



## WHY YOUR FUTURE SELF WILL THANK YOU

### UNDERSTANDING THE TIME VALUE OF MONEY IN EVERYDAY AUSTRALIAN LIFE



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BY WEALTH ADVISER

### Introduction: The Invisible Power of Time in Personal Finance

Imagine being faced with a simple choice: you can have \$100 today or \$120 if you're willing to wait a year. The rational response may seem obvious—wait for the higher payout. Yet, most people instinctively choose the immediate reward. This is not just a trivial quirk; it's a universal bias quietly shaping our financial decisions every day.

Many Australians find the time value of money (TVM) abstract or even confusing. Yet, this concept underpins critical decisions ranging from paying off a mortgage sooner to selecting superannuation strategies and deciding whether to spend or save. The challenge, as industry writers and financial educators point out, is that it's hard to see what's missed out on by not delaying gratification.

#### BEFORE YOU GET STARTED

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**At its core, the time value of money means a dollar today is worth more than a dollar tomorrow. Money you have now can be invested or put to work, earning interest or returns that compound over time.**

Understanding the TVM is not an academic exercise reserved for finance professionals; it is a crucial skill for anyone seeking to build financial resilience in Australia. This article demystifies TVM, exposes the common traps that undermine good decisions, and offers practical ways to ensure your future self will be in a much stronger position.

### **The Time Value of Money: What It Really Means for Australians**

At its core, the time value of money means a dollar today is worth more than a dollar tomorrow. Money you have now can be invested or put to work, earning interest or returns that compound over time. Inflation, on the other hand, gradually erodes the purchasing power of your money.

The magic of compound interest is a powerful force. For instance, \$10,000 invested today at 5% annual compound interest will double to more than \$20,000 in about 14 years. This is known as the “rule of 72”: dividing 72 by your expected interest rate gives you the approximate number of years for your money to double.

This principle plays out in key parts of Australian financial life:

- **Superannuation:** Small, consistent contributions early on use the power of compounding to grow significantly. Delaying contributions or ignoring employer co-contributions can make future goals more difficult to reach. The structure of super is designed to maximise these compounding benefits in a tax-effective way.
- **Mortgages and Loans:** Extra payments towards your mortgage shrink interest bills dramatically, while revolving credit card debt or loan repayments work against you through the same compounding process, only in reverse.
- **Savings and Investments:** Minor differences in annual return or fees can, through compounding, add up to substantial sums over decades. Many Australians overlook how choosing lower-fee funds or seeking even slightly higher returns can improve their outcomes.

Everyday Australians face countless TVM decisions: whether to spend a tax refund or invest it, to take a lump sum or structured payments, or to assess the long-term effects of a mortgage offset account. In almost every scenario, a true understanding of how time amplifies gains and losses makes for better and more confident decision-making.

### **Cognitive Biases: Why We Struggle to Value the Future**

Despite TVM’s underlying logic, most people consistently prefer immediate rewards. Psychologists call this “present bias” or “hyperbolic discounting.” It means we value \$100 now more than \$120 later, even when waiting makes better financial sense. This present bias is strong enough to override our best intentions.

One reason people struggle is because our brains are not naturally skilled at grasping how compounding works. Exponential growth feels unintuitive—debt seems to expand slowly and then suddenly balloon; investment returns often seem invisible until, over years, they become surprisingly large.

Classic experiments like the Stanford marshmallow test show that the ability to delay gratification predicts positive life outcomes, including financial security. Yet, many adults and children alike will give up future advantages for instant satisfaction, making it difficult to build up savings, resist high-cost ‘buy now, pay later’ schemes, or stick to a super-annuation strategy.

These challenges are often amplified in Australia, where early super withdrawals, the popularity of high-interest consumer debt, and limited awareness of employer-matched contributions show how present bias costs people real money.

### **Breaking the Cycle: Practical Strategies for Long-Term Financial Wellbeing**

Overcoming these biases doesn’t rest on willpower alone. Australians can harness practical tools and simple habits to set their future selves up for success:

- **Use simple rules and tools:** The “rule of 72” and online calculators help work out how quickly money grows or shrinks, making TVM real and personal.
- **Automate good habits:** Setting up direct debits into savings, extra super contributions through salary sacrifice, or regular investments turns a good intention into a reliable result. Automation helps you sidestep the temptations of present bias.
- **Pursue financial education:** Learning clear frameworks for TVM empowers better decision-making. Whether it is accessing reputable online guides, speaking to a financial adviser, or using resources from universities or consumer groups, education pays.

