Aptitude

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Live for today, plan for tomorrow

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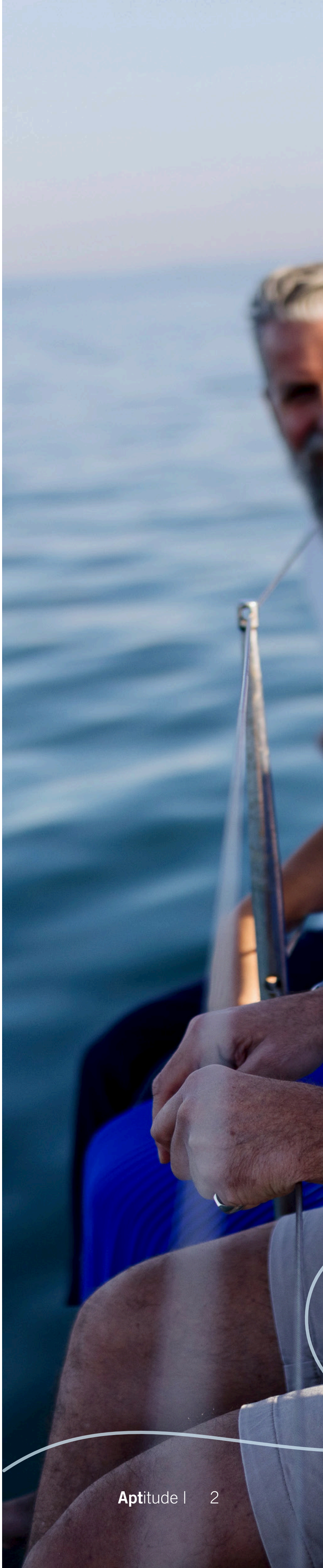


More than money: Planning for life events and goals in retirement

Retirement should be about achieving life milestones and goals, but planning often focuses entirely on finances. Here, Apt Director Andrew Dunbar discusses the importance of considering life events in your retirement planning.

"Retirement is often talked about in financial terms as modest, comfortable or even wealthy. And yes, money is important, but you will get the most out of your financial planning by starting with what you want your retirement to look like and then working out how much you need from there," Andrew explains.

Andrew highlights that while retirement is often described as a time to 'take your foot off the pedal', the reality is that it should be the start of a whole new adventure, complete with new goals and plans.

"Retirement isn't about stopping – it's about changing your focus and shifting your values as your professional career comes to an end. So thinking about those new values and focus areas is critical to building the right financial plan."

So, what types of life events should you be considering?

While Andrew acknowledges that milestones will look different for everyone and will change significantly for retirees who don't have children, retirement is a well-worn path, so you can look to what others have planned for.

And Andrew says it's not just about 'what' but 'when'.

"Your ideal timeline for these events will help you structure your goals and your income streams to get the most out of both your money and your lifestyle."

Helping adult children

Andrew highlights that helping adult children get a foot on the property ladder is a rapidly growing trend with rising costs of housing.

"For many, helping their children with their first home purchase is important and fulfilling – but of course, it has a significant financial cost, so ensuring you have access to the funds required at the right time is key."

Weddings are another area where parents often like to make a financial contribution. And while there is no certainty around if or when it will happen, Andrew says you can use average ages to determine when this should be on your radar. The average age for marriage in Australia is 29.4 for a woman and 30.8 for a man.

Having Grandchildren

Andrew says he has seen many retirement plans derailed when grandchildren come along.

“Once grandchildren come into your life, you may want to stay closer to home and spend time with them, which can change long-planned events. We’ve seen many retirees postpone bucket-list trips because they want to spend time with their grandkids, only to find their health, fitness or even finances don’t allow them to take it later.

“So while there’s no certainty, if you think your children intend to become parents, it’s worthwhile thinking about when this might happen for you. Then plan to take those trips before you anticipate becoming a grandparent.”

Bucket-list trips and experiences

The once-in-a-lifetime trip is a key retirement milestone for many, and Andrew says timing is critical.

“As mentioned above, other life events can quickly get in the way of that long-dreamed-of trip, so it’s worthwhile putting a timeline around it to make sure it happens while you have the financial means and the good health to make the most of it.”

Downsizing or relocating

A lifestyle change often comes with a property or location change, and Andrew says it’s essential to think about this in the context of your other goals.

“For example, moving to a coastal town is a common retirement plan, but it needs to be thought of in terms of your values and goals to make sure it is a fulfilling move. For example, you may want to spend more time with family, so ensuring your move facilitates that goal is important. Conversely, you may want to free up funds for your other goals, and downsizing can be a way to do that. It’s all tied together, so it’s important not to separate it in your planning.”

