Aptitude

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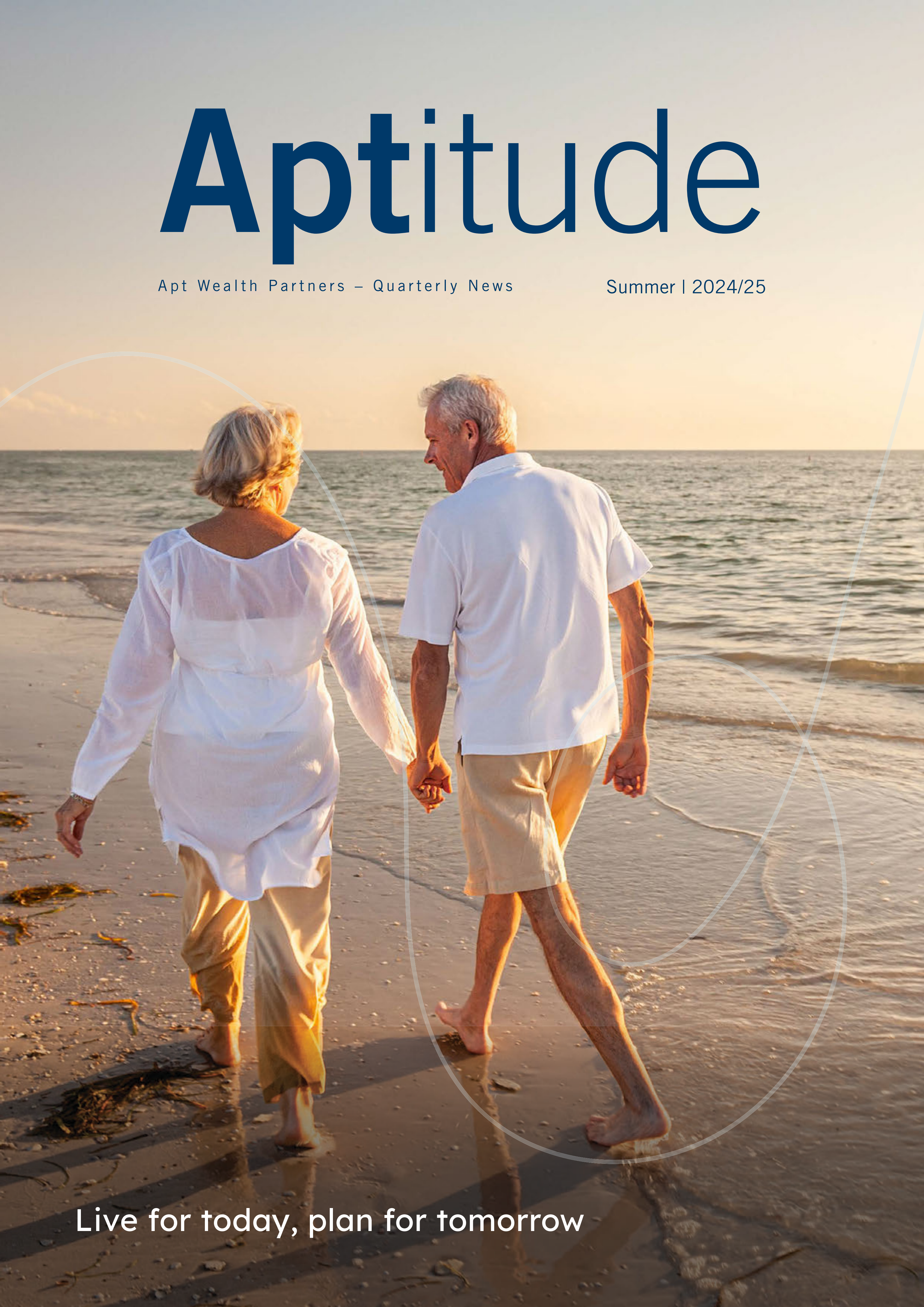

Live for today, plan for tomorrow

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The 2025 investment landscape

As Australian investors look toward 2025, the investment climate presents both emerging opportunities and significant challenges. The intertwining of global economic uncertainties, domestic policy changes and fluctuating interest rates shape a complex outlook that demands strategic foresight and adaptability.

