



In Sync
FINANCIAL SERVICES



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In December, the Board left the cash rate at 4.35% which hasn't moved in 14 months. All eyes will be on the RBA announcement in February as there has been speculation of a rate cut; however, the Board remains cautious and will not give any indication as to when they will make the first rate cut in 2025. House prices continued to soften, with national home prices recording the first decline in almost two years in December.

Stock markets closed out a strong year on a weaker note with the Dow Jones ending December around 5% lower and the S&P/ASX 200 falling a little over 3% as the anticipated 'Santa rally' did not eventuate.

The Australian dollar ended the year in the doldrums at just under 62 US cents.

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The many unpredictable events of 2024 could easily have been disastrous for investment markets. Instead, we saw remarkable resilience and growth despite occasional volatility as investors reacted to the extraordinary times.

While economic growth in Australia and overseas was underwhelming, share markets rode out the ups and downs to finish 2024 strongly.

2024 was the 'super election year', when almost 2.5 billion people in 70 countries voted.ⁱ One result that has captured the attention of governments and analysts around the world is Donald Trump's return to office in the United States. He has promised massive tariffs, tax cuts and increased spending on defence. All measures are likely to increase inflation and budget deficits which will affect global markets and economies.ⁱⁱ

Continuing geopolitical upheaval also marked the year. Tension in the Middle East grew as Israel expanded its campaign and European Union economies came under increased pressure when Ukraine stopped the flow of Russian gas.

The US dollar ended the year on a two-year high but that, and a weakening Chinese Yuan, led to a two-year low for the Australian dollar, which ended the year just below 62 US cents.ⁱⁱⁱ

Cost of living falls but interest rates steady

Around the world, interest rates fell during the year but in Australia, after five interest rate increases in 2023, the Reserve Bank (RBA) held steady at 4.35 per cent, believing inflation is still too high.

Nonetheless, the cost of living has fallen significantly, down to 2.8 per cent in the September quarter from a high of 7.8 per cent two years ago and 3.8 per cent in the June quarter.^{iv}

Falls in electricity and petrol prices contributed to the easing.

Australia's economy grew by 0.8 per cent in the three quarters to the end of September – it's slowest in decades.^v

House prices mixed across the country

The housing market appeared to cool by the end of the year with average national home values falling by 0.1 per cent in December to a median of \$815,000.^{vi}

CoreLogic's Home Value Index data shows five of the eight capitals recording a decline in values between July and December. These included Melbourne, Sydney, Hobart and the ACT. While in Perth, Brisbane, Adelaide and Darwin, home values increased.

Share markets survive and prosper

Global share markets were unsinkable in a year of stormy economic and political conditions.

The Nasdaq surged more than 30 per cent for the year. The S&P 500 was up 25 per cent – pushed along by the 'magnificent seven' tech stocks – and the Dow rose 14 per cent.

Although not quite in the same league, the ASX performed strongly, recording 24 new record highs during 2024. The S&P/ASX 200 closed the year at 8159, up 7.5 per cent, with some analysts predicting 2025 will close around 8800.

Commodities

Gold came into its own as a safe haven for those concerned about events around the globe, reaching an all-time high in October and adding more than 28 per cent for the year.

Oil prices were subdued with investors cautious about a glut, the risks of wider conflict in the Middle East, the war in Ukraine and the change of government in the US. Although there is some optimism for improved growth in China in 2025.

Iron ore prices have continued to decline, now down to about half of the peak US\$200 a tonne in 2021.

Looking ahead

Economists' forecasts vary on the timing of a cut in interest rates in 2025 but some believe there will be as many as four cuts, reducing the rate to 3.35 per cent by year end.

Share price volatility is expected to continue as investors roll with the global political and economic punches and the upcoming Australian Federal Election is likely to introduce uncertainty until the results are in.

If you'd like to review your goals for the coming year in the light of recent and expected developments, don't hesitate to get in touch.

