Your money Your future

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Do you really need to plan for your retirement?

Most of us expect to retire one day, yet few of us really think about the impact of retirement on our financial security. This is surprising, considering that we could spend a third of our lives as retirees.

Whether retirement is still several years away or just around the corner, you should start thinking about what you'd like to achieve in the years following full time employment.

Your lifestyle in retirement will be largely governed by your financial position. That's why it's so important to start planning for your financial security as soon as possible.

So, how much money will you need? Contact our office on (03) 9803-1414 to arrange an appointment to examine your situation.

Stay in the game with capital protection

Capital protection enables investors to insure against market downturns while remaining fully invested to capture sudden market recoveries.

History tells us that investing for the long term pays off as markets have invariably rebounded following a downturn. But with share prices almost halving in the space of a year and media headlines battering confidence, this accepted wisdom is understandably offering cold comfort.

Capital protection can help you stay in the market during periods of turbulence.

The weight of history

2008 was undeniably traumatic for investors, as the US sharemarket fell 38 per cent[1] and Australian shareholders fared even worse, with local stocks shedding 41 per cent.[2]

These are worrying times but share prices have fallen before and the markets have always recovered. In fact, over the past century there have been 10 occasions when the sharemarket has fallen by over 20 per cent and it has taken an average of 22 months for stocks to reach new highs.

But timing the rebound is difficult, particularly in turbulent times such as these, with share price volatility 13 times the Australian average.[3]

1 Source: Datastream, S&P 500, data from 31 December 2007 to 31 December 2008.

2 Source: Datastream, ASX 200, data from 31 December 2007 to 31 December 2008.

3 Source: Bloomberg, MSCI, Standard and Poor's, Datastream and Alliance Bernstein. US: S&P 500, Australia: All Ordinaries Index. Data as of 31 December 2008.

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AXA Financial Planning

Surviving redundancy

As the global financial crisis deepens and affected companies move to tighten their belts, the prospect of retrenchment has become a genuine concern for many people.

If you have recently been retrenched, there are a number of important decisions you'll need to make. Decisions in relation to finding another job, meeting your living expenses and what to do with your redundancy payout.

When it comes to securing your next job, first try the usual avenues such as online job search companies, employment agencies and newspaper advertisements. There's also the 'grapevine' – let your friends and acquaintances know you're looking for work.

Meanwhile, there's the question of how to pay the bills.

If you haven't already done so, now is definitely the time to start living to a budget. We can provide you with an easy-to-use budget planner to help establish your current levels of income and expenditure.

Once you've tracked your expenses as accurately as possible, the next step is to compare the total with your income from all sources. The difference will be your surplus or deficit for the year. If you're in the fortunate position of spending less than your income, you can put the surplus into longer-term savings. But if you spend more than you earn, it's time to take remedial action.

By analysing each area of your budget, you can identify areas of unnecessary spending or areas where you can cut back. If you've discovered a real need to draw from your investments to provide income, we can help you structure your portfolio to maximise your income as well as capital growth.

We can also help you understand how the various components of your redundancy payment are taxed, and how you can invest these funds to help you transition to new employment or even retirement.

If you have any queries or concerns about redundancy, call us now. We can help you assess all your financial options and work out the best plan of action for you in your current circumstances.

Avoid chasing returns – keep your end goal in sight

You don't drive looking through the rear-view mirror – nor should you invest by looking backwards at past returns.

Investors often fall into the trap of allocating their funds based on the recent outstanding performance of a particular investment.

In the same way objects in the rear-view mirror appear closer than they really are, our perception of recent performance is able to be magnified out of proportion. But in the investment market, past performance is no reliable indicator of future success.

Chasing – hard work for less return

Imagine you had $10,000 to invest in January 1988. Establishing a well-diversified portfolio would mean that your investment increased in value to $51,768 by December 2008.[1]

Alternatively, you could chase returns by investing in whichever asset class produced the best results the previous year. Your investment would be valued at $37,074 over the same period, without even taking into account the costs of switching.

1. Source: Mercer, Bloomberg, Iress. Data as of 31 December 2008.

The only certainty in investing is change

Changing economic conditions affect the performance of companies. Share price fluctuations affect the performance of managed funds with market-linked investments. And the overall performance of a particular asset class can be affected by local or international financial trends.

Sometimes less obvious events have implications on an investment's value. For example, what if a successful financial team leaves for another investment house, causing the leading fund manager to fall back to the pack?

Chasing returns is more work for less reward.

The past – a roadmap for the future?

While past performance shouldn't be ignored completely, it doesn't give us the complete picture of an investment's future performance. You also need to look at the underlying quality of the investments that make up your portfolio.

Rather than concentrating exclusively on a company's recent share price, look at factors that might affect future performance such as its earnings outlook and overall sector trends.

Similarly, it pays to take a holistic approach when comparing the performance of a managed fund. Take into account factors such as the fund's degree of diversification and the credentials of the investment managers.

We can help you take a 360-degree view of the investment landscape and expand your horizons. If you have any queries about your investment strategy, please contact us.