Giving back

Many retirees want to increase their community contributions, and Andrew recommends treating this the same as any other milestone and including it on your timeline.

“Giving back can be an incredibly fulfilling part of retirement. Think about the legacy you want to shape and then reflect on how you will make it happen. For example, you may want to consider more active volunteering or board roles in your early retirement years right up to leaving a bequest in your will.”

Preparing for the emotional transition with small goals

According to Andrew, your timeline shouldn’t only be about these key life events.

“We often talk about the importance of your emotional transition to retirement. The key to a successful transition is not just about the big-ticket items. It’s about planning for the everyday.

“These smaller plans and goals should also form part of your timeline. Having them on your timeline can be a great reminder of what you want to achieve. Perhaps you’ve always wanted to learn a new language or become more of a foodie – trying new restaurants or cooking different foods, maybe it’s a sport you want to take up. It’s a retirement goal, so put it in your plans.”

At the end of the day, Andrew says, no one is excited about the money they will have in retirement – they’re excited about the things the money will allow them to do. So, focus on these things first, then build a plan to fund them.

“It’s often said that you are more likely to regret the things you didn’t do than those you did. And this couldn’t be truer in retirement,” Andrew concludes.

The Apt *How Much Do I Need to Retire?* roadmap is a great resource to help you plan your life events and your finances. Ask your adviser for your copy.

Should I buy a **new car in 2024?**

A new car can be an exciting purchase, but is it the best financial move? Here, we talk to Apt Wealth Director Andrew Dunbar about the crucial points to consider before you drive away in a new car.

If your existing car is still roadworthy and fits your lifestyle, don't rush for an upgrade.

"While purchasing a brand-new car is undeniably tempting, the purchase often leans more towards desire than necessity," observes Andrew. He suggests that holding onto an existing, functional vehicle for a while longer can lead to substantial savings, provided the car fulfils safety standards.

Consider the necessity of multiple vehicles in your household

In the context of continuing remote work and the accessibility of vehicle-sharing platforms, Andrew recommends you first assess the actual number of vehicles you need.

“Transitioning from a two-car household to one may not only save significant costs but also allow for an upgrade within the same budget,” he says.

Buy the cheapest car your ego can live with

According to Andrew, the next step is to consider whether you need a prestige car or simply a safe, reliable and high-quality one.

“It’s important to remember that your car is an expense, not an investment, so we typically advise to go with the most affordable car your ego can live with,” he says, adding that, of course, safety and reliability need to factor in.

Weigh up your options with electric vehicles

As it stands today, the upfront costs of an electric vehicle are higher, but the ongoing costs tend to be lower, so Andrew says they’re worth considering. And, he adds, if you can hold off a little longer, the prices are coming down. “As electric vehicles grow in popularity and more manufacturers are producing them, we are seeing costs lowering. So, if you have the luxury of waiting a little longer, you might be able to make a decision that’s good for your wallet and the environment,” he says.

Understand the true cost of financing

Andrew also highlights that it is important to consider how you will buy your car.

“Buying outright is usually favourable over finance, but it isn’t always possible. If going down the leasing or financing route, it’s essential to ensure you understand how much the purchase is actually going to cost you.

"Make sure you are factoring these additional charges into the overall cost so you can weigh up whether the purchase makes sense in the scheme of your broader financial goals and plans," he says.

Used cars can be a great option provided you are willing to do some research, so don't discount them

When deliberating between a new or used car, the thrill of a new buy may sway consumers, but Andrew warns that buying new isn't necessarily a more favourable deal.

Other than the potential for depreciation, which varies by model, used cars can provide better financial terms, as long as you're careful about scams, have the car inspected by an independent mechanic, and know the vehicle's market value.

"Most of us know the old saying about new cars losing value the minute they are driven away from the lot, so it really can make sense to look at lightly used options in your chosen model," he says.