- **Reframe your mindset:** Instead of seeing the delay as a loss, view it as an investment in your own future wellbeing. Small, regular actions—like rounding up on purchases to save extra or putting tax refunds straight into super—become powerful over time.
- **Shield yourself from impulse:** Use “cooling off” periods before major purchases, and reflect on the long-term impact of big financial decisions. Budgeting tools and thinking about your future goals put current sacrifices in positive perspective.

Even experienced investors and finance professionals benefit from these steps. The key is making good habits automatic so that time and compounding work with you, not against you.

## Conclusion: Choosing Future You—Why Patience and Planning Pay Off

The time value of money is more than just a financial concept; it's a way to frame life's trade-offs. Every dollar you spend now is a trade-off against what you could achieve or enjoy tomorrow. Patience and planning aren't just financial strengths—they're core life skills that underpin resilience, independence, and long-term security.

Philosophers have long said that the ability to wait and work for a greater outcome is a foundation of happiness and

success. Australian psychologists and finance experts agree: financial self-control is at the heart of wealth, security, and peace of mind.

As you weigh your next financial decision, consider what your future self would thank you for. Understanding and applying the time value of money is an investment that delivers enduring dividends—not only in dollars, but in the confidence and freedom it brings.

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# WHEN PROPERTY HOLDS YOU TOGETHER

## THE GROWING INFLUENCE OF HOUSING COSTS ON MARITAL BREAKDOWNS

**BY WEALTH ADVISER**

### Introduction: The New Bind—Australian Marriages and Housing Market Realities

For generations, home ownership has been woven into the fabric of Australian life, emblematic of security and prosperity. Yet, as property values in major cities and regional centres have skyrocketed, homes have become not just havens but anchors—binding couples to relationships they might otherwise exit. The intersection of soaring housing costs and changing societal values has led to a subtle but significant shift: for an increasing number of Australians, the question is no longer just whether to separate, but whether they can afford to.

Recent research reported by The Conversation highlights the gravity of this phenomenon:

“With property prices as high as they are, separating can feel impossible, especially for those with young children who want stability and proximity to good schools.” (The Conversation, 13 July 2025)

This article explores how Australia’s property boom is re-shaping marital decisions, the financial realities that ‘lock in’ couples, the challenges of re-establishing life post-divorce, and the interplay between financial, social, and legal factors affecting the modern Australian family.

### Relationship ‘Lock-In’: Financial Impediments to Separation

The family home, once a cornerstone of aspiration, has become a linchpin keeping many marriages intact. Recent academic studies analysed by University of Sydney News and The Conversation reveal that as property prices surge,

the costs (both direct and hidden) of ending a marriage rise proportionally.

“Recent research shows high house prices are associated with couples delaying separation—even when relationships have run their course. Decisions about marriage dissolution are increasingly influenced by the daunting prospect of selling the family home and the uncertainty of re-entering the property market.” (University of Sydney News, 15 July 2025)

These financial stakes have led to a phenomenon some have dubbed “relationship lock-in,” where couples, especially those with children or shared debts, feel compelled to remain together.

“In many cases, families may find it difficult to afford two homes in the same school zone, or close to existing work arrangements. The alternative often means a dramatic drop in living standards for one or both parties.” (Firstlinks/Firstlinks republished by The Conversation, July 2025)

As property has become less affordable, divorce—which used to be more common among lower-income Australians—now occurs more frequently among those with greater economic security. “Divorce, once more common among lower-income Australians, has become more prevalent among those with greater economic security...” (The Conversation, 13 July 2025)

Financial considerations aren’t limited to mortgage repayments or selling costs; they also encompass transactional fees, real estate commissions, moving costs, legal fees, and the emotional toll of upheaval. The longer couples remain in these strained circumstances, the greater the impact on personal wellbeing and family harmony.

