listed as a default on your own credit report.

Any sign that you are being pressured to be a guarantor on a loan may be a sign of financial abuse. There are a number of avenues for advice and support if you're concerned.

It's vital that you obtain independent legal advice before signing any loan documents.

If you would like more information about how to provide meaningful financial support to your children, we'd be happy to help.

i <https://community.ato.gov.au/s/article/a079s000009GnFAAU/tax-on-gifts-and-inheritances>

ii <https://www.servicesaustralia.gov.au/how-much-you-can-gift?context=22526>

iii <https://www.pc.gov.au/research/completed/fairly-equal-mobility#media-release>

iv <https://www.ahuri.edu.au/analysis/news/rising-proportion-forever-renters-requires-tax-and-policy-re-think>

v <https://www.finder.com.au/news/boomerang-generation-2023>

vi <https://moneysmart.gov.au/loans/going-guarantor-on-a-loan>



SURVIVING THE *silly season*

Ah, Christmas!—the time of year when your bank account shrinks, your social calendar explodes, and your family dynamics resemble a poorly scripted soap opera. As we navigate this festive minefield of shopping, social gatherings, and feasting, it's common to feel a little frazzled.

In fact, research has found that the holiday season is one of the six most stressful life events we go through, in the same category as moving house and divorce.ⁱ

But it does not have to be - before you let the silly season get the better of you, here are some ways to not just survive, but thrive, to make it through the festive chaos and bring in 2025 feeling energised and on track to reaching your goals.

Get organised

Let's face it, the silly season is a whirlwind. Between work parties, family catch-ups, and obligatory gatherings with distant relatives you only see once a year, it's enough to make anyone want to retreat to a deserted island.

However, rather than running off to Bora Bora, if you want to survive the silly season relatively unscathed, planning ahead is a must. With the social calendar filling up quicker than you can say cheers, it becomes easy to overcommit and leave yourself feeling a little stretched. Rather than maintaining a constant schedule of parties and social engagements, why not learn the power of saying 'no'. Choose the events you really want to attend and think about each invitation before you send that RSVP. Remember to allow for some guilt-free 'down time' amongst all the festivities.

Shopping shenanigans

Shopping during the silly season can be akin to a scene from an action movie—chaotic, frenzied, and with a distinct chance of an all-in brawl.

Channel your inner Santa Claus and make a list. And yes, check it twice! A good list keeps you focused and reduces the chances of impulse buys—like that life-sized inflatable Santa that seemed like a good idea at the time. (Spoiler alert: it wasn't.)

Consider shopping online, too. You can sip your coffee in your pyjamas while avoiding the chaos of the shops. Just remember: the delivery cut-off dates are real! Don't be the person frantically searching for gifts at 9 PM on Christmas Eve.

The present predicament

Let's talk presents. It's lovely to give and receive gifts, but when did we all agree that every adult needs a new mug or another pair of socks?

To combat the gift-giving madness, consider doing a Secret Santa among adults. Set a reasonable budget and unleash your creativity. Who doesn't want a mysterious gift that could range from a novelty toilet brush to a box of chocolates?

Navigating the family dynamics

Family gatherings can be a delightful mix of love, laughter, and the occasional argument that would make for great reality TV. You know the drill—everyone has an opinion, and even the Christmas ham can become a hot topic of debate.

Before the big day, set some ground rules. No politics, no discussing that relative's questionable life choices, and absolutely no karaoke unless everyone is fully prepared to participate. If tensions start to rise, a little humour can go a long way. Embrace the absurdity of it all. If Uncle Bob starts arguing about the best way to cook prawns, counter with a story about how Auntie Sheila once tried to deep-fry a turkey—because that's a Christmas classic in its own right.

Don't try to do it all

If you're hosting this year, congratulations! You're officially in charge of managing the chaos. But you don't have to shoulder the entire load.

Encourage those who are coming to bring their 'special' dish. Not only does it lighten your load, but it also allows everyone to show off their culinary skills (or lack thereof). Plus, you might discover that Aunt Margaret's "special" potato salad is actually a hidden gem—just don't ask what's in it.

Survive and thrive

At the end of the day embrace the chaos, lean into the hilarity of when things don't go to plan, don't take it all too seriously and be prepared to step back a little when you need a break from all the festivities.

Here's to a joyful festive season filled with laughter and the wonderful chaos that is Christmas. We'll catch you on the other side. Cheers!

ⁱ <https://www.relationships.org.au/document/december-2016-christmas-stress/>