Note: all share market figures are live prices as at 31 December 2023 and 2024 sourced from: <https://tradingeconomics.com/stocks>.

i <https://www.weforum.org/stories/2023/12/2024-elections-around-world/>

ii <https://www.afr.com/policy/economy/the-economy-and-markets-will-boom-under-trump-or-will-they-20241107-p5konn>

iii <https://www.abc.net.au/news/2025-01-01/australian-dollar-at-risk-of-falling-to-pandemic-lows/104776470>

iv <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

v <https://www.abs.gov.au/media-centre/media-releases/australian-economy-grew-03-cent-september-quarter>

vi <https://www.corelogic.com.au/news-research/news/2024/national-home-values-record-first-decline-in-almost-two-years>



THINGS TO DO TODAY THAT YOUR FUTURE SELF WILL *thank you* FOR

Achieving your long-term financial goals doesn't need to be overwhelming. If you can put in place some basic financial steps, you are on the road to a successful outcome.

It means keeping on top of your options and devising strategies for investment, debt reduction and risk protection. The start of the year is a perfect time to take a few proactive steps, that your future self will thank you for.

Building your nest egg

Adding to your superannuation is one of the most powerful and tax-effective ways to build your wealth over the long term. If you're an employee, consider salary sacrifice to add to the mandatory contributions made by your employer. Even a small amount, paid regularly, will make a big difference over time. Don't forget that there are some limits on how much you can invest before tax is affected, so it's a good idea to keep track of any before-tax, or concessional, contributions.ⁱ

Small business owners, sometimes struggling with cash flow issues, may be tempted to neglect their own super contributions but you risk missing out on the benefits later in life.

Finding ways to cut living expenses and reducing or eliminating debt, including paying off the mortgage as quickly as possible, are also obvious ways to attain financial security, although not always easy to implement with cost-of-living pressures. But, again, any small and regular steps towards your goal are a positive contribution.

Preparing for the unexpected

Apart from finding ways to build your wealth and reducing debt, being prepared for unexpected losses is another way to secure your future.

For example, losing your home, business premises or vehicle in a catastrophic event when you're not adequately insured creates a significant financial burden.

As natural catastrophes increase in frequency and intensity so does the 'protection gap', the economic losses caused by underinsurance or no insurance. One study estimated these losses in Australia at more than \$18 billion in the nine years to 2023.ⁱⁱ

The Insurance Council of Australia (ICA) says there are some common reasons for underinsurance.ⁱⁱⁱ

- 1.** Making an incorrect guess about how much it would cost to repair, rebuild or replace property and contents. The ICA suggests using a building insurance calculator and a contents insurance calculator. Most insurers include both types of calculators on their websites.
- 2.** Forgetting to update your insurance after upgrades to your home and belongings. Renovations, new furniture, and upgraded appliances can all add to the value of your home. It's a good idea to reconsider the value of replacement at least every time you renew your policy.
- 3.** Adding the extra costs such as demolition, clean-up, asbestos removal, council applications, architect, and surveyor services, and even the cost of temporary accommodation during a rebuild.

- 4.** Not accounting for all your assets – you probably own a lot more than you realise. Have you included the contents of your garden shed and your wardrobe?

Financial protection for personal events

Protecting yourself financially against unexpected personal events is also worth weighing up.

A survey of more than 5000 working Australians shows that, on average, almost 80 per cent have car insurance while just one-third have life insurance.^{iv}

Life insurance is a valuable protection for your family if something happens to you. There is also income protection insurance and various other personal insurances that can ensure you continue to receive an income when you're unable to work.

While cost-of-living pressures might make insurance or self-insurance seem like a luxury you can't afford, making an informed choice is the best you can do. That means the financial risks associated with events that affect yourself or your property and carefully weighing your options.

We'd be happy to help you review your wealth building and risk strategies and solutions for a financially safer 2025 and beyond.