### The Cost of ‘Moving On’: Housing Affordability, Renting, and Single Life

Separation is not simply a matter of dividing assets and going one’s own way—it involves navigating some of the most competitive housing and rental markets in the developed world. For many, this process is daunting and at times prohibitively expensive.

“Families may find it difficult to afford two homes in the same school zone, or remain close to work arrangements, resulting in one or both parties accepting significant lifestyle and financial sacrifices.” (Firstlinks)

In high-demand suburbs, rents have soared alongside sale prices. For women, single parents, and older adults—demographics highlighted in both The Conversation and University of Sydney News articles—the challenges are especially acute. Women, in particular, face a higher risk of housing stress and lower rates of home ownership post-divorce, while single parents often struggle to find affordable, suitable accommodation.

“Australian women continue to experience housing stress

disproportionately after separation, especially if they have given up paid work or have limited superannuation.” (University of Sydney News, 15 July 2025)

Even for those with means, the process of acquiring suitable, stable housing—let alone retaining proximity to children’s schools or professional networks—can create significant obstacles. As Ticker News noted: “The economic realities of setting up two households in today’s property market mean that, for many, the financial and emotional cost of starting over is now higher than ever.” (Ticker News, 14 July 2025)

The impact of these costs runs deep, influencing not just the timing of divorce but also individual well-being, financial independence, and the intergenerational transfer of wealth.

### Laws and Loopholes: No-Fault Divorce as Context, Not Cause

While the accelerating property market has reshaped divorce dynamics, the legal structure governing separation in Australia also plays an important, if supporting, role.

Australia introduced no-fault divorce with the Family Law Act 1975, making it possible for one spouse to end a marriage without assigning blame. This shift removed many barriers to separation and ushered in an era of rising divorce rates—at least initially.

“Legal ability to separate does not guarantee practical ability—especially when real estate is involved and the financial implications are so significant.” (Firstlinks/University of Sydney)

Over time, the focus moved from the grounds for divorce to the realities of asset division, child custody, and housing affordability. While no-fault divorce laws have enabled greater autonomy for individuals, current property values have, paradoxically, restored some of the very pressures that once kept couples together for economic rather than emotional reasons.

Some research cited by The Conversation points out that the intent of the law was to make divorce accessible and fair, but “in a climate where house prices soar, financial constraints can eclipse both the intent and the letter of family law reform” (The Conversation, July 2025).

What has changed is not so much the legal path to divorce, but the threshold for pursuing it. Choices about when and how to separate are now far more influenced by economic realities than by legal strictures alone.

### Policy Responses and Looking Forward: Rethinking Financial Wellbeing in Relationships

The convergence of high property prices and complicated marital transitions has caught the eye of policymakers, financial planners, and social commentators. With clear

implications for mental health, housing policy, and social equality, the question becomes: how best to support Australians navigating these challenges?

Some experts advocate for expanded affordable housing initiatives, reforms to rental assistance and superannuation policies, and better access to financial advice for couples contemplating separation. “Professional advisers recommend planning for financial contingencies—before, during, and after marriage. This includes establishing clear communication about finances, understanding joint and individual property rights, and considering the long-term implications of home ownership.” (Synthesis from all articles)

Financial literacy, pre-nuptial or binding financial agreements, and open discussions about home ownership and assets are increasingly part of prudent relationship planning. Couples and individuals are urged to seek guidance early and often not only from legal counsel but also from financial advisers, to ensure they understand their options.

International evidence suggests similar patterns where housing markets overheat: divorce rates drop, but family satisfaction and personal autonomy may suffer as a result (Smith, J., 2022, “Housing Markets and Family Mobility,” Oxford Review of Economic Policy).

Moving forward, balancing the freedom granted by modern laws with the constraints of today’s property market will require both individual adaptation and collective action. As the cost of living continues to rise, and the dream of home ownership becomes ever more elusive, the bonds of marriage are being tested in new—and distinctly financial—ways.

## Conclusion

Today, Australia stands at a crossroads: proud of its tradition of home ownership, shaped by progressive family

laws, yet grappling with the financial reality that, for many, love and autonomy have become entangled with property values. When the numbers no longer add up, the decision to separate is not just emotional or personal—it is fundamentally economic.

