

On balance Keeping your head when markets are moving

Most people wouldn't sell their house if they read that property prices may be falling. They certainly wouldn't have their house valued every day. However, when it comes to shares, some people panic at the first sign of a downturn and begin offloading their holdings. While financial commentators, journalists and news writers monitor market movements daily, investors saving for retirement or building wealth need to take a more balanced view.

***Not* investing is risky too**

Selling your holdings during a period of poor performance may protect your net worth in the short term - but it may stall or hamper your longer-term wealth building plans should the markets turn up again while you remain on the sidelines.



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Don't sweat the small stuff

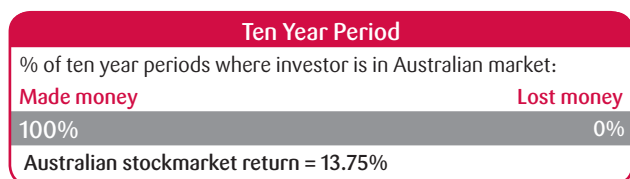
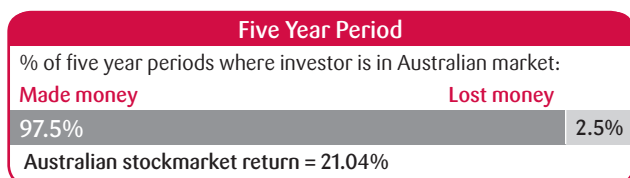
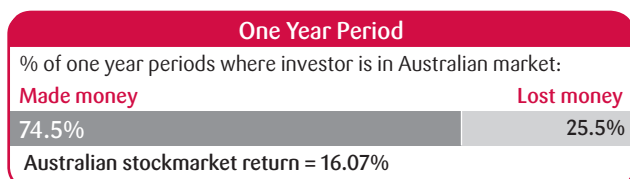
Instead of worrying about daily movements in the market, a much wiser approach is to invest according to your investment horizon. For example, if you are investing for a retirement that is 30 years away, poor daily, monthly or even yearly performance is irrelevant.

It is more important for long-term investors to have appropriately established their goals and objectives and structured a suitable investment portfolio to reach them. A financial planner can help you establish the right mix of investments for your situation and review your situation and investments in future.

Time is on your side

Despite their reputation as a 'risky investment', historical data shows that the greater the time period, the lower the chance of losing money on share market investments. Consider the following example - While 25.5% of Australian share market investors lost money after a year, only 2.5% were in the red after five years and all were better off after a period of ten years.

Investments over:



Source: Advance Investment Solutions. Benchmark based on that annualised return of the S&P/ASX 200 Accumulation Index (the S&P/ASX 200 Accumulation Index was introduced in March 2000, prior to this the ASX All Ordinaries Accumulation Index was used) over 1, 5 and 10 years on all eligible time periods to 31 December 2007.

A balanced approach

One of the most reliable ways to maximise your long-term returns and reduce the risk of losing money is through diversification.

By taking a balanced approach to your investments - spreading your money across asset classes, regions, sectors and investment managers - you may be able to achieve superior risk adjusted returns.

By spreading your investment across different sources of return your chances of having at least some exposure to the best performing assets is increased. Just as importantly, the impact of a loss from any of one of your investments is reduced.

Intelligent diversification has another advantage - spreading your money across different investments in line with a long-term plan - instead of buying and selling based on short-term market moves. By sticking to a balanced approach over the long term you not only reduce your trading costs, you also avoid the temptation of constantly trying to beat the market - a job even highly trained professionals find difficult to do.



Don't be distracted by day to day market 'hype'. By speaking with your financial planner or private client adviser you can take a balanced approach to investment and maximise your wealth over the long term.

Need to know more?

We recommend that you contact your financial planner or private client adviser to discuss your portfolio.



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