Know the running costs of your chosen model and be sure it will fit your lifestyle for years to come

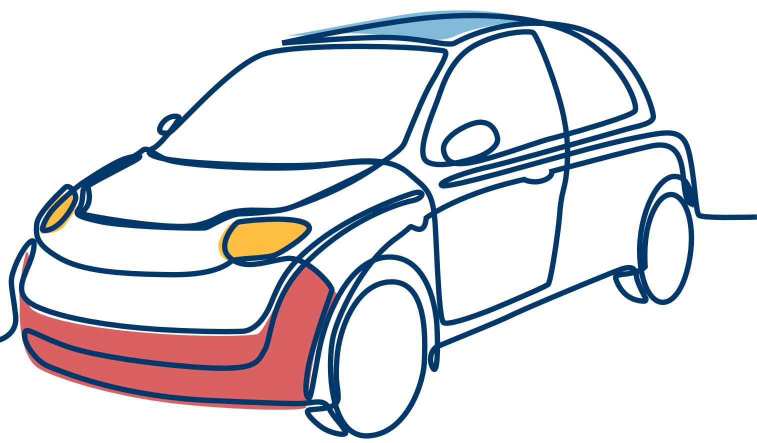
Andrew also recommends understanding the total cost of ownership, including depreciation, running costs and maintenance before deciding. Future plans and lifestyle objectives, such as starting a family, should also factor into your choice of model.

"We often only think about the costs of purchase when budgeting for a new car, but it's important to consider how much it will cost to run and keep on the road, and of course, whether it will suit your life plans for the next decade. For example, if you are planning on starting a family, it's probably not the right time for a sports car."

Timing is important, so don't rush the purchase if it's not necessary

Finally, timing can lead to substantial savings. If you're not in a rush to get into your new car, consider holding off until May or June when, End of Financial Year, deals come into play and can help you negotiate better deals.

Utilising car buying services may also be advantageous, although Andrew advises due diligence when selecting a service.



Navigating challenging family conversations about finances

Financial discussions can be challenging to navigate, with the potential to become emotionally charged disputes without the right approach. Here, Apt Wealth Senior Financial Advisers Preston Foster and Rob Greig share their insights on navigating these conversations and achieving the best possible outcome.

Preparation is key

"Efficient preparation can transform a potential squabble into a productive dialogue," says Preston.

Before initiating a discussion, it's vital to understand your financial situation. Gather necessary financial documents and compile a list of your assets, debts, incomes and expenses. Having clear financial information to hand simplifies the conversation and minimises space for misunderstandings.

Consider the environment

Rob highlights that the environment can significantly impact the outcome, so it's important to make deliberate decisions on where the discussion will be held.

"A neutral, non-threatening environment encourages open and honest communication," he says.

"Choose a quiet and comfortable location where all participants can speak freely without interruptions or feeling like they are on someone else's turf."

Be prepared to be transparent and honest

Rob says that honesty is crucial in every financial conversation. Open discussions about your financial position can protect you against future disputes or misunderstandings within the family.

"Don't shy away from tough topics or being open about the state of play. The more information you can provide, the better the outcome."

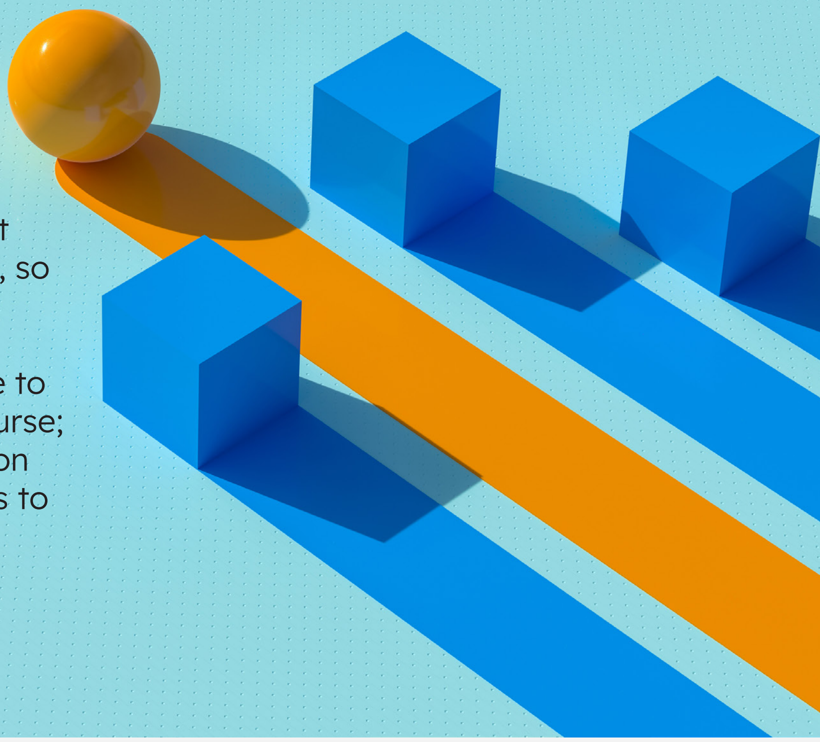
Preston adds that withholding information to protect others' feelings may seem like a good idea at the time, but it rarely ends well.

