December 2024

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  - Helping the kids without derailing your retirement plans
  - Unlocking success: Lessons from the world's best investors

We look forward to hearing from you if you have any questions.

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MONTHLY MARKET UPDATE

November 2024

How the different asset classes have fared:

(As of 30 November 2024)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash[1]	1.93	1.92	3.07	4.46	4.08	2.22	1.10	0.36
Australian Bonds[2]	1.90	-0.81	-1.10	5.02	2.27	3.00	-0.51	1.11
International Bonds[3]		-0.96	-2.67	5.93	2.62	4.46	0.66	1.27
Australian Shares[4]	9.35	8.58	8.98	23.53	14.97	11.08	5.81	3.66
Int. Shares Unhedged[5]	13.25	13.42	11.99	30.21	27.87	13.57	8.73	5.20
Int. Shares Hedged[6]	10.48	11.50	8.51	27.85	23.02	10.97	5.37	4.99
Emerging Markets Unhedged[7]	5.44	3.32	0.87	13.04	11.92	6.11	2.54	-3.08
Listed Infrastructure Unhedged[8]	8.90	6.03	9.52	22.72	22.00	14.34	8.06	4.04
Australian Listed Property[9]	9.73	6.40	7.10	39.16	24.92	14.25	6.16	2.35
Int. Listed Property Unhedged[10]	6.11	1.81	2.00	22.24	14.94	17.13	5.29	3.34
Gold Bullion Unhedged[11]	8.44	12.84	14.02	30.74	29.18	13.72	5.55	-4.14
Oil Unhedged[12]	-7.73	-1.16	14.58	1.56	7.57	-4.06	-4.23	-1.15

1 S&P/ASX Bank Bill TR AUD, 2 Vanguard Australian Fixed Interest Index, 3 Vanguard Global Aggregate Bd Hdg ETF, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD, 11 LMBA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centrepoint Research Team, Morningstar Direct

Key Themes:

- **Equities rose:** Both Australian and international equities rose in November. US equities grew on expectations for policies under a Trump presidency that will benefit US companies, mainly US banks and US energy stocks. In Australia, technology stocks grew as investors sought investment opportunities that would be less affected by global market challenges.

- **Bond prices rise:** Australian and international bond prices rose as bond yields fell in expectation of continuing rate cuts in both Australia and the US. This was despite Trump's planned policies that could have an inflationary effect on the US economy.

- **Australian Dollar depreciated:** The AUD depreciated against the USD as the USD strengthen after the result of the US election. The president-elect's proposed policies such increased tariffs could increase inflation and slow interest rate cuts which would increase demand for the USD.

- **Commodities rise:** Oil fell in November due to global demand for oil stagnating and gold also fell as the strengthening USD lowers the need to use gold as a hedge against currency devaluation.

International Equities:

In November hedged international shares and unhedged international shares were the fastest growing asset classes, growing by 4.99% and 5.20% respectively. Unhedged international shares outperformed hedged due to strong growth in the value of the US Dollar (USD) relative to the Australian Dollar (AUD) following on the from the result of the US election.

With Donald Trump's victory in the US election investors were drawn to US stocks under the belief that Trump's policies will be beneficial for US companies, with a particular focus on banks, technology stocks, and US based manufacturing companies. The strongest sector was consumer discretionary which grew by 7.62%, largely due to Telsa benefitting from Elon Musk's close relationship with the president-elect. The financials sector was the next best sector, growing by 7.46% with investors expecting a Trump presidency to mean looser banking regulation such as lower bank capital requirements that would improve profitability for US banks. Then we had the energy sector returning 4.95% and technology returning 4.59%, American oil companies also benefited from the belief that Trump policies would be a boon to them while technology stocks continued to grow as they have since the start of the year, with a bit of a boost from crypto related stocks such as Coinbase which have benefited from Trump's position on crypto currencies.

The only two sectors to fall in November were healthcare and materials, falling by 1.57% and 1.10% respectively. Healthcare stocks suffered as investors worry about what a Trump presidency will mean for health insurance subsidies. Materials has been a weak sector for much of this year and has continued to underperform due to fluctuations in material prices.

