

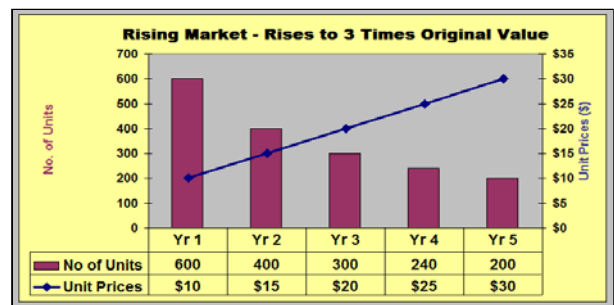
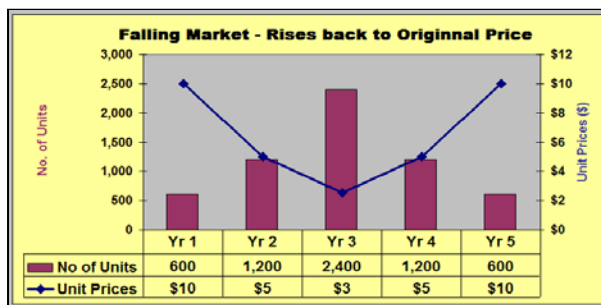
Issue 22 – March 2008

LOOK PAST SHORT-TERM MARKET DISTRACTIONS

Falling Australian and international share markets will at least make people sit up and take notice of their financial plans. At times like these, it helps to step back from the market drama and look at longer term fundamentals.

Last month's article covered – at length – some of the issues facing investors in volatile times. Dollar Cost Averaging – a strategy suitable for an environment when the markets fall then rises - was also discussed as suitable for those in Super or Managed Funds. Some investors however, still argue the point and express a preference for a “rising market”.

For the benefit of new readers, the exercise is repeated below and is then followed by another example that reflects a rising market.



Example 1:

Yearly Investment \$6,000 in a Falling Market that recovers to original price
 Year 1 Unit Price \$10
 Year 2 Unit Price \$5
 Year 3 Unit Price \$2.50 etc
 Year 5 Value: \$10x6,000 Units = \$60,000
 Total Investment \$30,000 Profit: \$30,000

Example 2:

Yearly Investment \$6,000 in a Rising Market that rises to 3 times the original price
 Year 1 Unit Price \$10
 Year 2 Unit Price \$15
 Year 3 Unit Price \$20 etc
 Year 5 Value: \$30x1,740 Units = \$52,200
 Total Investment \$30,000 Profit: \$22,200

Regular Savings - Dollar Cost Averaging

Regular savings (monthly contributions) can be very effective in volatile markets. As Example 1 shows, when the unit or share price falls, your savings will buy more units in a managed fund - and that means more profit when the market bounces back. In contrast, for a rising market (Example 2), even though the value rises to 3 times the original value, the overall contributions purchase a much smaller number of Units and hence have a lower total value at the end of 5 Years. As demonstrated, falling markets can create better value and more room for reward.

Regardless of a “Falling Market” or a “Rising Market”, the message is simple: *Disciplined investors should think about sticking to their long-term financial plans, staying diversified and looking past short-term market distractions.* It's the old saying that comes to mind here: It's about time in the market not timing the market.

The best advice would be to see a financial adviser. **If you need help with a review of your Super or Managed Funds or other wealth creating strategies, please call Jillian, Donna, Sue or Dominic on 0249 625 814.**

Spreadsheets & Article By: Oscar Aguiar – Independence Group

WARNING: The results shown by the various spreadsheet calculators are an approximate guide only and should not be used as exact values for financial planning purposes. You are advised to consult with your own independent financial and/or investment adviser before making a decision regarding the acquisition or disposal of a Financial Product.

MIND OVER MATTER

As is often the case with investments, those with a strategy will be better off than those who are simply hoping that things get better. Here is an article that I have adapted for our readers. There are some useful lessons to be learnt for any investor in any market, more so in these volatile times.

Are you happy with your investments? Are you happy with your investment results? Would you like to get better results? You can. How? By changing your thoughts.

A man drove up to a service station and asked the attendant, "What are the people like in this town? I'm thinking of moving here and I want to know, ahead of time, what type of neighbours I can expect." The service station attendant replied, "Well, what were your neighbours like in the town you are leaving?" The man answered, "They were nasty gossipers who never had a good word to say about anyone." "Oh," said the attendant, "you'll find them pretty much the same in this town. I would recommend you keep on looking for another town." Later a second man pulled into the service station, asking the same question, "What type of people live in this town?" And again the service station attendant enquired, "Well what type of people live near you now?" "Oh," the second man said, "they are wonderful, kind people, easy to get along with." To which the service station attendant replied, "You will find them pretty much the same, right here in this town".

Same town, same people, different outlook. It is worth thinking about.

Same investments, same investment tools, same investments options, different outlook. It is worth thinking about.

Look at other areas of your life. If you often find yourself quitting before you get the results you want, you will quit investing too. If you find yourself sticking with it and eventually getting there with persistence, that is what it will take to make you an investor: **persistence**. If in your life you are impatient, you will run out of patience investing. As previously stated: It's time in the market not timing the market that is important.

None of this is good luck, bad luck or coincidence. It is your mind, your psyche playing out your past patterns. Tony Robbins says: "*Winners find a way and losers find a reason.*" Think about that. Winners win because they find a way around the challenges they encounter. Losers lose because they give up and find a reason for their giving up.

If your adviser says this is a good time to invest and you procrastinate, what needs to change? If you have watched your Super or Managed Funds fall in value and get impatient and pull out, only to realise a loss and later see that very fund rise in value, what needs to change? You and your thinking or the system or your adviser....?

Change your thoughts. Think differently. If success has eluded you in the past, find, copy and emulate a winner. Find out their ways and their thinking and follow it.

Believe, achieve

Adapted by: Oscar Aguiar for Independence Group



The banner features the Independence Investments logo on the left, which includes a stylized figure climbing a yellow ramp. To the right of the logo, the text reads: "Web i-invest.com.au", "independence investments", "Phone 02 4962 5800", and "Your trusted FINANCIAL FITNE\$\$ coach". On the far right of the banner is a photograph of three people in a rowing boat on a body of water.

Would you like to know more on why investing in property is an essential component of YOUR wealth creation strategy? With property prices on the rise, now is the time to diversify and make that shift into property.

For more information on Property Investment, contact Garry Lunn on 02 4962 5800.

Please feel free to forward this newsletter to anyone that may benefit from it. If you no longer wish to receive this newsletter or you received it in error, just reply by Email and type 'unsubscribe' in the subject area. Items herein are general comments only and do not constitute or convey advice per se. We therefore recommend that our formal advice be sought before acting in any of the areas. Neither Independence Group Pty Ltd, its employees nor its Directors accept responsibility for any omissions or inclusions in the printed material.

All personal details are kept private and confidential. Names used in this newsletter have been done so with consent.

Comments and contributions always welcomed.

Ph: 02 4962 5800 Fax: 02 4962 5900 Email: info@i-group.com.au Web: <http://www.i-group.com.au/>