ⁱ <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/concessional-contributions-cap>

ⁱⁱ https://insurancecouncil.com.au/wp-content/uploads/2024/08/21100_ICA_Catastrophe-Report_Print-2024_Final-single-pages.pdf

ⁱⁱⁱ <https://insurancecouncil.com.au/resource/know-your-worth-and-avoid-underinsurance/>

^{iv} <https://cali.org.au/financial-security-takes-back-seat-exposing-advice-crisis-as-australians-prefer-to-protect-cars-over-themselves/>

Say yes!

What's the **BEST**
that could happen?



As we step into a new year, it's a good opportunity to think about what we want to embrace and experience in the year to come. Amidst all the resolutions that might be broken before we know it, one powerful and positive way to approach the new year, is to make this the year of saying yes.

Let's dive into the warmth of possibility, fight the fear and explore the benefits of saying yes, while also recognising that it's perfectly okay to say no when it counts!

The magic of yes

There's something magical about the word "yes". It carries a sense of adventure, curiosity, and openness. When we commit to saying yes, we invite a world of possibilities into our lives. Whether it's trying a new hobby, attending a friend's event, or accepting an unexpected invitation, each "yes" can lead to enriching experiences that might just become the highlights of our year.

Be open to growth and learning

Every new opportunity is a chance to grow and learn something new. When we step outside our usual routines, we often discover hidden talents or passions we didn't know existed. Maybe you've always wanted to paint but never picked up a brush. A friend invites you to an art class, and suddenly, you find joy in expressing yourself creatively. Each experience expands our horizons and introduces us to an aspect of ourselves that we may not have known existed.

Cultivate new connections

Saying yes also opens the door to new relationships. Each time we engage with new people, whether in a casual setting or a more structured environment,

we have the opportunity to form connections. These relationships can lead to friendships, collaborations, or even just delightful conversations that brighten our days. When you attend that gathering or volunteer for a community event, you never know who you might meet or how they might inspire you.

Build confidence and spark inspiration

Each small step outside our comfort zones is an opportunity to build our confidence. When we say yes to new experiences, we're essentially telling ourselves, "I can do this!" Even if we stumble along the way, those moments contribute to our sense of self-efficacy. Think about that time you gave a toast at a wedding or tried rock climbing for the first time. The thrill of stepping up to the challenge can leave you feeling accomplished and more willing to embrace future opportunities.

New experiences can also ignite creativity and inspiration. Have you ever noticed how a change of scenery or a fresh activity can spark new ideas? It's like a reset for our brains. When we engage in activities that are different from our daily routines, we open ourselves up to innovative thinking. So, whether it's a cooking class, a new fitness routine, or exploring a different neighbourhood, each experience has the potential to inspire new ideas and perspectives.

Finding your balance

While saying yes has its many benefits, it's equally important to recognise that saying no is perfectly acceptable. Life is a balancing act, and sometimes we need to protect our time and energy. It's okay to say no to things that don't align with our values or drain us emotionally. For instance, if you're feeling overwhelmed with work and social commitments, it's perfectly fine to decline an invitation.

The key is finding a balance that works for you and to say "no" to the things that aren't right for you and "yes" to the things that are. When considering an invitation or opportunity, take a moment to ask yourself: Does this excite me? Will it bring me joy or growth? If the answer is yes, then lean in and say yes, but if it feels like a burden or something you're not genuinely interested in, don't hesitate to politely decline.

Remember, it's about making conscious choices that support your journey and well-being. Saying no when appropriate, frees you to say yes to the things that truly matter and make space for the right opportunities to come along—ones that truly resonate with us and enrich our lives.

So, let's step into this new year with open hearts and curious minds. Embrace those invitations, try that new activity, and savour the joy of each experience. Remember, it's not just about what you say yes to; it's about the richness of life that unfolds when you open yourself up to what could be. Here's to a year of embracing new possibilities!