Here, Apt's Chief Investment Officer, Sarah Gonzales, shares her insights.

Global uncertainty paired with optimism

According to Sarah, the overarching theme for the investment outlook is "uncertainty". However, this uncertainty is intertwined with a palpable sense of optimism.

"The uncertainty we are seeing now is primarily driven by geopolitical tensions and the economic policies of major nations such as the United States, but the Trump administration's pro-growth, pro-business stance has the potential to buoy US equity markets," says Sarah.

Closer to home, Sarah says it's a case of wait and watch as some of Trump's proposed policies cast a shadow of unpredictability on global equities.

"The crux of the issue lies in how these policies will affect global equities," Sarah says. "With China being a close trading partner to Australia, any tariffs the US imposes could have a notable impact here at home."

She advises investors to carefully balance international exposures with domestic opportunities.

Domestic policies and their implications

Within Australia, recent government policies aimed at addressing social and economic issues are expected to have ripple effects across various sectors. Notably, the Labor government's initiatives targeting first home buyers and early education indicate a shift towards policies that not only address immediate societal needs but also attempt to stimulate economic activity.

Sectors related to real estate, construction and education may benefit in light of these policies; however, Sarah counsels that passing new policies will prove challenging, with forecasts either party will have a minority government.

The election and market sentiment

With the next federal election due in 2025, political outcomes will significantly influence market sentiment. The anticipation of election results often leads to market volatility in response to proposed policies by the campaigning parties, but as Sarah notes, "History shows that markets tend to correct themselves post-election, so this shouldn't be cause for alarm."

Interest rates remain an area to watch

Interest rates continue to be a decisive factor for investment decisions in Australia.

"Despite central banks' actions to lower interest rates, ongoing uncertainty lingers over whether these cuts will continue. The potential inflationary impact of Trump's policies could ripple through global economies, challenging central banks' efforts to control inflation and influence interest rates," says Sarah.

"What's really going to drive investment markets is how these economic factors unfold in the coming years. We're starting to hear the word 'recession' pop up, and at any mention, markets respond," she adds.

Sustainability remains a hot topic, but some investors have cooled

In the last year, investors have cooled on some areas of sustainable investing, with returns not keeping up with the rest of the market. Sarah points out that with the rapid growth of artificial intelligence (AI) and its uses in almost every domain, the energy required to power the AI age is a challenge.

"As it stands today, renewables alone simply can't meet the power demand created by the swift rise of AI – and there is a dawning realisation that the push to net zero has become even more challenging," Sarah says. However, she points out that AI may well be a catalyst for creating new pathways for sustainability, and it's undoubtedly an area that investors should watch.

"Sustainable investments should remain part of a balanced portfolio," she counsels.

A long-term investment philosophy remains the best approach

Amid this uncertainty, the principles of long-term investment remain critical for navigating investment in 2025, according to Sarah.

"Considering the economic and political landscape, diversifying investments to mitigate risks while seizing growth opportunities in emerging sectors is a prudent approach," Sarah says.

"Apt's investment philosophy, which emphasises quality and diversified investments, offers a framework to build resilient portfolios."

So how should you approach investing in 2025?

Sarah says if you have a solid, long-term investment strategy, it's important to stay the course.

"The key lies in maintaining a balanced portfolio that can withstand geopolitical shocks while capitalising on domestic growth sectors. Staying informed, adaptable and committed to foundational investment principles will be crucial as we navigate some uncertainty in global markets," she concludes.

The path to financial freedom

As we start a new year, many of us set goals to improve our financial health and steer towards the end goal of financial freedom. But what does financial freedom really mean, and more importantly, how can it be achieved?

Here, we talk to Apt Director Andrew Dunbar, who explains financial freedom is not just a dream but an attainable reality if approached with solid strategies and clear goals.

What is financial freedom?

"Financial freedom is about building up passive income streams that you can live off without relying on your work income," Andrew says.