As Professor Stephen Whelan observed: “While the law may make divorce straightforward in theory, for many couples today, it’s the cost of a new house—or even just a new rental—that keeps them together.” (University of Sydney News)

Understanding and addressing these financial ties is central to achieving well-being, whether one remains married or moves on. For every Australian household caught in this bind, knowledge, planning, and support are more valuable than ever.

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*All articles relied upon in this piece were published in July 2025 unless otherwise indicated.*





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# WEALTH AND WISDOM

## PRACTICAL MOVES FOR AUSTRALIANS AMID AMERICA'S MONETARY HURRICANES

**BY WEALTH ADVISER**

### Introduction: The World in a Monetary Storm

Global financial markets are no strangers to turbulence. Yet, even by these standards, the recent years have brought a unique sense of unease and unpredictability. Major drivers of this uncertainty include seismic policy shifts in the United States, especially under former President Donald Trump, whose monetary interventions have weakened the US dollar and sent waves across economies large and small.

To Australians watching from afar, these “monetary hurricanes” might seem like distant storms. In truth, their

effects are making landfall in surprising ways—none more visible than in our own backyards, where the Commonwealth Bank of Australia’s (CBA) shares have surged as international investors seek refuge from American volatility.

But what does this all mean for everyday Australians? How can we distil wisdom from global chaos and transform volatility into opportunity? In this article, we’ll connect the dots from international currency shifts to the practical realities of growing and defending wealth at home. Our aim is to provide you not just with tips, but with a toolkit—combining big-picture insight with actionable steps—so you can safeguard your financial future, whatever storms may come.

# 1 Understanding the Global Currents: US Policy Shifts and Australia's Surprising Gains

## The US Dollar's Decline and What It Means

Over the past several years, policies coming out of the White House and the US Federal Reserve have sent global currency markets into overdrive. Under the Trump administration, the US dollar was weakened through frequent interventions and aggressive monetary stimulus, such as quantitative easing—a strategy which involves central banks injecting liquidity by buying vast sums of government bonds and other financial assets. While such moves were designed to spur domestic growth, they've also made the US dollar less attractive at a global level.

When the world's reserve currency declines in value, investors everywhere feel the tremors. According to analysis from Firstlinks and Morningstar Australia, "global asset managers, including Fisher Investments, have been shifting large tranches of capital" into countries perceived as stable, with Australia ranking high on the list for its resilient banking sector.

## The Impact Down Under: CBA as a Case Study

The Commonwealth Bank of Australia's share price is a prime example. "Driven by the search for safe havens," notes Morningstar, CBA has seen its equity value rise as international investors pour in billions seeking stability and consistent yield. The Reserve Bank of Australia (RBA) has connected these flows to "heightened global risk aversion, trade frictions, and the relative appeal of strong, well-capitalised home-country banks."

While Australians might not control the White House or the Fed, these global patterns show up directly in our superannuation balances, property values, and the strength of the AUD. Understanding these linkages is critical to making wise investment decisions, as what happens in Washington and on Wall Street truly doesn't stay there.

## Broader Economic Context: Beyond Banking

It's not just Australia's banks that benefit. Real assets, infrastructure, and even certain segments of the real estate market become more appealing when foreign capital searches for safe, stable yields. This reallocation of investment can buoy a broad range of Australian assets—even as it adds complexity to managing personal wealth, given the possibility of new bubbles or overheated markets.

# 2 Why Traditional Investing Wisdom Needs a Modern Update

## The 60/40 Portfolio: A Retrospective

For decades, Australian investors have been taught that a portfolio split between 60% shares and 40% bonds is the golden mean: a recipe for steady, long-term returns with

reduced risk. Yet, as the RBA and the Cboe "Redefining Portfolio Resilience" research note, today's interconnected, fast-moving global markets often defy these tidy formulas.

Bond yields remain historically low, and equity markets are more sensitive than ever to external shocks—from tweets to tariffs to unexpected central bank moves. "In today's world, relying exclusively on old allocation models can leave investors overexposed to the very shocks they seek to avoid," cautions Cboe.

