

INVESTMENT



Risk and return

Everyone is different. Your age, income, assets, investment time horizon, investing experience and personality type all come into play when determining how you will invest.

Investment strategy

There's a lot to think about before you invest, generally you aim to get the highest return at the level of risk you feel comfortable with. However, you need to consider how tolerant you are of market fluctuations and the probability that your investment returns may not meet expectations, and may even fall in value. When considering your investment strategy, ask yourself:

- What are your financial goals?
- How soon do you want to reach your goals?
- How much do you have currently?
- How great a fall in the value of your investment funds could you cope with, and for how long?
- Are you willing to accept more risk, giving you the potential to earn greater returns but also the potential to incur greater losses?

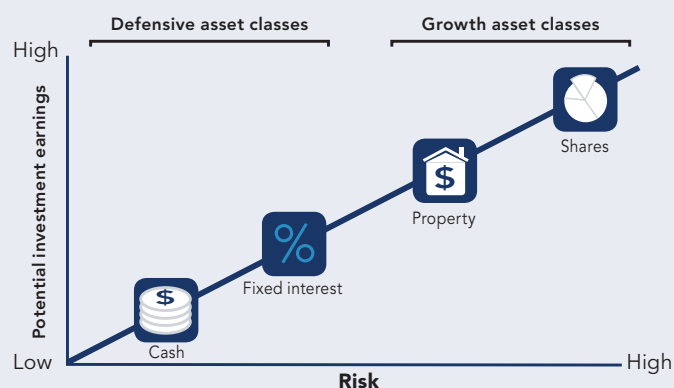
A financial adviser can help develop an investment strategy with an asset allocation that is appropriate for your risk tolerance, goals and timeframe.

Risk and return

Risk and return tend to be closely related and so by choosing a lower level of risk you are also choosing to reduce your longer-term return expectations.

It's important to recognise the level of risk you feel comfortable with. You may be risk averse and prefer to invest in safer, low-interest cash and bank deposits where the value of your money is unlikely to fall.

You may accept the risk that the value of your money may go down over short periods of time, but has the potential to earn a higher return over a longer timeframe, if invested in growth assets such as shares or property. It is important to remember that losses are always possible, depending on the fluctuations in the sharemarket and when you want to withdraw and use your investment.



Defensive versus growth assets

Different asset classes will, in general, offer different levels of risk and return. There are five main asset classes (cash, fixed interest, property, shares and alternative assets) which can be grouped again into defensive and growth assets. As you can see from the graph on the previous page, the different asset classes are located along the risk/return trade-off line.

Defensive assets, such as fixed interest and cash, tend to produce lower yet more stable returns than growth assets over the longer term.

Growth assets, such as shares and property, are expected to provide strong capital growth over the long term but are prone to more fluctuation.

For more on this, see our 'Asset classes' fact sheet or speak with your financial adviser.

Time horizon

Time can be your best friend because it gives compounding returns time to work. Having a clear long-term investment plan in line with your objectives and risk profile is far more important than chasing yesterday's winners and focusing on short-term trends.

A long-term investment perspective can also help you weather periods of market volatility. Time tends to smooth out the short-term market fluctuations and places sudden declines and gains into perspective.

In determining which investments are most appropriate, you should also consider an investment's time horizon. Each asset class has a distinct time horizon, which helps to determine its suitability. For example, if your time horizon is one to two years, you may consider a lower risk investment, such as a defensive asset, which is expected to be less volatile over this timeframe than growth assets.

For more on time horizons and compound returns, see the 'Investing for the long term' fact sheet.

Determining your investor profile

Your financial adviser will assist you in assessing your tolerance and expectations to investment risk and return. Be realistic about your expectations – there may be many different investment strategies available to you and your financial adviser will work with you to implement a solution that is appropriate given your financial goals and objectives.

How your adviser can help

For more information, contact Amanda Cassar on (07) 5593 0855.

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