Australian Equities

Australian equities grew in November by 3.66%, reaching record highs. Leading that growth was the technology sector (10.87%) followed by the utilities sector (9.19%), and the consumer discretionary sector (7.53%). Technology stocks had a strong month as investors sought to find investment opportunities that are less effected by global market challenges. Utilities also grew from investors seeking more defensive stocks considering potential disruption in the market from Trump's victory in the US. Consumer discretionary stocks have risen after retail sales beat expectations by rising by 0.6% in October and consumer confidence increased.

In November just two sectors retreated, materials by 2.91% and energy by 1.72%. Just as in the US the materials sector suffered due to fluctuating material prices that caused investors to step away from the sector. The energy sector fell in Australia due to falling oil and coal prices from lower expected global demand.

Domestic and International Fixed Income

Australian bonds returned 1.11% in November as both the two-year and 10-year bond yields fell. The two-year bond yield fell by 12 basis points from 4.10% to 3.98% while the 10-year bond yield fell by 18 basis points from 4.37% to 4.19%. Yields fell following the announcement that the monthly Consumer Price Index (CPI) rose by 2.1% in October, the lowest inflation since July 2021. The trimmed mean inflation on the other hand, which the Reserve Bank of Australia focuses on for their interest rate decisions was 3.5% in October, up from 3.2% in September, showing that inflation is remaining somewhat sticky in the Australian economy.

International bonds also rose in November, returning 1.27% as bond yields fell. The US two-year bond yield fell by 3 basis points from 4.20% to 4.17% and the US 10-year bond yield fell by 20 basis points from 4.56% to 4.36%. This reduction in yields stems from the market continuing to expect sharp rate cuts from the Federal Reserve despite the fact that Donald Trump is expected to implement more inflationary policies.

Australian Dollar

In November the Australian Dollar depreciated against the US Dollar by 0.76%. This depreciation occurred more so due to the strength of the USD rather than weakness in the AUD. The USD has seen very strong performance since the result of the US election was decided, Trump's economic policies are seen as inflationary which will slow down interest rate cuts from the Federal Reserve which in turn increases demand for the USD. On the side of the Australian Dollar though it was also continuing disappointment in China's stimulus announcements that lowered expected demand for Australian exports and the Australian Dollar.

Commodities – Gold and Oil

The price of oil fell by 1.15% in November, continuing its trend from the past six months as the growth outlook in China continues to disappoint and general demand for oil across the globe has stagnated. This fall has been despite the intensifying conflict in Ukraine and the continuing conflict in the Middle East.

Gold fell in November as well, retreating by 4.14%. This retraction can be attributed to the growing strength of the US Dollar as the two share an inverse relationship, when the USD is strong there is less need to use gold as a hedge against currency devaluation.

HEADING FORWARD
FINANCIAL PLANNING

Prepare for Life

Summer 2024-25

IN THIS ISSUE

Financial wellbeing is a gift worth giving yourself

The festive season is a time of joy and celebration but, for some, it can also lead to a financial hangover in the New Year.

Overspending on gifts, parties, and decorations can quickly add-up, leaving us with unwanted debt in the New Year.

In 2022, Australians spent more than $66.7 billion during in the pre-Christmas sales in preparation for the festive season. The rising cost of goods and services mean that even though many are trying to curb their spending, it is expected that we will spend a little extra this year.[i]

5 ways to rein in Christmas spending

1. **Create a Christmas budget** A budget is an effective way of controlling spending. It may not sound like fun, but it helps you to understand what you would like to spend and how much debt you are prepared to live with. List all of the costs you can think of (gifts, decorations, food, travel and entertainment), then set limits for each category and stick to them diligently. Consider using budgeting apps or spreadsheets to track your expenses and ensure you stay on track.
2. **Embrace the spirit of giving** Instead of buying individual gifts for every family member or friend, organise a Kris Kringle or Secret Santa gift exchange. This not only reduces the financial burden for everyone, but it adds an element of surprise and excitement to the holiday festivities.
3. **Take advantage of sales and discounts** Begin your Christmas shopping early to take advantage of sales and discounts. Stockpiling non-perishable food items and other essentials before prices rise closer to Christmas can deliver big savings.
4. **Online shopping** You can often find better prices by shopping around online and various third-party websites offer cash back or rewards not available in store.
5. **DIY and personalised gifts** Tap into your creativity by making your own gifts. Handmade gifts can be a welcome and thoughtful way of giving. Consider creating homemade cards, photo albums, or baking treats for loved ones.