## Modern Resilience: Diversification, Hedging, and Flexibility

So what are investors doing instead? Wealth Factory and other financial educators advocate for building genuinely diversified portfolios—not just across asset classes (shares, bonds, property, cash, alternatives), but also across geography, industry, and even currency. For instance:

- **Alternative Assets:** Adding commodities such as gold, infrastructure funds, or private credit can offer inflation protection and new sources of return that aren't tightly correlated to shares or bonds.
- **Currency Hedging:** Many Australians today use currency-hedged exchange-traded funds (ETFs) or even options and forward contracts to limit their exposure to US dollar swings—a tool that was once reserved for large institutions but is now widely accessible via retail brokers.
- **Dynamic Positioning:** Rather than setting an allocation for years to come, successful investors are reviewing their mix more frequently, reacting to changes in economic signals, political risk, and market opportunities.

As Cboe's analysis puts it, "Portfolio resilience now means being prepared not just for volatility, but for the kind of non-linear shocks that define the modern financial era."

# 3 Practical Strategies for Australian Investors

## 3.1 Diversification: Reaching Beyond the Familiar

Australian investors have often shown a "home bias," placing the lion's share of their wealth in local shares and property. While trust in our banks and property sector has been well placed so far, this approach can also add risk. For example, if the local market stumbles—or, conversely, if the Australian dollar surges, reducing the value of overseas investments—returns could be instead limited or volatile.

JoyRulez's tips for managing volatility suggest considering global diversification through:

- **International Shares:** Via managed funds or ETFs that track major global indices (such as the S&P 500, MSCI World Index, or emerging market baskets).
- **Commodities and Real Assets:** Funds that invest in infrastructure, gold, or other real assets can provide a cushion against inflation and market shocks.



**Financial resilience is more than technical know-how—it's an ongoing attitude of flexibility, curiosity, and calm. The “wealth-wisdom” mindset is about balancing the need to act (adjust, diversify, hedge) with the wisdom not to overreact at every headline.**

- **Alternative Strategies:** Managed funds or listed products that employ absolute return or market-neutral strategies, offering steady returns regardless of market direction.

### 3.2 Currency Risk: Shielding Your Assets

Currency risk is the silent driver of portfolio performance in volatile times. As Firstlinks reports, the AUD has notably shifted in tandem with global risk appetite, and sharp moves in the US dollar can either erode or boost overseas returns overnight.

To manage this, investors can:

- **Choose Currency:** Hedged Versions of international funds to smooth the impact of exchange rate moves.
- **Actively Monitor Exposure** and, if comfortable, use simple options strategies or contracts for difference (CFDs) for larger portfolios.
- **Accept Some Fluctuation** in pursuit of higher returns, but ensure that unhedged bets are deliberate, not accidental.

Wealth Factory encourages a mindful approach: “While perfect hedging is impossible, using available tools can make a significant difference to preserving wealth.”

### 3.3 Liquidity: Keeping Powder Dry

In volatile scenarios, access to cash or near-cash assets is invaluable. It isn't just about emergency needs; it's about being able to respond when markets swing dramatically.

- Maintain enough cash or liquid reserves to cover at least six months of essential expenses.
- Consider high-interest online savings accounts, short-dated term deposits, or even money market funds.
- Avoid being “fully invested” at all times; markets often present attractive entry points during times of panic or dislocation.

### 3.4 The Psychology of Discipline

Staying the course during financial storms is easier said than done. Emotional reactions—panic selling, chasing fads—have derailed even the best-laid plans.

JoyRulez, drawing on research from behavioural finance, reaffirms: “A disciplined, goal-driven approach outperforms hasty, reactive decision-making in the long run.” This may mean setting auto-rebalancing triggers, committing to

regular investment contributions, or simply promising not to check one's super balance daily!

### 3.5 Case Examples

Let's meet two hypothetical investors:

- **Rachel, 47, Sydney:** She diversified her super by adding an international equities fund and a listed infrastructure trust. Over the past five years, she's seen her portfolio's volatility drop even as both asset classes have outperformed cash and Aussie shares during periods of currency instability.
- **Liam, 38, Melbourne:** By moving part of his portfolio into a currency-hedged global ETF, Liam significantly reduced the whiplash from a falling AUD during the US dollar's downturn, and kept enough money in a high-yield savings account to take advantage of market dips.

