

“A guide to regular investing”

To achieve financial success, you’re going to need two things: financial goals – developed with a financial adviser, and regular investments. A small amount invested regularly can have a greater impact on your investments than larger sums invested occasionally

The first step to regular investing is to set a financial goal. Your goal may be to retire at 45, buy your dream home or pay for your children’s education.

Let’s have a look at an example which shows the benefits of putting into action a regular savings plan.

Case study

Gareth is 35 and wants to buy his dream yacht and sail around the world in 15 years time, when his children have all finished school and left home. He’s estimating that his dream yacht and the trip combined will cost around \$150,000 in today’s dollars and he’s off to a good start having already put \$10,000 away in savings. If Gareth invested just \$500 every month, he’d have accumulated that \$150,000 and a little bit extra as shown in Graph 1 in 15 years time. This is assuming that Gareth’s investment earns a return of 5% per annum after inflation and tax.

When should you start your program?

Right now! As you can see from Gareth’s example, the longer your investment plan is in place, the more time you give compound interest to work for you. As shown in Graph 1,

Gareth’s savings grow more quickly over time, generating more returns each year, even though the rate of return and amount contributed was constant over that time.

Compound interest

We can put the increase in Gareth’s savings down to compound interest, which occurs when interest is calculated on both the principal and interest previously accrued.

The benefits of starting your savings program earlier can be best explained in an example where two investment plans are compared.

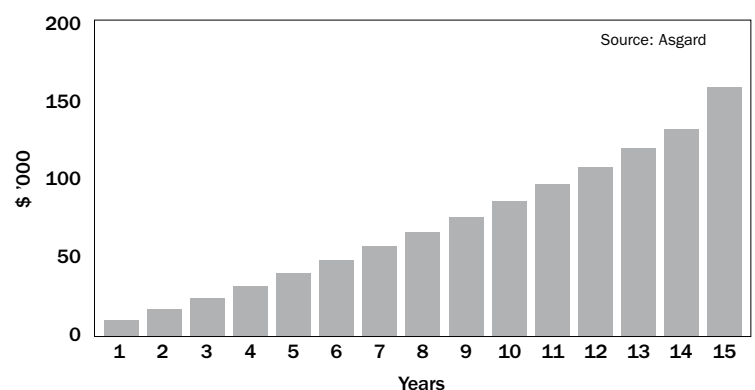
Let’s say Adrian and Sarah are both aged 40 and they decide it’s a good idea to put some money away towards their retirement. Sarah decides to immediately start investing \$1,000 per month for the next 20 years in preparation, while Adrian decides it’s a better idea to

invest \$2,000 a month, but doesn’t start putting any money away until he reaches 50. They both are planning to retire at age 60 and we assume that their investment will generate 8% a year after tax.

Graph 2 shows that even though Adrian and Sarah both invested \$240,000, Sarah’s savings are larger because of an extra 10 years of compound interest.

Successful investing means you must stick to and contribute regularly to your investment plans. The best way to do this is to arrange a direct debit from your pay or bank account into the investment product you have chosen.

Graph 1: Gareth’s world trip savings and investment projection



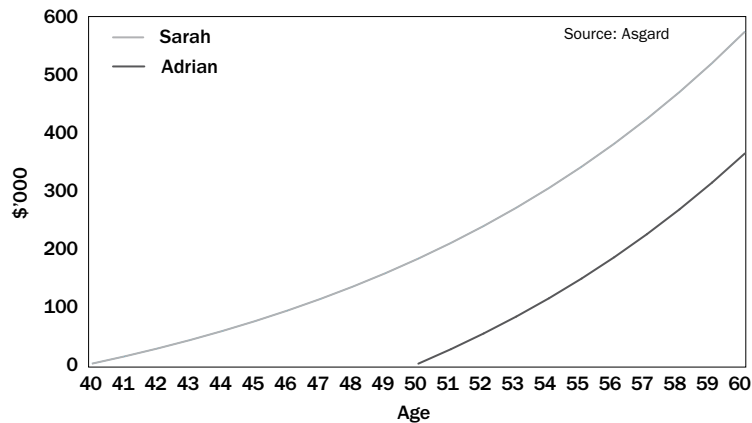
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Next steps

Don’t just read this flyer and file it – start getting organised today! There’s no time like the present, and as we’ve shown, it’s much better to start with small amounts now. What are you waiting for?

Graph 2: Start saving earlier and reap the rewards



The key to financial success

Establish what your financial goals are, develop an investment plan and start saving regularly as soon as you can to make sure that compound interest works for you.

Your financial adviser will work with you to understand your requirements and can advise you on how best to meet your goals.

Where to invest your savings

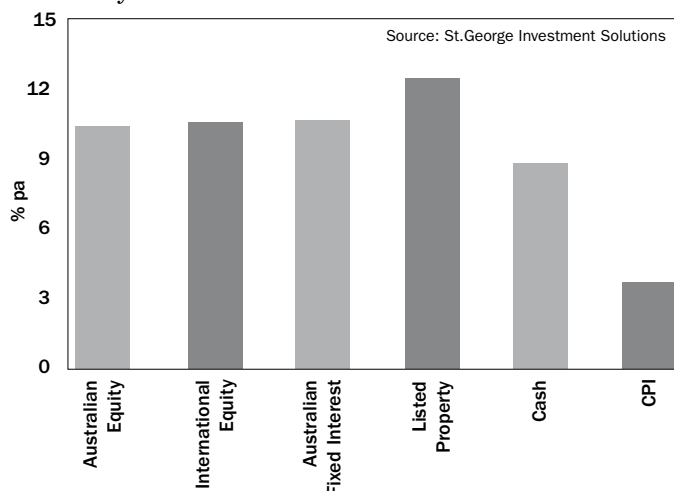
There are almost unlimited options when it comes to where to invest.

Planning for your retirement?

If one of your goals is to provide yourself with a comfortable retirement, don’t rely on the Superannuation Guarantee (SG), which is now 9% of your salary.

This may seem like a lot right now, but most people will need to save much more than 9% each year to meet their retirement goals. For more information, ask your financial adviser for a copy of ‘Superannuation – do I have enough?’

Graph 3: Historical Investment Returns
18 years to June 2004



IMPORTANT INFORMATION

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