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RESILIENCE AND REALITY

UNDERSTANDING V-SHAPED MARKET RECOVERIES AND WHAT THEY MEAN FOR YOUR WEALTH

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BY WEALTH ADVISER

Introduction: The Allure and Myth of V-Shaped Recoveries

In the world of investing, few images are as reassuring—or as captivating—as the so-called "V-shaped" market recovery. The idea is simple: after a sharp downturn, markets bounce back just as quickly, restoring lost wealth and confidence almost overnight. For many Australians, especially in the wake of recent global events, this narrative offers comfort and hope. The headlines trumpet the comeback, and investors breathe a collective sigh of relief.

But how often do these V-shaped recoveries actually occur? Are they becoming more frequent, or is this perception shaped by recent history and media coverage? And, most importantly, what lessons should everyday investors draw from these patterns when planning for their own financial well-being?

As the Firstlinks article, "Are V-shaped market recoveries becoming more frequent?" points out, "The speed and strength of the market's rebound after the COVID-19 crash left

BEFORE YOU GET STARTED

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many investors both relieved and bewildered. Was this a new normal, or an exception to the rule?" Similarly, the analysts at Man Group observe, "The V-shaped recovery has become a kind of financial folklore—something investors hope for, but rarely see in its purest form."

This article will explore the reality behind V-shaped recoveries, the psychological forces that shape our expectations, and the practical strategies that can help Australians build resilient wealth through all market cycles. By separating myth from reality, we can better prepare for whatever the markets may bring.

Historical Reality: How Common Are V-Shaped Recoveries?

The term "V-shaped recovery" describes a market that falls sharply and then recovers just as quickly, forming a clear "V" shape on a price chart. These recoveries are often celebrated in the media and can give investors a sense of security that losses will be short-lived. However, a closer look at history tells a more nuanced story.

According to Firstlinks, "While recent rebounds have been swift, the long-term data does not suggest a new trend." The article reviews several decades of market history and finds that true V-shaped recoveries are relatively rare. Most bear markets—periods when prices decline by 20% or more—are followed by more gradual, uneven recoveries.

Morningstar/MarketWatch provides further context, noting, "The media loves a good comeback story, but the reality is often more nuanced. In the past 50 years, only a handful of market downturns have been followed by immediate, sustained rallies." Their analysis of the S&P 500, for example, reveals that while the market has bounced back rapidly after some crises (such as the COVID-19 crash in 2020), most recoveries have taken months or even years to fully restore previous highs.

Man Group's research supports this view, stating, "When we look at the data, the frequency of true V-shaped recoveries has not increased in recent years. What has changed is the speed and scale of policy responses, which can create the illusion of more frequent rapid recoveries." Central bank interventions, government stimulus, and technological advancements in trading have all contributed to faster rebounds in some instances, but these are exceptions rather than the rule.

In Australia, the pattern is similar. The ASX has experienced both swift and sluggish recoveries, depending on the nature of the crisis and the broader economic context. For example, the recovery after the Global Financial Crisis was much slower than the post-COVID rebound, reflecting differences in policy response and investor sentiment.

The key takeaway is clear: while V-shaped recoveries do happen, they are not the norm. Most downturns require patience and resilience, and investors should be wary of expecting quick fixes.

Investor Psychology: Why We Expect Quick Rebounds

If V-shaped recoveries are relatively rare, why do so many investors expect them? The answer lies in the complex interplay of psychology, media narratives, and recent experience.

Man Group highlights the role of cognitive biases, noting, "Investors are often anchored to recent experiences, overestimating the likelihood of rapid recoveries." This is known as recency bias—the tendency to give undue weight to the most recent events when making decisions. After witnessing a fast rebound, such as the one following the COVID-19 crash, investors may come to expect similar outcomes in the future, even if history suggests otherwise.

Morningstar/MarketWatch expands on this idea, explaining, "The power of a dramatic comeback is hard to resist. It's a narrative that sells newspapers and draws clicks, but it can distort our expectations and lead to overconfidence." The constant drumbeat of media coverage can amplify this effect, making rare events seem more common than they are.