"Essentially, financial freedom is about creating the choice to work because you want to, not because you have to, allowing you to pursue your passions over a pay cheque," he adds.

So where should you focus in 2025?

"Achieving financial freedom is a structured journey, but everyone will come into it in a different position. Regardless, there are some key areas that you can focus on and below is an overview list to help you get started."

While Andrew says it might not be possible to achieve all of these in 2025, it's essential to pick a few to focus on, set some clear goals and write them down.

“All the research shows that committing goals to paper is a step towards achieving them. Put your written goals somewhere you’ll see them regularly – the front door, the fridge, at your desk, and move them once you stop noticing them.”

Set your course

Begin by defining what financial freedom means to you. Is it retiring early? Having enough to fund your children’s education without stress? Being debt-free?

“It starts with working out your values and your goals,” he explains. “This clarity will help you set achievable and meaningful targets.”

Create a budget

The critical first step to financial freedom is budgeting. Understanding where your money goes each month is essential.

“A budget acts as a roadmap, guiding your spending in alignment with your long-term financial goals,” Andrew says.

He adds that it should be a detailed list of your incomings and outgoings. “If you don’t know where your money is going at a granular level, any other step you take will not be entirely effective.”

Need help aligning your finances, spending habits and values? Ask your Apt adviser for your free copy of More than Money, Apt’s values roadmap.

Build a safety net

Before you can sprint towards financial freedom, you need to learn to walk, according to Andrew.

“Establishing a safety net, or an emergency fund, ensures that unplanned expenses don’t derail your financial plans,” he says, advising that you should work towards around six months’ living expenses as a buffer.

Pay down debt

“Paying down debt should be a key focus,” emphasises Andrew. “High-interest debt, like credit card debt, can eat away at your ability to save and invest. Tackling this early in your financial journey is critical.”

Invest wisely

Passive income, a cornerstone of financial freedom, can often come from investments. "Invest, invest, invest," Andrew advises.

"Investing allows your money to grow over time, working for you even when you are not working, but it's important to go into it with a well-defined, long-term strategy based on solid principles, like Apt's Investment Philosophy," he adds.

Planning for retirement

Including superannuation and other retirement plans in your financial strategy is crucial.

"The sooner you start, the better compounding works in your favour, allowing more growth over time," Andrew says. "If you have young adult children and/or grandchildren, talking to them about the importance of managing superannuation from an early age can help to set them up for success."

He adds that it is important to have a plan in place to weather financial storms.

"If you haven't structured your super to withstand downturns, talk to your adviser asap. Protecting your super is critical to achieving your retirement dreams."

Work with an adviser

"Having a financial adviser helps you take advantage of all the best investment strategies, the tax rules, etc. while sticking to the plan to help you achieve your best life, today and tomorrow," says Dunbar.

It's about choice

Financial freedom ultimately offers the greatest luxury of all – choice.

"Start today, because every step taken is one closer to a future where your financial choices are yours to command, not dictated by necessity," Andrew says.

Andrew sums it up with a quote from Warren Buffett: "If you don't find a way to make money while you sleep, then you'll work until you die."

Avoiding common estate planning pitfalls

Estate planning is a crucial but often overlooked element of financial well-being. It's about ensuring that your assets and loved ones are taken care of according to your wishes after you're gone. However, the process is rife with potential missteps.

Leon McPaul, Senior Solicitor at Apt Wealth Legal Services, sheds light on some of the most common pitfalls in estate planning and how to circumnavigate them to ensure your estate is settled as intended.

"Leon highlights several critical areas where people often stumble when it comes to estate planning. He stresses the importance of holistic planning, pointing out that estate planning is much broader than just the will. Here is his list of common estate planning mistakes.

1 Relying on a will alone

Leon warns that a will alone is not enough.

"Often, people think that if they have a will, it covers every eventuality, but this is far from the truth. Estate planning encompasses a wide range of areas. At a fundamental level, your plan should encompass enduring powers of attorney, medical treatment decision makers and what happens with structures like companies, trusts and superannuation funds that don't automatically fall into your estate. Overlooking these can lead to serious consequences for your loved ones and your legacy," he cautions.