"You may not want to discuss a particular topic or decision you have made because you are worried that it will elicit an emotional response, but this is just delaying the problem. If other family members already know about it, there's a good chance they'll hear it from someone else. Being left in the dark or hearing something from another source is usually the worst outcome."

Set an agenda and a schedule of regular family meetings

While Rob says that setting an agenda might sound simple, it's an important conversation, so keeping things on track is key.

"An agenda can give you something tangible to come back to when conversations go off-course; it can also allow you to guide the conversation before it becomes a slugging match or starts to veer off into old family ground."



Address emotions with empathy

Money-related conversations can provoke volatile emotions. Rob emphasises that empathy can help defuse potential conflicts.

"Take the time to listen to others," he advises.

"Acknowledge their financial concerns and fears, and always respond with empathy. These conversations are not about 'winning' but working together to achieve a common goal, so make sure that remains your focus, even when others get upset."

He adds that it's essential to prepare yourself for emotional responses and not simply assume you can avoid them.

"Financial decisions are often about more than just money for participants. We often see it in estate planning and wealth transfer discussions – a purely financial decision can feel personal or like an indication of a person's importance within the family. And that's about more than the dollar figure."

Take the time to explore underlying issues

"It's critical to go into these discussions understanding that there is usually more than meets the eye at play," Preston says. He thinks of it like an iceberg. The tip is on the surface, but the majority is below and must be uncovered to reach a sustainable resolution.

"It can take time and patience to uncover the hidden emotions in the room, but it is worth it for a successful outcome. If someone makes a comment you don't agree with or aren't sure about, take the time to explore it and let them talk until you have uncovered the core of the issue," he advises.

Document your family plan and vision

Preston adds that it is important to document the resulting outcome with a family plan and vision to help everyone understand what decisions have been made.

"It's important to document the plan and vision you set in these meetings. It will help give everyone clarity over the decisions that have been made, which can be especially important for those who don't agree. It takes away any ambiguity and can help family members process their emotions as there is no room left for speculation."

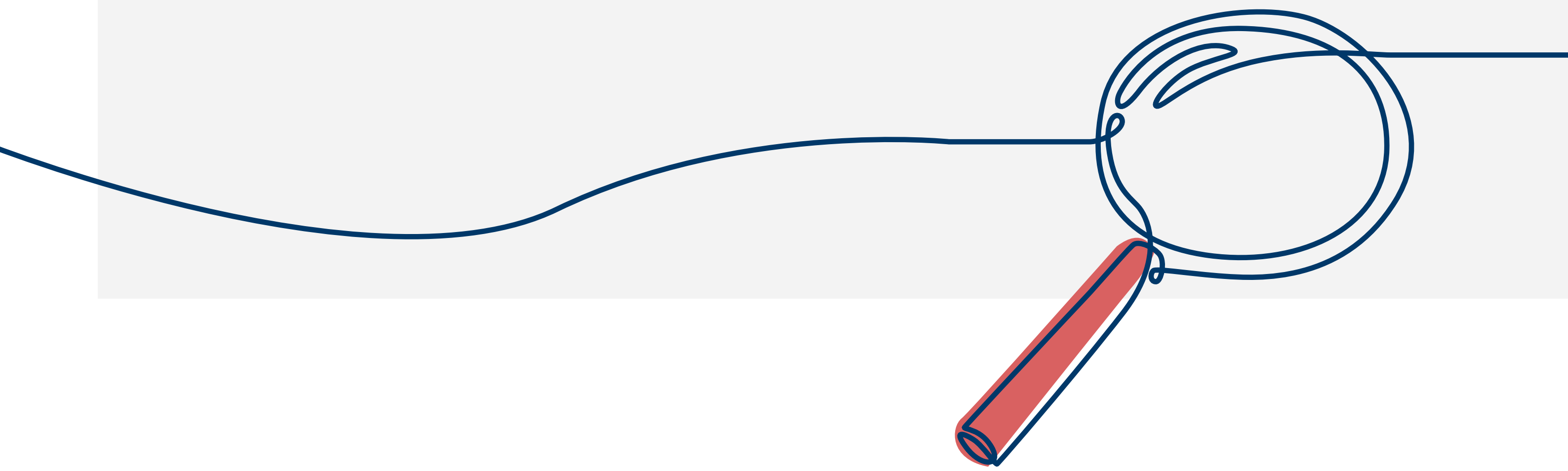
Seek professional support

For Preston and Rob, one of the greatest mistakes families make when dealing with financial matters is attempting to handle everything themselves without seeking professional advice.

