q advice: SHOULD YOU INVEST IN ETF'S OR PROPERTY?

In the property world, there's plenty of buzz around active investing. The active crew often flaunt their ability to 'manufacture' additional value and fast-track returns. They dive into renovations, subdivisions, and developments, turning 'apples into apple pie' to maximise profits. But let's take a step back – what do the stats tell us? According to the Australian Taxation Office (ATO), 71% of property investors in Australia stop at just one property. Why? Most people simply don't have the time, energy, or resources to navigate the complexities of active investing. So, which approach is best for you? Let's break it down.

Active investing: Rolling up your sleeves

Active investing is about diving in and doing the work. From flipping a fixer-upper to subdividing land or managing a development project, this approach is all about adding value through effort and expertise. It's a high-risk, high-reward strategy that can accelerate wealth – but it's not for everyone.

Active investing requires significant time, energy, and emotional bandwidth. You'll need skills, a reliable network, and the resilience to handle the literally hundreds of decisions you need to make, plus manage unexpected challenges. And let's not overlook the hidden cost: your time. Many active investors forget to account for the hours they invest, which can diminish the overall returns. While active strategies can produce impressive results, they will come with added time, stress, complexity, and risks.

Passive investing: Quietly building wealth

Passive investing, on the other hand, is the unsung hero of wealth-building. It's about selecting investment-grade properties in proven locations and letting time and compounding do the heavy lifting. Passive investors avoid the headaches of managing renovations, dealing with contractors, or navigating zoning laws. Instead, they focus on building a portfolio that grows steadily and requires minimal hands-on involvement.

This approach resonates with most people because life is already demanding enough. Passive investing offers simplicity, stability, and a clear path to financial freedom. You'll still need to make plenty of important decisions, and there will still be some challenges to manage, but it's about creating a system that quietly works in the background so you can focus on what matters most in your life.

We advocate for passive investing. Why? Because it's a smarter, simpler way for the majority of people to reach their financial goals. The path to $3,000 per week doesn't require swinging hammers or drawing up subdivision plans. This goal is entirely achievable with as few as two investment properties and without the added complexity of active strategies. That's not to say active investing doesn't have its place. For those who thrive on the challenge, it can offer a fast track to higher returns – the classic risk versus reward equation. But for most, passive investing provides a sustainable, low-stress solution that aligns with real life.

Forget the noise of flashy headlines and complicated strategies. Passive investing works because it's intentional, straightforward, and scalable. It builds wealth in a way that complements your life rather than complicating it. So, we prefer to keep it simple.

Exchange Traded Funds

It would be remiss of us not to talk about a growing trend around ETFs (Exchange Traded Funds). Finfluencers – financial influencers on social media – are shaping how younger generations think about investing. Whether it's on TikTok, Instagram, or YouTube, these personalities are making wealth creation feel accessible and relatable. Their bite-sized advice often focuses on ETFs, shares, and micro-investing platforms, offering an appealing alternative to those who feel the property market is out of reach.

Here's how finfluencers are changing the investment landscape:

• Making investing accessible: Finfluencers simplify complex topics, showing how small, consistent contributions to ETFs can grow over time.

• Promoting micro-investing: Platforms that allow fractional ownership of shares have surged in popularity, thanks to finfluencers. The idea of 'invest while you save' appeals to those wanting to feel proactive about their money without needing a large upfront commitment.

• Reframing property: Some finfluencers argue that ETFs offer advantages that property can't match: liquidity, diversification, and lower barriers to entry.

For many younger investors, ETFs offer an appealing entry point with their low cost and flexibility. The ability to start small with dollar-cost averaging resonates with those who feel daunted by saving for a property deposit. But this raises an important question: are ETFs a replacement for property, or are they a stepping stone to something more substantial?

While ETFs can be a brilliant tool for building wealth, we feel very strongly about the long-term stability that owning property – at very least, a PPR – provides. A home isn't just an asset; it's a castle. It shields you from rising rents, provides a place to live, and creates a strong foundation for retirement. Just ask someone in retirement who doesn't own their own home how challenging it can be. However, ETFs can be a considered option for aspiring investors to use to save for a property deposit while keeping pace with inflation and gaining valuable investing experience. They're flexible and accessible, making them a smart starting point.

Ultimately, for us, property ownership should remain the definitive goal. A home delivers what even the most diversified ETF portfolio cannot – a roof over your head, peace of mind, and the ability to live life on your terms. Just so we're clear: ETFs are a licensed financial product, so this isn't advice – just our take. Consider this a conversation starter, not a recommendation. Before making any ETF or financial product moves, seek qualified financial advice.

Edited extract from How to Retire on $3,000 a Week:
The Property Couch's Playbook for Passive Property Investing by Bryce Holdaway & Ben Kingsley (Major Street Publishing RRP $32.99), available at all leading retailers.

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