2 Neglecting to update your plans

Circumstances change, and so should your estate plan. Leon emphasises the need to regularly review and amend your will and related documents, particularly after major life events such as marriage, divorce or childbirth.

"Many people don't realise that in most Australian jurisdictions, marriage invalidates your will, but separation doesn't. This means any will you created before your marriage is void, and your spouse becomes your beneficiary.

"And, if you separate and pass away before you are legally divorced, your spouse will remain your beneficiary unless you have updated your legal documentation."

He adds that alongside major life events, reviewing every few years is good hygiene to ensure your wishes remain relevant.

3 Not considering the impact of delays on loved ones

Many without a will assume that their assets will pass to their closest relative without hassle. But Leon points out that if you pass away without a will, intestacy laws govern the distribution of your property.

"Your assets will be distributed to loved ones under the rules of intestacy, which can cause delays, potentially putting loved ones into hardship, even if only temporarily. And, of course, it also means that your estate may not be distributed in accordance with your wishes.

"A well-structured estate plan should clearly delineate access to avoid added financial stress at a time when emotions are already high," Leon says.

4 Overlooking the potential for dispute

Complex family dynamics, particularly in blended families or following recent separations, can lead to disputes over the estate. Leon underscores the importance of having a clear, up-to-date will to prevent such disputes or at least provide a solid legal framework from which to resolve them.

Leon mentions that it is not uncommon for people to decide to give less to one child, and this can cause prolonged, expensive legal battles for everyone.

"If you have a 'black sheep' of the family, it's not as simple as giving them a smaller amount than your other children. In fact, it is a regular 'myth' that giving a token amount to that child may protect the will from challenge.

"This can commonly happen when a person is worried about how a beneficiary will use the funds due to a limiting factor, such as addiction. It's important you speak to a legal professional about the best framework to protect the beneficiary in question and your legacy. There are options."

5 Not talking about your wishes

We don't like to talk about our mortality or that of loved ones, but Leon says that transparency is crucial when it comes to your estate plans.

"If you are giving children different inheritances, for example, one may get a property and another cash or other assets, it's essential that they understand the why behind your decision – or they'll be left to fill in the gaps and make assumptions after you pass."

Leon adds that he often encourages clients to leave a letter with their will that explains their wishes. He says while it's not legally binding, it can help to avoid legal challenges when your beneficiaries understand why you wanted things this way.

"The sentiment attached to a letter can really help people to accept their inheritance as it is," he says.

6 Not understanding how property ownership set-up can impact blended families

Leon explains that if you own a property with your spouse but have children from a previous relationship, considering your property ownership set-up is crucial.

"Most couples enter property ownership as joint owners. But in the case of a blended family, this can become an issue when one partner passes away. With joint ownership, the property immediately passes to the surviving owner. There is no legal provision for the children of the deceased owner to challenge that legal principle when that has occurred."

It may be very difficult or almost impossible to seek anything from that asset when the surviving owner passes away (for example, that surviving partner may gift that asset away during their lifetime to defeat a challenge to their will).

"The solution to this is often to look at tenants in common arrangement that make provisions for the surviving owner to remain in the property while acknowledging that the children of the deceased owner are entitled to an inheritance down the track," Leon explains.

7 Overlooking the importance of plans for your business

If you are a director of a business, Leon says it's important to consider what happens if you are incapacitated.

"Many people consider what will happen to their business on their passing, but not if they are incapacitated by illness or injury. And it's something that, sadly, can and does happen to anyone at any age through accident or injury – it's not just something to consider as you age.

"If you have not made plans for this, the business can go into a holding pattern, where decisions can't be made, and business as usual can't progress. This can be disastrous for a family business. So it's important you plan to cover this possibility," Leon says.

So, how do you avoid these pitfalls?

According to Leon, there are five critical steps.

