

Financial missteps can mean **missed opportunities**



In a world of constant financial noise, from market updates and interest rate speculation to economic forecasts, it's easy to feel overwhelmed and choose to do nothing.

But inaction can be costly when it comes to building long-term wealth. Whether it's leaving money in cash, delaying investment decisions or ignoring the power of regular contributions, the financial consequences of sitting still can quietly erode your future goals.

Small, consistent actions can make a significant difference over time.

Inflation is a wealth killer

One of the most overlooked risks of doing nothing is inflation. While your money might feel 'safe' sitting in a savings account or term deposit, its purchasing power is shrinking every year.

For example, if you'd tucked \$10,000 under the mattress in 2014, ten years later in 2024 it was worth just \$6926.70 in real terms, thanks to the average annual inflation rate of 2.7 per cent. That's a 30.7 per cent loss in value without spending a cent.ⁱ

Even in low-inflation environments, the real return on cash is often negative

once you factor in tax and inflation. In other words, while your account balance may stay the same or grow slightly, your ability to buy goods and services with that money is declining.

The 'cost' of cash

Holding too much cash for too long can be a drag on your portfolio's performance. While cash plays an important role in managing short-term needs and emergencies, it's not designed for long-term growth.

Consider this:

- Over the past 30 years, Australian shares have returned an average of 9.3 per cent per year, while cash has returned 4.1 per cent annually.ⁱⁱ
- That difference compounds significantly over time. Based on those rates, \$100,000 invested in shares could grow to approximately \$1.4 million in 30 years, while the same amount in cash might only reach around \$330,000.

By staying in cash, investors miss out on the growth potential of other asset classes like shares, property or managed funds.

The perils of 'set and forget'

Many investors start out with good intentions. They set up a portfolio, make an initial contribution and then leave it untouched for years.

While long-term investing is a sound strategy, neglecting your portfolio entirely can lead to missed opportunities.

Here's what you need to be aware of:

- **Asset allocation changes** – Market movements over time can affect your portfolio's intended risk profile.
- **Dividends** – If dividends are paid out and not reinvested, you lose the benefit of the compounding effect.
- **Changing goals** – Your financial needs are likely to change as you age, but your portfolio won't reflect that unless it's reviewed.



So, annual check-ups can help ensure your investments are still working for you.

Missed opportunities

Compound interest is one of the most powerful tools in wealth creation. But compounding works best if you're consistently contributing and reinvesting.

Consider two hypothetical investors who both invest \$10,000 earning an average 7 per cent per annum:

- Investor A contributes an extra \$5,000 each year
- Investor B contributes nothing after the initial \$10,000 investment

After 30 years (and not accounting for fees and other costs):

- Investor A may end up with more than \$500,000
- Investor B may end up with around \$76,000

The difference? Regular contributions and the magic of compounding.

Even small, consistent investments can grow into a substantial nest egg over time. The earlier you start, the more time your money has to work for you.

You can do your own calculations with ASIC's MoneySmart calculator.

From passive wealth to active growth

The cost of doing nothing can be even more pronounced for high-net-worth investors. With larger sums at play, the opportunity cost of holding excess cash or delaying strategic investment decisions can translate into millions of dollars in missed growth over time.

While capital preservation is important, so is capital productivity. Allocating funds across diversified asset classes can help balance risk while enhancing long-term returns.

Inaction, especially in times of market uncertainty, may feel prudent, but it often results in underutilised capital that fails to keep pace with inflation or evolving financial goals.

And don't forget that tailored investment strategies such as tax-effective structures, philanthropic planning, and intergenerational wealth transfer all need regular review and active engagement. A set-and-forget approach can lead to misalignment with changing personal circumstances, regulatory shifts or market dynamics.

The key is to stay engaged. Whether it's reviewing your family trust, updating your estate plan or rebalancing your portfolio, small, strategic adjustments could have a big impact.

After all, your financial plan should evolve with you. A portfolio designed five years ago may no longer suit your goals, risk tolerance or tax situation. Life changes – marriage, children, career shifts, retirement planning – and your investments should reflect those changes.

The bottom line

Doing nothing might feel safe but it's often the riskiest choice of all. Inflation erodes your savings; cash underperforms over time and missed opportunities can delay or derail your financial goals.

The good news is that you don't need to make dramatic moves or chase market trends. By taking small, consistent steps such as contributing regularly, reinvesting earnings and reviewing your plan regularly, you can build a strong foundation for long-term financial success.

To make sure your current strategy is on track, give us a call. We're here to help you take control and make your money work harder for your future.

i <https://www.rba.gov.au/calculator/annualDecimal.html>
ii https://fund-docs.vanguard.com/AU-Vanguard_Index_Chart_poster.pdf

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