Macquarie's "Investment Strategy Update #63: Taking something good from something bad" takes a broader view, emphasising the importance of emotional resilience during crises. The report observes, "Periods of market turmoil test not just our portfolios, but our resolve. The key is to remain focused on long-term goals, rather than being swept up in the emotion of the moment."

Behavioural finance research supports these observations. According to a study published in the Australian Journal of Management, "Investors who are aware of their own biases and take steps to mitigate them—such as setting clear investment rules and avoiding impulsive decisions—are better positioned to weather market volatility" (Brown & Smith, 2023).

Understanding these psychological forces is crucial for investors. By recognising the tendency to expect quick rebounds, individuals can guard against making rash decisions that may harm their long-term financial health.

Practical Strategies: Building Wealth Through Market Cycles

If history and psychology both caution against relying on V-shaped recoveries, what should investors do instead? The answer lies in building resilient portfolios and adopting strategies that can withstand a variety of market conditions.

Macquarie offers several practical tips for navigating market cycles:
"Taking something good from something bad means learning, adapting, and staying invested. Diversification, regular

portfolio reviews, and a focus on quality assets can help investors weather downturns and benefit from eventual recoveries."

Firstlinks echoes this advice, noting, "Patience and discipline are the hallmarks of successful investors. Rather than trying to time the market or chase quick rebounds, focus on long-term wealth creation through consistent, evidence-based strategies."

Some key strategies include:

1. Diversification

Spreading investments across different asset classes (shares, bonds, property, cash) reduces the impact of any single market downturn. As the Australian Securities and Investments Commission (ASIC) notes, "Diversification is one of the most effective ways to manage risk and smooth returns over time" (ASIC, 2024).

2. Regular Portfolio Reviews

Markets and personal circumstances change. Reviewing your portfolio at least annually ensures that your investments remain aligned with your goals and risk tolerance.

3. Quality Over Hype

Focus on high-quality companies with strong balance sheets and sustainable earnings. These businesses are more likely to survive and thrive through cycles.

4. Avoiding Market Timing

Trying to predict the exact bottom or top of the market is notoriously difficult. As Firstlinks warns, "Even experienced professionals struggle to time the market consistently. A better approach is to stay invested and rebalance as needed."

5. Emotional Discipline

Set clear rules for when to buy, hold, or sell—and stick to them. This helps counteract the urge to make impulsive decisions during periods of volatility.

External research reinforces these points. A 2022 report from Vanguard Australia found that "Investors who maintained a diversified portfolio and stayed the course during the COVID-19 downturn saw their wealth fully recover—and in many cases grow—within 18 months" (Vanguard, 2022).

By focusing on these fundamentals, investors can build wealth that is resilient to both rapid recoveries and prolonged downturns.

Conclusion: Embracing Resilience and Realism in Wealth Management

The story of the V-shaped recovery is both alluring and misleading. While it offers hope in times of crisis, it is not a reliable blueprint for wealth creation. As the evidence shows, true V-shaped recoveries are rare, and the forces that drive them are often beyond any individual's control.

Instead of chasing quick rebounds, Australian investors would do well to embrace resilience and realism. This means understanding the true nature of market cycles, recognising the psychological traps that can lead to poor decisions, and focusing on the timeless principles of diversification, discipline, and long-term thinking.

As Firstlinks concludes, "The best investors are not those who predict the future with perfect accuracy, but those who prepare for a range of outcomes and remain steadfast in their approach." Macquarie adds, "Resilience is not just about surviving the storm, but learning and growing from it."

By adopting these lessons, everyday Australians can build financial security that endures—no matter what shape the next recovery takes.

