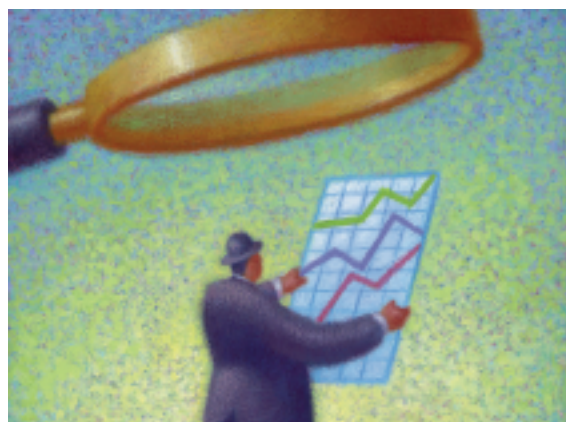


Financial Planning

a checklist

This checklist allows you to do a quick check on whether your existing investment strategy is covering the basics. If you're not using a financial adviser the checklist highlights some of the common mistakes made and opportunities missed when investors 'go it alone'. The checklist can also be used to compare financial advisers and make sure you're getting advice covering the basics.



✓ **Are your shares diversified across companies and classes?**

Investing in a handful of shares means your eggs are all in the one basket. If your portfolio consisted of only AMP shares over the past year, your losses would be much greater than if you held a portfolio of shares across many different companies. As you add more shares to your portfolio, you reduce the impact of the bad apples. Of course in future years you may outperform the market by just holding AMP shares but most experts would say you're taking an unnecessary risk.

✓ **Are your investments diversified across asset classes?**

As well as diversifying your shares you should also diversify across asset classes. Property has performed well over the last few years and international shares have performed poorly but will the same be true next year? There is usually divergence between the experts on what will be the best performing asset class for the next year. Also, it's not unusual for the popular choice of the experts to be the wrong choice. You could speculate by solely investing in residential property or Australian shares but again most experts would say you're taking an unnecessary risk by doing so.

✓ **Have all your investments been considered together as a portfolio?**

It is possible to increase returns and reduce risk by considering your investments as a whole, rather than individual parts. Simply, the whole is more valuable than the sum of the parts considered in isolation. Strategies such as blending are complex and best provided by technical experts who support your financial adviser.

✓ **Do you know what level of risk is in your portfolio?**

Some investments are simply more likely to lose value over any given period. Not surprisingly, these investments are also the ones with the greatest likelihood of a large increase in value. Do you know what the likelihood of a negative return is for each of your investments and more importantly for your portfolio as a whole? Do you understand the level of risk in your portfolio compared with alternative portfolios?

✓ **Are you comfortable with the level of risk in your investments?**

In a high-risk portfolio there will be years where returns are negative. Consideration should be given to whether you're comfortable with the thought of losing money in the short term and whether you would be prepared to ride out these poor years. Although you would normally be rewarded over the long term with higher returns if you have a higher risk portfolio, it may not be suitable for you if you're risk averse.

✓ **Are your investments compatible with how long you will be invested?**

One size does not fit all when it comes to investments and the time you'll be invested. Some strategies like those involving a greater proportion of shares do not suit short-term time horizons like one or two years – they are particularly suited to investors who will be invested for over five years.

✓ **Do you know how your investments are performing?**

With a financial plan that considers the above factors, the short-term performance of your portfolio and in particular each investment, should have limited impact on your strategies. It is important that strategies are maintained over their expected time horizons. However performance should be considered in reviewing a strategy. More importantly, all investors like to know how their investments are performing and how they are tracking against their plan.

✓ **Have you considered your insurance requirements?**

The best laid plans include a Plan B or Plan C to help overcome the unexpected. Are you taking advantage of insurance products which help you still meet your needs and objectives when the unexpected occurs?

✓ **Are you taking advantage of dollar cost averaging?**

Dollar cost averaging is a strategy that allows you to invest gradually over a period of time. It reduces the risk of investing by reducing the chance of you buying all of your shares or property at the top of the market.

✓ **Are you taking advantage of gearing?**

Gearing allows you to borrow funds to help you reach your goals and objectives sooner. Have you considered geared investments? If you already have gearing, are you aware of, and comfortable with, the higher level of risk that you're exposed to?

✓ **Are you making use of tax concessions?**

Not all income is taxed in the same way or at the same rate. Concessions are also available for various types of superannuation contributions. Are you utilising the concessions available to you?

✓ **Do you have a financial plan?**

A documented comprehensive plan should cover each of the areas above. The plan should be constructed by an authorised representative of a licensed dealer group.

✓ **Is your financial plan current?**

Plans should be regularly reviewed to take into account your changing needs and objectives and changes in legislation.

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SECURITOR financial advisers offer you a complete financial planning package – including investment, superannuation, retirement, insurance and banking solutions. Your SECURITOR financial adviser will work with you to determine the best financial plan for your particular needs and circumstances.

Specialising in technical excellence and recognising the complex legislation that governs investment, tax and superannuation, your SECURITOR financial adviser is able to work within this regulatory framework to develop innovative financial planning solutions for you, especially in the areas of wealth accumulation, superannuation and retirement planning. Using a combination of the right technical advice and the right investment strategies, SECURITOR financial advisers can add significant value to your financial affairs over the long-term.

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