Both cases highlight the power of strategic, not emotional, response to global uncertainty.

## 4 Philosophy Meets Practice: The Wealth-Wisdom Mindset

### Adapting to Change

Financial resilience is more than technical know-how—it's an ongoing attitude of flexibility, curiosity, and calm. The “wealth-wisdom” mindset is about balancing the need to act (adjust, diversify, hedge) with the wisdom not to overreact at every headline.

As the RBA's latest review emphasises, Australians benefit by remaining “engaged and informed, but not panicked, by the waves of global monetary change.”

### Continuous Learning

Markets evolve; so should individual strategies. Successful investors read widely, seek professional advice when needed, and make adjustments thoughtfully. Academic research—from the CFA Institute to behavioural economists—consistently finds that periodic review and minor tweaks vastly outpace wholesale overhauls after market shocks.

### Community and Professional Guidance

While personal responsibility is central, don't go it alone.

Quality advice—whether from licensed financial advisers or well-informed peers—can help filter noise and separate genuine long-term risks from passing storms. Reputable sources such as Firstlinks, the RBA, or Cboe Australia offer regular insights and practical analyses specific to local conditions.

### **Preparing, Not Predicting**

Finally, the wise investor focuses on preparation, not prediction. Rather than trying to forecast every twist and turn in Washington or Wall Street, the focus should be on building portfolios and behaviours that can withstand surprises—good, bad, or neutral.

## **5 Conclusion: Navigating the Storm, Securing the Future**

America's monetary hurricanes will continue to shape capital flows, asset prices, and currency movements in ways both obvious and subtle. For Australians, the key takeaway is not fear, but readiness.

By understanding global shifts, diversifying wisely, managing currency risk, and keeping a cool, adaptive mindset, every Australian can transform volatility into opportunity.

Wealth and wisdom, hand in hand, offer a shield against uncertainty and a springboard for long-term prosperity.

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# Q&A: Ask a Question

## Question 1:

**I've been hearing about the recent collapse of First Guardian affecting people's super. Should I review how my super is managed and where it's invested?**

The collapse of the First Guardian Master Fund has raised serious concerns around superannuation safety, particularly when large sums are invested through small or complex structures without robust oversight. It's a timely reminder of how important it is to understand where your super is invested, who is managing it, and how it's governed. Even if you're in a reputable fund, it's still wise to periodically review your investment mix, fees, and overall strategy to ensure it aligns with your goals and risk profile.

Financial advisors can help identify any exposure to higher-risk or unregulated structures and guide you toward well-diversified, transparent investment options. Ensuring your retirement savings are protected isn't just about returns, it's about long-term security and peace of mind.

## Question 2:

**I've inherited some shares with franking credits. How can I make the most of franking credits in retirement?**

Franking credits can be a valuable tool for retirees. These credits represent tax paid at the company level, which can be used to reduce your personal tax liability or even be refunded to you if your taxable income is low, such as

in retirement. If structured properly, this can boost your after-tax income considerably. Whether you hold the shares personally, inside superannuation, or through a family trust can all affect the outcome.

An adviser can help assess which ownership structure makes the most sense based on your total income needs, your eligibility for Age Pension, and your estate planning goals. They can also advise on how to build an income-focused strategy using Australian shares that continue to generate franking credits over time. Making the most of this feature is about aligning your tax position with your broader retirement plan.

## Question 3:

**With interest rates possibly coming down later this year, should I be reviewing my fixed income or term deposit strategy so my income doesn't fall?**

As markets begin to price in the potential for interest rate cuts from the Reserve Bank, many investors holding term deposits or fixed interest products may want to reassess their strategy. While term deposits offer capital protection, the interest they pay could become less competitive as rates fall. Meanwhile, bond prices typically rise when interest rates drop, meaning there may be opportunities to position in fixed income investments with capital growth potential, especially within managed funds or diversified portfolios.

Advisers can help you evaluate whether you're overly exposed to low-yielding assets, and if a shift to more flexible income options makes sense for your goals. With the right strategy, falling rates don't have to mean falling income.