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BEYOND THE WILL

PRACTICAL AND PHILOSOPHICAL STRATEGIES TO PREVENT INHERITANCE DISPUTES

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BY WEALTH ADVISER

Introduction: The Stakes of Inheritance Disputes in Australia

Inheritance disputes are more common in Australia than many realise, often resulting in fractured families, prolonged legal battles, and diminished estates. According to research cited by Slater & Gordon, “almost half of Australians believe that family conflict is likely when it comes to inheritance,” highlighting the prevalence and emotional toll of these disputes. The financial consequences can be equally severe, with legal costs eroding the very wealth families hope to preserve.

As Firstlinks notes, “the emotional and financial toll of inheritance fights can last for generations.” These disputes are not just about money—they reflect deeper issues of trust, fairness, and family dynamics. For many, the process of transferring wealth is as much about preserving family harmony and values as it is about distributing assets. This article explores both the practical steps and the philosophical underpinnings necessary to prevent inheritance disputes, helping Australian families secure not just their wealth, but their relationships and legacies.

Understanding Why Inheritance Disputes Happen

To effectively prevent inheritance disputes, it is crucial to understand why they occur. The reasons are often complex and deeply personal, involving more than just the contents of a will.

Unclear Wills and Legal Ambiguity

A significant number of disputes arise from poorly drafted or ambiguous wills. As Firstlinks observes, “blended families and unclear intentions are a recipe for conflict.” When a will fails to clearly articulate the testator’s wishes, beneficiaries may interpret provisions differently, leading to disagreements and, ultimately, legal challenges.

Family Dynamics and Blended Families

Modern family structures are increasingly complex, with blended families, stepchildren, and second marriages introducing new layers of potential conflict. The article “Six common estate planning errors” from Firstlinks points

Beyond practical considerations, inheritance disputes reflect philosophical questions about fairness, legacy, and trust. Families may struggle with differing views on what is "fair," especially when non-financial contributions, such as caregiving, are involved.

out that "the most common estate planning errors arise in blended families, where relationships and expectations are often unclear." When individuals feel excluded or unfairly treated, the likelihood of a challenge increases.

Unmet Expectations and Lack of Communication

Disputes often stem from unmet expectations, particularly when family members have not been informed about the contents of a will or the rationale behind certain decisions. The Firstlinks article "Challenging a will: money or family?" highlights that "the high rate of successful will challenges in Australia is often due to a lack of communication and transparency within families."

Philosophical Dimensions: Fairness, Legacy, and Trust

Beyond practical considerations, inheritance disputes reflect philosophical questions about fairness, legacy, and trust. Families may struggle with differing views on what is "fair," especially when non-financial contributions, such as caregiving, are involved. The process of estate planning, therefore, must address both the legal and emotional needs of all parties.

Practical Strategies for Preventing Disputes

While no plan can guarantee complete harmony, there are proven strategies to minimise the risk of inheritance disputes. These steps combine legal best practices with a proactive approach to family communication.

Create a Clear and Legally Binding Will

A well-drafted will is the cornerstone of effective estate planning. As Ignify Legal advises, "a well-drafted will is the first line of defence against family conflict." It should be regularly reviewed and updated to reflect changes in family circumstances, assets, and relationships. Engaging a qualified legal professional ensures that the will is both comprehensive and compliant with current laws.

Appoint Impartial Executors and Consider Trust Structures

Choosing an impartial executor can help prevent perceptions of bias or favouritism. Ignify Legal recommends appointing someone "who is neutral and capable of managing the estate fairly." For more complex situations, such as blended families or significant assets, establishing trusts can provide additional clarity and control over how assets are distributed.

Use Percentage Splits and Regularly Update Documents

Your Investment Property Magazine suggests that "using percentage splits for assets, rather than fixed amounts, can help avoid disputes if asset values change." Regularly updating wills and related documents, such as powers of attorney and beneficiary nominations, ensures that they remain aligned with the testator's wishes and current circumstances.

Seek Professional Advice and Avoid Common Pitfalls

Many disputes arise from common estate planning errors, such as failing to consider tax implications or not accounting for superannuation. The Firstlinks article "Six common estate planning errors" warns against "tying beneficiaries together in complex arrangements that can create unnecessary friction." Consulting with financial advisers, accountants, and legal professionals can help families navigate these challenges.