Tackle any debt now

With many households' budgets feeling the pinch due to rising housing, power, petrol and other costs, debts may already be increasing. But if you are feeling burdened with debt, don't decide to leave it until after Christmas. The time to tackle it is now before it gets out of hand.

One option to consider, is to consolidate your high interest debts into a single more manageable loan. This approach can simplify repayments and potentially reduce interest rates, making it easier to eliminate debt over time. But it is important to do your calculations carefully to make sure it is worthwhile for you and then to be vigilant about watching spending.

Another option is to take a cold, hard look at your expenses. Is there something that can be cut back, and that money diverted to repaying debt? Any reduction of your debt load will help, no matter how small. Some people like to implement the snowball method in tackling their debts: while continuing to make the minimum repayments on all your debts you pay a little extra on the smallest debt to pay it off faster. Getting rid of debts can help to inspire you to continue.

Taking control of Christmas spending and debt is crucial for starting the New Year on a positive financial note. So, start planning early, know what you can afford to spend and prioritise your financial wellbeing for a debt-free and stress-free holiday season.

If you are struggling with post-Christmas debt or need assistance to manage your finances, we are here to help. Contact our team of financial experts today to discuss strategies to regain control of your financial future. Make this Christmas season a time of joy and financial empowerment.

i https://www.retail.org.au/media/pre-christmas-spending-forecast-to-tread-water-as-uncertainty-looms-for-discretionary-retailers

Helping the kids WITHOUT derailing your retirement plans

As parents, the instinct to support our children never truly fades, even when they become adults but when you are looking at giving them a financial helping hand there is a bit to consider.

It's important to ensure any support you provide is not at the expense of your financial future. It can also be tricky knowing what form your support should take, in order to maximise the benefits for your kids.

Support in a challenging environment

In today's financial landscape, many young people are struggling to get ahead in the face of skyrocketing housing prices and rising living costs and it's increasingly common for parents to provide some form of financial assistance. In fact, more than half of parents with a child older than 18 provide financial support.[i]

So, if you are giving your adult kids a monetary helping hand, or considering it, you are in good company.

Achieving balance

The challenge for most people is the balance between helping your kids get a head start in life and making sure you have enough for a secure financial future.

It's important to have clear visibility of your own financial situation, of how much you'll need to fund the retirement you aspire to, and how much you can comfortably spare. If your financial future is secure, you'll be in a better position to help your children when they need it most, so ensure that any contribution you make to your kids' financial wellbeing is not at the expense of your superannuation and other retirement savings.

Ways of providing support

When we think of support we often think of the 'bank of mum and dad' helping with a home purchase and that is quite common, with 40 per cent of new home buyers getting a hand from their parents.[ii]

If you're considering this route, you have several options:

Gift funds: If you have the means, you can gift your child a portion of the deposit, however, be mindful of any tax implications.

Going guarantor: Another popular option is to act as a guarantor on your child's home loan. This means that you'll use the equity in your own home to guarantee the loan, which can help your child secure better borrowing terms. It's a significant commitment, so be sure to discuss the potential risks and implications thoroughly.

Co-ownership: In some cases, parents and children can purchase a property together, sharing the financial responsibilities. This arrangement can be beneficial, but it's crucial to have a clear agreement in place outlining each party's responsibilities and financial contributions.

Other ways of providing financial support

There are lot of other ways you can help your kids with a range of expenses. Nearly 40 per cent of parents pay for their adult children's groceries and around the same proportion allow their adult children to live at home rent-free, while around a third pay their adult children's bills. One in five fork out for their kid's car-related costs like registration fees and petrol and 20 per cent pay for their kids to take off on holidays.[iii]

Non-financial support

Financial assistance isn't the only way to support your children. Often, your time and knowledge can be just as valuable. Encourage them to develop good financial habits, such as budgeting, saving, and investing. You might even consider involving them in family discussions about money management, which can empower them to make informed financial decisions.

Communication is critical

Regular, honest conversations about finances can strengthen your relationship with your children. Discuss their financial goals and challenges openly and encourage them to share their aspirations. These dialogues will allow you to gauge how best to support them and sometimes, just being there to listen can make a world of difference.

