The Benefits of Managed Investments – Michael Lannon

Managing your own investments and dealing directly with investment markets could be a full time occupation! That's why many astute investors use managed investments, benefiting from professional management by hands-on experts who have the knowledge, experience and time to make the best decisions for their investment.

A managed investment is simply one, which allows you to pool your money with that of many other investors in order to access a broad range of investments managed by a professional team. Equity trusts, property trusts, insurance bonds and many superannuation funds are all examples of managed investments.

The key difference between managed investments and other investments, say a direct share portfolio or an investment property, is that managed investments are an indirect method of investment. You can still invest in shares or property, but you don't own each parcel of shares or each investment property and you leave the decision-making and ongoing management to a professional.

By pooling investments to create a much larger investment, managed investments often open doors that are not otherwise readily accessible to individual investors - such as global share markets. By investing in a managed investment that includes international shares you can invest in industries and companies not widely represented in Australia, such as aerospace, technology and pharmaceuticals.

Investment in much of the fixed interest and wholesale money markets or commercial property may require you to have hundreds of thousands of dollars to invest. However, by using instead a managed investment specialising in these markets, you can take advantage of investment opportunities that may not ordinarily be available to you.

Managed investments allow you to diversify your investment across a range of asset classes, asset sectors and individual shares or securities. By spreading your investments, you're also spreading the risk associated with the natural ups and downs of financial markets. Diversification means you don't have to pin your investment hopes on one particular asset performing very well. It also helps you to minimise the downside if that asset doesn't perform to expectations - another asset may well be a better performer. This can help minimise volatility and maximise returns in your investment portfolio.

You can also further reduce volatility in returns by choosing funds with different investment styles, or which use a 'multi-manager' investment approach. Market conditions vary from time to time, often favouring one investment style over another. Recently, the trend in both Australian and overseas markets has been in favour of growth stocks, ie. those companies with perceived potential to rapidly grow their earnings. Value stocks - those perceived to be trading below their fundamental value - have been out of favour and have not performed as strongly. However, over the longer term, value stocks have outperformed growth stocks. By using one or more managers with different investment styles, market risk may be reduced.

Managed investments provide not only a means to enhance your prospects for wealth creation through expert investment management, they can also do so by providing you with the tools to invest regularly and simply.

You usually don't need a large amount of money to start a managed investment. Around $2,000 to $5,000 is common. You can therefore invest small parcels of money as they become available, rather than having to wait until you have a large lump sum to invest. Most managed investments also provide regular savings or investment plans, which are an excellent way to build wealth steadily. These plans usually require a smaller amount to start and debit your bank account - making it convenient as well.

Many managed investments also offer distribution reinvestment, where your regular income distributions are automatically reinvested back into your managed investment, further building your wealth.

Managed investments also provide a higher level of liquidity - that is the ability to turn your investment into cash. If you have invested in property, for example, and you need to raise some cash, you can't choose to sell part of your house. With a managed investment you can.

Administration can be a burden that many people are not fully aware of until they begin investing, and can mean reams of paperwork to contend with. This can be reduced dramatically when using managed investments, as they generally supply consolidated reporting on your investment transactions and balances, and comprehensive income and capital gains tax information that makes reconciliation and record keeping easy for both you and your accountant.

Your first investment decision can be the toughest, but it is also the simplest - getting started. A managed investment may be the answer, providing a range of benefits to help you create wealth. For more information on investing in managed investments, give 20/20 Funds DIRECTINVEST a call on **1800 352 021** or in Sydney on **9222-2020** or visit 20/20's website at ***www.2020funds.com.au***.

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