"With expert financial guidance, you can navigate complex financial situations much more easily – it can take some of the steam out of the situation," Rob says.

Preston, who specialises in intergenerational wealth transfer and often provides support in family meetings, notes that a third party can be helpful to diffuse the situation.

"Financial planning can be a family affair, and involving everyone in the meetings with the support of a neutral adviser can be beneficial to a positive result and maintaining positive family dynamics," he concludes.



Embrace the new year with a fresh take on your finances – **and your financial resolutions**

With 2024 upon us, many of us are thinking about our goals and resolutions for the year ahead. In this article, we talk to Apt Senior Financial Advisers Emily Lanciana and Sean Moran about making smart financial goals and achieving the best possible outcomes in the year ahead.

1. Align your goals and your values

Emily says that whether your goals are financial, lifestyle or otherwise, aligning them with your values is key to long-term success.

“You will be more motivated to achieve your goals if they are aligned with what is important to you. Often, our resolutions are about what we think we ‘should’ be doing or what we think we are supposed to want rather than what’s actually important to us. Your goals should mean something to you and the life you want to live, and that’s going to be different for everyone,” she says.

2. Picture your ‘why’

“When we set a goal, we often centre our thinking around what we want to achieve. For example, it might be paying down the mortgage. It’s not that exciting as a goal, so it can be hard to stay on track,” Emily adds.

Instead, she says if we reframe our thinking to focus on why we are doing it, the goal becomes far more meaningful.

“For example, you might be paying down the mortgage so you can have more financial freedom and choice when it comes to your working life. The thing to focus on here is what life will look like when you have achieved it – picturing this is far more motivating than the goal itself.”

3. Consider your decision-making process to achieve better outcomes

We can't always control the outcomes because of circumstances beyond our control. However, we usually judge the efficacy of our decisions on them.

"Often, a good decision can lead to a poor outcome because of an external factor or vice versa. But we tend to mislabel decisions as 'good' or 'bad' as a result.

"Instead, re-evaluate your decision-making processes to ensure you are fully considering all the information to hand and adequately assessing risk. It won't always lead to positive outcomes because nothing is guaranteed, and we don't know what's around the corner, but it will put you in the best possible position," Sean explains.

"For your 2024 New Year's resolutions, aim to develop a solid decision-making strategy that accounts for potential factors and risks. If something doesn't go as planned, evaluate the circumstances and refine your decision-making process for the future. This approach encourages continuous improvement, setting you up for long-term financial success."

Two simple areas to consider are:

- Reinventing the classic pros and cons list with a simple weighting scale to avoid comparing 'apples and oranges' as not all pros and cons are equal.
- Adopting a pre-mortem approach where you consider the potential outcomes and external factors that may influence the outcome before you make a decision.

"There are a host of decision-making structures already out there, so you don't need to reinvent the wheel," Sean says. "But it can be worth investing some time in reading and learning about them to find the one that suits you," Sean adds.

4. Understand your destination – and your journey

We often make life and financial decisions without pausing to think about where we are going. Instead, Sean says we should think of our goals as jigsaw pieces that fit into a bigger picture.

"The end result should be a roadmap to your destination. If your goals or resolutions don't fit into the picture, there's a good chance they're not the right ones for you," Sean says.

He quickly points out, however, that the journey doesn't have to be linear.

"It's not all about the fastest route to the end. It's about enjoying today too. However, the joy we get from the things we want and work towards today is often fleeting. Thinking about the bigger picture can help us to ensure our resolutions either contribute to a better quality of life today or move us toward our destination."

5. Write it down!

This may sound simple, but Emily says documenting your goals and keeping them somewhere visible is paramount.

"Research shows that you are 1.2–1.4 times more likely to achieve a goal simply because you wrote it down. That's a significant advantage for something that only takes a few extra minutes."

6. Revisit goals every month

According to Sean and Emily, January should not be the only time you think about your goals.

"Life is full of unexpected turns, so it's important to revisit and adjust your goals accordingly," says Emily. "This is a common reason we don't maintain momentum with our new year's resolutions – because, by February, they are no longer suited to changing circumstances," Emily says.

Sean adds that it's worthwhile discussing your goals for the year ahead with your financial adviser to ensure you have a structure that supports them.

"Whether your goals are financial or lifestyle ones, there's a good chance money will play a role, so talking to your adviser now will ensure you have the best structure to achieve your goals in 2024."

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WEALTH PARTNERS

PROFESSIONAL PRACTICE
FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

1800 801 277

Sydney • Melbourne
Geelong • Northern Beaches

aptwealth.com.au

info@aptwealth.com.au