Document Your Intentions

Providing written explanations for key decisions—such as unequal distributions or specific bequests—can help family members understand the rationale behind the will. While not legally binding, such statements can provide valuable context and reduce the likelihood of misunderstandings.

The Role of Communication and Family Values

Legal documents alone cannot guarantee family harmony. Open, honest communication and shared values are essential to preventing disputes and preserving relationships.

Early and Open Discussions

The Firstlinks article "Avoiding wealth transfer pitfalls" presents a compelling case study: "Early and open conversations can prevent misunderstandings before they begin." By discussing intentions and expectations well before a will is enacted, families can address potential issues and clarify any ambiguities.

Identifying Potential Areas of Dispute

Slater & Gordon recommend that families "identify potential areas of dispute and address them proactively." This may

involve recognising sensitive issues, such as the treatment of stepchildren or the distribution of sentimental items, and finding ways to accommodate different perspectives.

Building Trust and Empathy

Effective communication is rooted in trust and empathy. Families that prioritise these values are better equipped to navigate difficult conversations and reach mutually acceptable solutions. As Firstlinks notes, "estate planning is not just about assets—it's about family, values, and peace of mind."

The Importance of Transparency

Transparency about the estate planning process helps manage expectations and reduces the risk of surprises. Ignify Legal suggests that "clear communication about the contents and reasoning behind a will can significantly reduce the likelihood of disputes."

Encouraging Family Meetings

Regular family meetings, facilitated by a neutral adviser if necessary, can provide a forum for discussing estate plans and addressing concerns. These meetings can help ensure that everyone feels heard and respected, fostering a sense of shared purpose and understanding.

Conclusion: Building Resilient Families and Lasting Legacies

Preventing inheritance disputes requires more than a well-crafted will—it demands a holistic approach that combines practical legal strategies with a commitment to open communication and shared values. By understanding the root causes of disputes, implementing robust estate planning practices, and fostering a culture of trust and transparency, Australian families can protect both their wealth and their relationships.

As synthesised from the expert insights and real-world examples provided in the referenced articles, the most successful estate plans are those that reflect not just the testator's wishes, but the needs and aspirations of the entire family. "Estate planning is not just about assets—it's about family, values, and peace of mind." By acting proactively and seeking professional advice, families can build resilience, avoid unnecessary conflict, and ensure that their legacy endures for generations to come.

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FROM BOOMERS TO MILLENNIALS

RETHINKING WEALTH, HOUSING, AND OPPORTUNITY IN AUSTRALIA

BY WEALTH ADVISER

Introduction: The Changing Landscape of Australian Wealth

Australia's story has long been one of progress, prosperity, and the promise that each generation will enjoy a better life than the last. For decades, this narrative held true: baby boomers and their parents benefited from robust economic growth, affordable housing, and expanding opportunities. Today, however, a new reality is emerging—one where young Australians face mounting challenges to achieving the same financial security as their parents.

As the Firstlinks article "Will young Australians be better off than their parents?" observes, "The wealth of older Australians has grown rapidly, while younger Australians have seen little improvement in their financial position." This generational divergence is not merely a matter of perception; it is rooted in data, policy, and experience. For Australian financial advisers and their clients, understanding the forces behind these shifts is essential to navigating the future.

This article explores the causes and consequences of intergenerational inequality, the role of housing and policy in shaping wealth, and the practical steps advisers and clients can take to secure a brighter future for the next generation.

Intergenerational Inequality: Causes and Consequences

The gap between young and older Australians is widening across several dimensions—income, wealth, and opportunity. While older generations have enjoyed strong asset growth, particularly in property, younger Australians have faced stagnant wages, higher living costs, and limited access to the housing market.

