

# Understanding investments

## 'Investing' – What is it?

Investing is all about making your money work harder for you and generating additional income. The type of investment you choose will usually depend on two factors: whether your investment has a short-term or long-term goal and the level of risk you are willing to take. There are many different reasons why people want to invest, the common reasons being to make money and to live a comfortable lifestyle in the future.

In this fact sheet, you will learn more about the different asset class options and how they may suit your goals, tips to consider when investing and, more importantly, how a financial adviser can assist with your decision making.

## Asset Class options

Also referred to as an 'Investment Mix', asset classes define the types of assets that make up your investment portfolio. These include cash, fixed interest, property and shares. Assets are grouped into classes according to their features. The most appropriate asset classes for your investment depend on the level of risk you are willing to take and the amount of time you want to keep your investment.

The following table illustrates the four main asset classes. As you can see, as the return levels rise, so too does the level of risk involved.

Asset Class	Characteristics	Risk	Return
<b>Defensive asset classes (Short-term)</b>			
<b>Cash</b>	Includes cash and short-term securities such as bank deposits, term deposits and bank bills. Cash generally provides a relatively consistent rate of return, in the form of regular interest payments.	Low	Low
<b>Fixed interest</b>	Includes Government, semi-Government and corporate bonds. Fixed interest generally provides a regular income as well as the potential for growth.	Low / moderate	Moderate
<b>Growth asset classes (Long-term)</b>			
<b>Property</b>	Includes buying units in listed or unlisted property trusts or buying property directly.  Property represents the direct ownership (full or partial) or indirect ownership of real property assets. Investment returns are generated by changes in property values and income (i.e. rent, management fees, etc).	Moderate / high	Moderate / high
<b>Equities (shares – Australian and international)</b>	Can be bought directly or via a managed fund. An investment in shares represents part ownership of a company. Shares can increase or decrease in value considerably based on a number of factors such as the financial position of a company, changes in the economic climate and general market sentiment.	High	High – in most periods shares have outperformed all other asset classes over a longer investment timeframe

## Factors to consider when making investment decisions

- **Investment risk** – Different investments have different associated risks. Essentially, it comes back to you. How willing and comfortable you are to take the level of risk involved with the investment. Generally speaking, the higher the potential return, the higher the risk.
- **Investment timeframe** – The longer you keep your investments, the harder your money will work for you. Although it may be disheartening to see your investments fall, history shows that long-term investments are generally rewarded over time.
- **Keeping to your financial plan** – Remember the reasons why you started your investment portfolio and what you wanted to achieve from the investment.

## Golden Rules to investing

Below are some 'Golden Rules' to consider when making an investment decision. Before you make any decision you should consider your personal situation, personal goals and seek advice from a financial adviser.

- **Start early** – With compounding returns even small amounts can grow considerably over time. The earlier you start and the longer you invest, the more time your investments have to grow.
- **Diversify** – You can reduce the level of investment risk by spreading your money across different asset classes. Diversification means you're not "putting all your eggs in one basket" and don't have to depend on that one asset class working for you.
- **Monitor** – You can view the performance of your investments on Portfolio Online (POL). POL is a secure online portfolio administration facility that you can access through any internet connection<sup>1</sup>. Visit [www.portfolioonline.com.au](http://www.portfolioonline.com.au) to register and get in control of your investments today.

## How to invest

Before making a decision to invest it is recommended that you:

- 1 speak to a financial adviser
- 2 understand the investment and how it may benefit you; and
- 3 understand how the investment operates and the associated risks. Then you can:
- 4 make your investment choices; and
- 5 complete the application process.

## Speak to an expert

Getting financial advice isn't just about the market. It's about you and how you can stay in control of your investments during market changes and feel secure and confident about your financial decisions. Talking to a professional about your personal financial situation can help you learn more about the services and potential financial strategies that are available to you.

## Where to go for more information

If you have any questions about your IOOF superannuation (super), pension or investment account, please speak with your financial adviser. If you do not have a financial adviser, IOOF offers a free initial consultation<sup>2</sup> with a qualified, professional financial adviser who can help you start planning your financial future. To arrange an appointment, contact a Client Services Officer or visit the 'Seek Financial Advice' page at our web site [www.ioof.com.au](http://www.ioof.com.au)

IOOF has a dedicated Client Services Team available to speak to you Monday to Friday between 8.30am – 6.00pm. Phone us on **1800 062 963** (for personal super members and investors) or **1800 653 894** (for employer and corporate super members) or email [clientservices@ioof.com.au](mailto:clientservices@ioof.com.au)

- 1 Portfolio Online is unlikely to work properly with older browsers such as Netscape 4 or Internet Explorer 5.x for PC or Mac. The preferred application is Microsoft Internet Explorer 6.
- 2 If you decide to proceed further with full financial advice, any ongoing fees and commission-based fees will be agreed upon between you and your financial adviser.

### Issuer information / Disclaimer / General Advice Warning

Issued by IOOF Investment Management Limited ABN 53 006 695 021, AFS Licence No. 230524 (IOOF).

This document contains information of a general nature only. It is not intended to represent investment, taxation or professional advice and does not take into account your investment objectives, financial situation and particular needs. We recommend that you consider talking to a financial adviser before making any investment decision. A Product Disclosure Statement (PDS) or Investor Directed Portfolio Statement (IDPS) Guide for any financial product mentioned in this document should also be obtained and you should consider the PDS or IDPS Guide in deciding whether to acquire, or continue to hold, any investment.

This document has been prepared in good faith. IOOF, its related bodies corporate, their officers, employees and agents believe that the information contained in this document is accurate and reliable at the time of compilation, but no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors or omissions (including responsibility to any other person by reason of negligence) is accepted by IOOF, its related bodies corporate, their officers, employees and agents. To the extent permitted by law, no liability is accepted for any loss or damage whether direct, indirect or consequential.