- **Engage in comprehensive estate planning**
  Consider every aspect of your estate, including legal instruments beyond the will.
- **Keep things up to date**
  Review and adjust your estate plan after any significant life change and every few years, regardless, to keep your wishes current.
- **Communicate with loved ones**
  Transparency with family members about your estate plan can pre-empt misunderstanding and discord.
- **Document your wishes**
  Keep all your documents, including your will, in a safe and accessible location. Consider leaving a letter explaining your decisions to help loved ones understand your position.
- **Seek expert advice:**
  Work with a team of qualified legal, tax and financial professionals to create a comprehensive plan tailored to your unique situation.

"Estate planning is a testament to a life well-lived and a final act of caring for your family, so it's important to safeguard your legacy and ensure your affairs will be handled just as you intended. With careful planning and a little foresight, you can avoid common pitfalls and ensure your final wishes are honoured without burdening loved ones," Leon concludes.

About Apt Wealth Legal Services

Apt Wealth Legal Services is the dedicated legal arm of Apt Wealth Partners, specialising in providing comprehensive and personalised legal services aligned with your financial plans. Our team of expert solicitors is committed to offering tailored solutions that align with your unique concerns and life circumstances.

Apt Legal Services is the legal cornerstone of your wealth management strategy, ensuring peace of mind and a secure future for you and your family.

Are you protected for the year ahead?

In an ever-changing world, ensuring adequate insurance coverage is not just prudent, it's essential. As we step into a new year, it's crucial to take a moment to evaluate your insurance policies, ensuring they match your current circumstances and lifestyle as well as any anticipated changes. Here, Apt Insurance Specialist John McLaughlin shares insights to help you determine whether you are fully protected for the year ahead.

Why you should review your insurance

"Life is dynamic, and the needs that you had last year might not necessarily be the same this year. Regular reviews of your insurance policies are crucial," advises John.

"Changes in personal circumstances, economic shifts or even updates in policy offerings can all influence your insurance needs. With an annual review, you can avoid being underinsured or paying for coverage that no longer serves your best interests," he adds.

Your 2025 insurance checklist

With a new year upon us, it's important to consider whether your insurances meet your needs today and will continue throughout the year ahead.

1. Reassess your lifestyle and any changes

- Have you experienced major life events in the past year such as marriage, divorce, the birth of a child or a new job? Or have you retired? Each of these milestones could alter your insurance needs, particularly when it comes to life, health and disability coverages.

2. Evaluate house and car needs

- Consider changes in your residence. Have you moved, bought a new property or renovated? Ensure your home insurance is updated to reflect the current value of your home and possessions.
- For car insurance, consider whether there have been changes in how much or how you use your vehicle. Working from home, for example, could reduce your coverage requirements and lower your premiums.

3. Consider health insurance requirements

- With shifting health landscapes or age-related health developments, your health insurance might need adjustments. "This could mean better coverage terms or adapting to new health conditions," says McLaughlin.

4. Review business insurance

- If you own or operate a business, consider the potential shifts in your business risk profile caused by changes in market dynamics, technology or the operating environment.

The role of expert advice in personal insurance planning

While self-assessment is valuable, consulting with Apt's insurance specialists can significantly enhance your understanding and decision-making process while ensuring you have adequate cover – and it may even save you money.

"An expert can offer insights into aspects of coverage that you might not have considered, identify potential overlaps or gaps in your policies, and help tailor a plan that fits your unique needs," John says.

He points out that this is particularly the case when it comes to life and income insurances. "Many Australians continue to rely on the cover in their superannuation without actually knowing what it covers. It's easy to forget that you are paying for these insurances out of your super – so it's costing you. It may not be the right cover and it may even be costing you more than you need to pay, so it's well worth reviewing."

The right cover equals peace of mind

"The beginning of the year is an ideal time for this essential financial health check to ensure your insurance coverage matches your current needs and anticipates future changes," says John.

"Being proactive with your insurance today can safeguard your tomorrow, providing peace of mind so you can focus on what matters most in your life."

Need a review of your personal insurances? Reach out to your Apt adviser or the Apt Wealth team on 1800 801 277 or info@aptwealth.com.au.

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