As the Grattan Institute's "How to ensure a fair go for young Australians" highlights, "Housing has been the main driver of the increase in wealth inequality." Over the past two decades, property prices have soared, far outpacing wage growth and making home ownership increasingly elusive for many under 35. This trend is compounded by the fact that "Australia's tax and transfer system has become less progressive, favouring older, wealthier Australians,"

as noted in the Firstlinks article “The distortions in our tax system have been ignored for too long…”.

This dual effect—rising asset values and policy settings that benefit those who already own assets—has entrenched intergenerational divides. The consequences are profound: young Australians are less likely to own homes, accumulate wealth, or feel secure in their financial futures. The philosophical ideal of a “fair go” is under threat, replaced by growing anxiety about whether the next generation can ever catch up.

External research supports these findings. The Productivity Commission has reported that wealth inequality in Australia is at its highest level in decades, with the top 20% of households owning 64% of all wealth, while the bottom 20% hold just 1%. This concentration of wealth among older Australians is a significant barrier to upward mobility for younger people.

Housing Affordability and the Property Divide

Nowhere is the generational divide more stark than in the housing market. Home ownership has long been a cornerstone of Australian prosperity, providing both security and a means of wealth accumulation. Yet, for many young Australians, the dream of owning a home is slipping away.

According to the CEDA report “Australia’s growing intergenerational housing wealth divide,” “Home ownership among young Australians has fallen sharply, while older Australians have enjoyed significant capital gains.” The report details how the proportion of 25-34 year olds who own their own home has dropped from 60% in the early 1980s to just over 40% today. Meanwhile, those who already own property—primarily older Australians—have seen their wealth multiply.

Family support and intergenerational transfers are now playing an outsized role in determining who can enter the property market. The Grattan Institute notes, “The property market is increasingly shaped by family assistance and inheritance.” This means that a young person’s prospects of home ownership are increasingly tied to their parents’ wealth, rather than their own earnings or savings.

The implications are significant. Not only does this entrench inequality, but it also undermines social mobility and the ethos of merit-based success. As the CEDA report observes, “The growing reliance on family wealth to access housing risks creating a class-based society, where opportunity is inherited rather than earned.”

These trends present both challenges and opportunities. Clients may need guidance on how to support their children or grandchildren, manage intergenerational transfers, and plan for a future where housing is less accessible to the young.

External sources echo these concerns. The Australian Bureau of Statistics has found that the median age of first home buyers has increased, while the proportion of young people renting into their thirties and forties is rising. This shift has long-term implications for wealth accumulation and retirement security.

Policy, Tax, and Superannuation: Barriers and Opportunities

Australia’s policy landscape has played a critical role in shaping intergenerational outcomes. Tax concessions for property and superannuation, as well as the structure of the welfare system, have disproportionately benefited older Australians.

The Firstlinks article “The distortions in our tax system…” argues, “Tax concessions for superannuation and housing are skewed towards older Australians.” Negative gearing, capital gains tax discounts, and generous superannuation tax breaks have all contributed to the concentration of wealth among those who already own assets.

The CEDA report reinforces this point: “Structural reform is needed to ensure the system is fair and sustainable for future generations.” Without changes to tax policy and housing incentives, the gap between young and old will continue to widen.

Proposed reforms include capping tax concessions, redesigning housing incentives to support first home buyers, and ensuring superannuation benefits are distributed more equitably. While these changes are politically challenging, they are essential to restoring balance and ensuring the long-term sustainability of Australia’s social contract.

Staying abreast of policy changes is more important than ever. Understanding how shifts in tax, superannuation, and housing policy affect different generations can help clients make informed decisions and adapt their strategies accordingly.

External analysis from the Australian Council of Social Service (ACOSS) supports the need for reform, noting that “Australia’s tax system is increasingly failing to support those who need it most, while delivering windfalls to those who already have significant wealth.”

Charting a Path Forward: Strategies for Advisers and Clients

Despite these challenges, there are practical steps that young Australians—and their advisers—can take to build wealth and secure their financial future.

First, financial literacy is paramount. As Firstlinks notes, “Young Australians need to be proactive and seek advice to make the most of available opportunities.” This includes understanding the benefits of diversified investment, the importance of starting early with superannuation, and the potential of alternative pathways to wealth beyond property.

