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Understanding Investments

- Good financial advice considers both your short and long-term financial needs.
- A cash or fixed interest investment is suitable for the short-term, but the returns generated from these assets are comparatively low, are fully assessable for tax and will not help you combat the effects of inflation, as they do not provide any growth potential.
- Many people think fixed interest investments are conservative. One thing that is for sure is that when you consider the after tax return on most fixed interest investments the return is less than inflation which means the value of your money is eroding before your eyes.
- Fixed interest investments include bonds and it is possible to lose money on bonds if interest rates rise.
- There have been examples where people thought they were investing in low risk fixed interest investments but they were in fact mortgage backed securities and they lost significant amounts if not all capital.
- We believe that any funds surplus to your short term requirements should not be invested in assets such as cash and fixed interest.
- The only way to combat the effect of inflation is to invest in assets that have the potential to provide you with capital growth and a growing income stream that exceeds inflation.
- Investing in Growth assets such as shares and property for periods of 5 years or more will usually provide significant capital growth as well as a growing income stream which is even more important. We believe these assets are the best investment strategy for long-term wealth creation and indeed wealth protection.
- We also believe that the best way to invest into these assets is via a portfolio of managed funds. Each fund manager has their strengths and we try to identify these and blend them together to minimise risks while maximising returns.
- Fund managers and financial planners not only have the education, training, experience and analytical skills to manage your investments effectively, but they also have access to information not generally available to the average investor.
- Investing surplus funds periodically, either by way of a regular savings or salary sacrifice will allow you to take advantage of 'dollar cost averaging'. This strategy recognises that investments rise and sometimes fall but a regular investment means that these fluctuations are smoothed out by the fact that when markets are high you will buy less units and when markets are low you will buy more units.
- Australian investments are good but Australia only represents around 1.2% of global markets. 98.8% of the opportunities for investment are not in Australia. We will usually recommend a blend of both Australian and overseas investments

with a higher weighting to Australian investments because of our favourable tax system (Dividend imputation).

- Sensible levels of gearing or leveraging of investments is a sound strategy when trying to create long term wealth.

Working with a professional advisor will assist you to avoid the many pitfalls of investing.

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