

# Top 10 investment tips – a woman's perspective

Investment series



**We all have financial goals. You may want to provide the best education opportunities for your children. Or you may want to build an investment portfolio so you can live comfortably in retirement. Whatever your goals, regular saving to meet those goals is important, but regular investing is critical.**

## Saving versus investing

Regular saving is a familiar concept, however, saving in your bank account will only give you a few percent per annum in return. Investing can deliver much more.

## Saving and investing – make your money work harder

The first step towards a secure financial future is to clarify your investment goals. Once you have identified your goals, it is important to set a plan to ensure you save while investing wisely to make sure you can reach them.

One of the easiest ways to keep your saving plan on track is to 'pay yourself first'. What does this mean? Set aside a part of your pay packet for yourself, before you pay anyone or anything else such as bills, groceries, shopping, car, phone, rent or mortgage. By setting aside an amount straight from your bank account when your pay goes in, you can make sure that you get paid regularly... and on time. But how much can you afford to pay yourself? Start by making a budget. List all your expenses and then work out how much you can afford to save each month.

## Invest your savings to grow

The next step is to make the most of your savings by investing them. The type of assets you invest in will depend on your financial needs and objectives.

Managed funds are one of the easiest ways to put your plans into action. They pool your savings with many other investors. You can then access a wide range of quality investments, managed on your behalf.

Diversification can also be important. It means spreading your risk across each of the main investment types (shares, property, fixed interest and cash) with an aim to achieve more consistent returns. In other words, 'not putting all your eggs in one basket'.

## Top 10 investment tips

- 1 Clarify your investment goals.
- 2 Pay yourself first.
- 3 Set up an automatic payment.
- 4 Invest your savings to grow.
- 5 Harness the power of compound interest.
- 6 Diversify your wealth.
- 7 Choose tax advantaged investments (not tax driven investments).
- 8 Time in, not timing the market.
- 9 Get some advice.
- 10 Do something now.

## Harness the power of compound interest

Once you've set your investment goals and decided where to invest your money, another reason for regularly investing into a managed fund is access to compound returns. Each dollar you invest earns a return. If you reinvest that return, it can earn more dollars, allowing your investment the potential to grow much faster.

## Turn your savings into earnings

Turning your savings into an investment which can help you to reach your goals does not have to be difficult. With just \$1,000 to start, you can make regular investments of \$100 or more each month, switched directly from your Australian bank account to a managed fund. At Colonial First State, we call it a regular investment plan.

What are your goals? How much do you need and when do you need it? The table below is a guide to how much you may need to invest each month, and for how long, to reach your financial goals.

The numbers are based on a hypothetical fund, returning a flat 8% each year. Returns from an actual fund will differ but the table shows the potential benefits from a regular investment plan.

### Things to start thinking about ...

- 1 Is your savings account providing you with a competitive interest rate?
- 2 Keep your credit card receipts and check them against your monthly statement. How much are you spending?
- 3 Put together a savings plan (your personal budget planner).
- 4 How much of your income do you save?
- 5 Should you get the help of a financial adviser?

### NUMBER OF YEARS OF REGULAR INVESTING, FOLLOWING A \$1,000 INITIAL INVESTMENT

		1 year	2 years	3 years	5 years	7 years	10 years
Amount invested each month	\$100	\$2,217	\$3,575	\$5,038	\$8,310	\$12,105	\$18,965
	\$200	\$3,404	\$6,041	\$8,881	\$15,234	\$22,602	\$35,923
	\$300	\$4,592	\$8,507	\$12,725	\$22,158	\$33,100	\$52,880
	\$400	\$5,779	\$10,974	\$16,568	\$29,082	\$43,598	\$69,838
	\$500	\$6,967	\$13,440	\$20,411	\$36,006	\$54,095	\$86,795
	\$600	\$8,154	\$15,906	\$24,255	\$42,930	\$64,593	\$103,752
	\$700	\$9,341	\$18,372	\$28,098	\$49,855	\$75,091	\$120,710
	\$800	\$10,529	\$20,838	\$31,941	\$56,779	\$85,588	\$137,667
	\$900	\$11,716	\$23,304	\$35,785	\$63,703	\$96,086	\$154,625
	\$1,000	\$12,903	\$25,770	\$39,628	\$70,627	\$106,584	\$171,582

This table has been based on a hypothetical managed fund which returns 8% each year before fees (assuming a buy/sell spread of 0.20% and an entry fee for the initial and ongoing investments of 4% and a management fee of 0.3% p.a.). All values are in today's dollars assuming a nil inflation rate. All income is reinvested. Source: Colonial First State. Tax may be payable by you on income as it is earned. This does not reflect the actual or anticipated value or return of any fund. All investments are subject to risk which means that the value of an investment may rise or fall over time.



### Need more information?

Please speak with your financial adviser or visit our website at [colonialfirststate.com.au](http://colonialfirststate.com.au).

Alternatively, you can contact us: Enquiries about existing investments, please call 13 13 36.

Enquiries about new investments, please call 1300 360 645

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