Setting clear boundaries is also crucial when offering financial support. Discuss how much you can provide, whether it's a one-off gift, a monthly allowance, or a loan. By being transparent about your limits, you can prevent misunderstandings and help your children set realistic expectations and become financially independent.

Navigating the complexities of financial support can be challenging, especially when balancing your own needs with those of your children. We can provide assistance and advice tailored to your unique situation and help you create a sustainable plan that allows you to assist your children without compromising your retirement goals.

i https://www.finder.com.au/bank-accounts/finder-bank-of-mum-and-dad-report-2021

ii https://www.apimagazine.com.au/news/tag/deposit

iii https://www.domain.com.au/news/the-bank-of-mum-and-dad-slightly-less-generous-than-before-covid-19-survey-shows-996809/

UNLOCKING SUCCESS:

LESSONS FROM THE WORLD'S BEST INVESTORS

While effective investing is crucial for wealth creation, there is a lot to know and many pitfalls to avoid, as many of the world's most successful investors have learned over their respective investment journeys.

Those who have achieved success have often spent a considerable amount of time developing the requisite knowledge and skills to achieve solid and reliable returns, learning from their failures as much as their triumphs.

There is a lot to be gained by looking at the methods and philosophies of those who have mastered the art of sustainable wealth creation, and their learnings can serve to inspire you on your own investing journey.

Emphasise long-term value

One of the most enduring lessons from legendary investors such as Warren Buffett is the importance of focusing on long-term value rather than short-term gains. Buffett, known for his role as the chairman and CEO of Berkshire Hathaway, advocates for investing in companies with strong fundamentals that can generate consistent returns over time. His approach emphasises patience and the belief in the intrinsic value of a company, which requires thorough research and understanding of the business.

Diversify your portfolio

Diversification is a cornerstone of successful investing, a principle espoused by investors like Ray Dalio, the founder of Bridgewater Associates. Dalio's strategy involves spreading investments across various asset classes to manage risk and improve potential returns. His approach, known as "risk parity," aims to balance risk across different investments rather than concentrating it in a few.

A diversified portfolio includes a mix of asset classes such as stocks, bonds, real estate, and cash. Diversification helps mitigate the impact of any single investment's poor performance on your overall portfolio.

Manage risk wisely

Managing risk is crucial to preserving capital and ensuring long-term success. Investors like George Soros, known for his successful currency speculation and macroeconomic trades, emphasize the importance of risk management. Soros's investment philosophy includes a strong focus on assessing and mitigating potential risks, as well as having a clear plan for when to cut losses.

Soros was quoted as stating, "It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong."

Stay disciplined and patient

Discipline and patience are critical traits of many successful investors. For instance, John Bogle, the founder of Vanguard Group and a proponent of index investing, encourages investors to stay disciplined with their investment strategies and avoid being swayed by market volatility. Bogle's emphasis on low-cost investing and long-term holding reflects his belief in the benefits of staying the course.

One way to emulate Bogle's discipline is to create an investment plan with specific goals and stick to it, even when market conditions are volatile. Avoid making impulsive decisions based on short-term market movements or hype. Regularly review your investment strategy to ensure it aligns with your long-term objectives.

Learn from mistakes and adapt

Even the best investors make mistakes, and learning from them is essential for growth. Howard Marks, co-chairman of Oaktree Capital Management, is known for his insightful memos on market cycles and risk. Marks emphasizes the importance of understanding market dynamics and adapting strategies based on past experiences and current conditions.

Reflect on your investment decisions and outcomes and be open to learning from both successes and failures. Stay adaptable and be willing to adjust your strategies as you gain more experience and as market conditions evolve.

Enlisting expert help

Finally, successful investors often leverage expert help to enhance their investment strategies and achieve better outcomes.

We can work with you to create tailored investment plans based on individual financial goals, risk tolerance, and time horizons, as well as assist in navigating complex financial products and avoiding common pitfalls. By providing ongoing analysis and adjustments, we can help ensure that investment portfolios remain aligned with evolving market conditions and personal objectives. Our expertise helps investors make informed decisions, manage risks effectively, and optimise long-term returns.

If you would like a hand with any aspect of wealth creation, please give us a call.

We hope you enjoyed our latest edition of Prepare for Life.

Please contact our office if you would like to discuss anything in this edition.

The team at Heading Forward Financial Planning

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