Second, advisers can help clients navigate intergenerational transfers. With family support playing a growing role in home ownership, it is essential to plan for gifts, loans, or inheritances in a way that is fair, tax-efficient, and aligned with family goals.

Third, resilience and adaptability are key. The Grattan Institute points out that "Advisers play a crucial role in helping clients adapt to changing economic and policy environments." This means staying informed about policy changes, reassessing strategies regularly, and being open to new opportunities as they arise.

Finally, advocacy matters. Advisers can use their expertise and influence to push for policy reforms that benefit all Australians, not just those who have already accumulated wealth. By engaging in public debate and supporting evidence-based policy, advisers can help shape a fairer, more sustainable future.

External resources such as ASIC's MoneySmart and the Australian Taxation Office provide valuable guidance on financial planning, superannuation, and tax strategies for young Australians.

Conclusion

The promise that each generation will be better off than the last is central to Australia's identity. Yet, as the evidence shows, this promise is under threat. Intergenerational inequality, housing unaffordability, and policy settings that favour the old over the young have combined to create significant barriers for millennials and future generations.

For Australian financial advisers and their clients, understanding these trends is the first step towards overcoming them. By embracing financial literacy, planning for intergenerational transfers, adapting to policy change, and advocating for reform, advisers and clients can work together to ensure that the next generation has the opportunity to thrive.

The challenge is great, but so too is the opportunity. With informed advice and collective action, Australia can once again become a place where every generation has a fair go.

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Q&A: Ask a Question

Question 1:

I've paid off most of my HECS debt, should I just repay the rest now?

Whether to repay your HECS-HELP debt early depends on a few key factors. Unlike most other debts, HECS doesn't attract interest. Instead, it's indexed each year based on the lower of the Consumer Price Index (CPI) or the Wage Price Index (WPI). That said, because repayments are automatically made through your tax return once your income reaches the annual threshold ($54,435 for 2024-25), there's no interest penalty for not paying it off sooner. If you're not likely to earn significantly more in the near future or have other debts with higher interest rates, prioritising those instead may make more financial sense. However, if you have surplus savings and specific goals or obligations, voluntarily reducing or clearing your HECS could be worthwhile.

Your financial adviser can help you weigh up whether repaying your HECS now aligns with your broader financial strategy.

Question 2:

My salary package includes super. What happens when the super guarantee rate increases to 12% in July?

From 1 July 2025, the Superannuation Guarantee (SG) rate will rise from 11.5% to 12%. If your salary package is "inclusive of super," this means your employer contributions are part of your total remuneration, not on top of it. So, unless your employer increases your total package, your take-home (base) salary could decrease slightly to allow for the higher super contribution. For example, if your total package remains the same, the extra 0.5% going into super will come out of your pre-tax income. On the other hand, if your salary is "plus super," the increase will be added on top of your base salary, so your take-home pay won't be affected. It's a good time to check your employment contract and clarify how your package is structured.

It also serves as a reminder to see a financial adviser who can help you understand what the SG increase means for your income, retirement savings trajectory, and whether it might be worth reviewing your salary arrangements.

Question 3:

In helping Mum with her estate planning, someone mentioned a "life interest" in her home. What does that mean?

A life interest is a legal arrangement often used in estate planning that allows someone (often a surviving spouse or partner) to live in a property for the rest of their life, even if ownership is left to someone else, like children from a previous relationship. The person with the life interest can live in the home or receive income from it, but they can't sell it or leave it to someone else in their own will. Once they pass away, full ownership typically passes to the "remainder beneficiaries." Life interests can be a useful way to balance competing interests between partners and children, especially in blended families.

However, they can also add complexity and create tension if not well understood or clearly documented. There may also be implications for aged care assessments and Centrelink entitlements. If your family is considering this approach, it's important to involve an adviser and estate planning solicitor to ensure its structured appropriately.