

Not so Super Super Returns!

With almost every working Australian – from the young apprentice to those close to retirement – in one form of Super or another, the question that they will all be asking is “What sort of returns will Australia's super funds produce for 2007-2008”?

With the end of the financial year now upon us, super funds will be busy working out the damage brought about by a very turbulent year. The market volatility over the past few months and even more recently is forecasted to produce a negative return on most super funds. But try and put that in some perspective as Super has enjoyed a fantastic five year period with – on average – double digit returns.



However, if you thought that would last, read between the lines of your asset allocation PDS and you will note that even for a Balanced Fund (CPI +3% to 3.5%) the super funds' objectives state quite clearly that you really should expect a negative return in about once every six years, and just by coincidence the last negative return was 01/02 which was, surprise, surprise, six years ago.

Combine the previous 5 year double digit returns with the forecasted negative return for 07-08 and most funds should still yield a positive return. This highlights the fact that we should take the long term approach in relation to super funds or indeed any form of managed fund. Providing this is kept in mind there should be little to worry about except if you have recently retired or are about to.

This is a timely reminder that putting a heavy reliance on just Superannuation – as many do – is not a wise long term investment strategy. Managed Funds have, over the last 6 months or so, dropped in value by anywhere from 10% to 30% and more depending on the asset class and risk exposure. Retirees who have all of their retirement capital tied up in managed funds or superannuation, will have had to take a considerable cut in income whilst others will be forced to draw down on a portion of their capital to sustain their lifestyle.



In contrast, those with residential property investments are benefiting from increased rental yields regardless of the value of the underlying investment.

In any event, the current market trends (both in Shares & Property), remind us of the need to (a) constantly review our investment portfolio and (b) diversify. Diversification doesn't guarantee you will not lose money but it does spread your risk across asset classes.

Whether you are investing directly or using a financial adviser it's important that you review your investment strategy at regular intervals, particularly if your investment objectives or circumstances have changed. This is the time for investors to know what they own and own what they know. Take stock of your investments and get to know your risk exposure.

Your investment plan should be flexible enough to cater for life's changes and challenges. Here are a few questions to ask yourself:

- What are your investment goals? Break them down into short, medium and longer-term goals.
- What is your investment timeframe?
- What is your attitude to risk and return? Can you tolerate negative returns? If so, how often?
- What are your current circumstances? Are there any limitations that might impact your ability to meet your goals?
- Do you expect your prospects and needs to change in the future?
- How much control do you want over your investments? How much time can you dedicate to investing?



The recent increase in market volatility has brought the risks of investing to the forefront of investors' minds. When markets are performing consistently well, investors tend to forget about the risks and enjoy the prosperous times. While short-term volatility and market downturns can spook some investors, fund members taking a long-term view will stick with their long-term plans and are more likely to remain confident and continue making voluntary contributions.

Others will see a weak share market as an ideal opportunity to invest more in super as every dollar they contribute buys more than when markets are stronger.

Last chance for last-minute contributions

With June 30 only days away, this is your last chance to get your contributions in before the cut-off date.

If you are one of many who have been spooked by the recent market volatility, then perhaps it's time to make an appointment with your Financial Adviser and undertake a risk/return analysis to assist in determining what type of investor you are and work out what type of investment portfolio best suits you.

Your Financial Adviser can also advise you on the right investment class mix that will match up with your financial objectives, timeframe and financial situation.

For more information on reviewing your investment portfolio or building your investment portfolio contact

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