

Making the Most of a Super Opportunity



# INFORMER

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## Making the Most of a Super Opportunity

One of the best things about being young is that time is on your side. This enables you to truly maximise your wealth potential by starting the ball rolling early. An important aspect of your overall financial affairs is your super. And, while retirement is a long way off, implementing simple strategies when you're young, can make a significant difference to your final account balance. This Informer highlights some issues to consider to help you maximise the growth potential of your super.

### Why is your super so important?

Aside from your home, your super is likely to be the most valuable asset you'll ever own and the most amount of money you'll see in one hit. Since it's also one of the most tax-effective ways to save for retirement, it's doubly important to take an interest in it sooner, rather than later.

While you're young, single and generally debt-free, it's easier to focus on simple ways to increase the size of your super account balance. And, once you've implemented effective strategies, you'll only need to review them when your personal circumstances change such as if you get married, start a family or you're nearing retirement.

### How to make the most of your super opportunities

The main objective of super is to provide financial support once you've stopped working. This means ensuring you have the highest account balance at your disposal upon retirement.

The easiest ways of doing this are to invest wisely and to make additional contributions to your super. Let's examine the first of these strategies.

### Risk, return and volatility

Investing in assets that maximise the growth potential of your super is AXIS Financial Group's top priority. However, we also need to ensure that how we invest your super is appropriate for your risk profile.

Risk can generally be defined as the chance of losing money on your investment. Therefore, your risk profile refers to the amount of money you're willing to accept losing at any given time.

Whenever you invest, there's a trade-off between risk and the return you can expect on your investment. Usually, the higher the risk, the higher your return. What's more, the higher the risk, the more volatility you're likely to see with your investment.

### One size doesn't fit all

Before we invest your money, we assess your investment objective against your risk profile. Your investment objective refers to what you'd like to achieve financially from your investment. From this, we invest your money in one of five pre-mixed portfolios, which cater for every level of risk profile:

Portfolio	Expected return (over 10 years)
Conservative	5.0%
Cautious	5.5%
Prudent	6.0%
Assertive	6.5%
Aggressive	7.0%

### A strategic approach to investing

When constructing the portfolios, we aim to achieve solid, long term returns that exceed a relevant benchmark. We do this by adopting a strategic approach to asset allocation for the portfolios.

This strategy focuses on passively managing the portfolios and is not driven by immediate events in the marketplace. Therefore, the asset allocation for each portfolio will remain fairly constant throughout the year.

Using a strategic approach for portfolio construction combines a proportional mix of asset classes, based on their expected rates of return. For example, if shares have historically returned 10% pa and bonds have returned 5% pa, a 50/50 split of shares and bonds would be expected to return 7.5% per year.

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This approach differs to a tactical approach to portfolio construction, which is more active. As a result, asset allocation can change regularly throughout the year, depending on what's happening in the market. This approach involves a degree of market timing. That is, knowing when to buy into an asset class and when to sell out of it and can be highly speculative.

Since super is a long term investment, we believe the strategic approach is a more consistent and suitable method of achieving returns for you.

### **Diversification**

The advantage of investing in our pre-mixed portfolios is that they diversify across both asset classes and fund managers. Diversification is a common strategy used by professional investment managers to reduce risk and smooth out negative returns.

By diversifying across asset classes and fund managers, you effectively get an added level of diversification, as different fund managers employ different investment styles. However, you need to be careful how you diversify.

Many clients keep numerous super funds open, as they think it's a good way of diversifying. In theory, this sounds wise. However, if each of the funds is using different fund managers, who are employing diverse investment strategies to those used in the AXIS Financial Group's portfolios, you may find that your investment strategy is not as focused as what it should be. This could end up losing you money.

Keeping your super invested with AXIS Financial Group will ensure that your retirement goals are on track and your strategy remains focused.

### **Investing for growth**

For most people, super is a long term investment, where their money will be invested for 10 years or more. Over the longer term, growth assets (ie shares and property) offer more potential to increase the value of your investment than defensive assets (ie fixed interest securities and cash). On the flip side, they can also lose you great sums in short time periods.

### **Australian versus international shares**

Australian and international shares have traditionally provided the best returns for people, because they invest in companies that are performing well (or expected to). There also tends to be a large number of companies to choose from both locally and overseas, which allows for a diverse portfolio.

And, when you invest in international shares, you access the potential for even greater wealth accumulation. This is because overseas companies represent 98% of the companies listed on global sharemarkets, while Australian companies make up the remaining 2%.

### **Seeing the bigger picture**

It's human nature to see the road itself rather than the end of the road. The same goes when people invest. Instead of seeing their final balance, they look at the day to day balance. This is when panic sets in and people switch investment options.

Remember that, negative returns usually even out over the long term. And, it's common for financial markets to fall after lengthy periods of strong returns. However, history shows us that markets always recover. That's why you need to stay focused on your retirement goals and avoid the urge to switch. Naturally, you should review your investment strategy whenever your circumstances change, to ensure you're still on track to reach your goals.

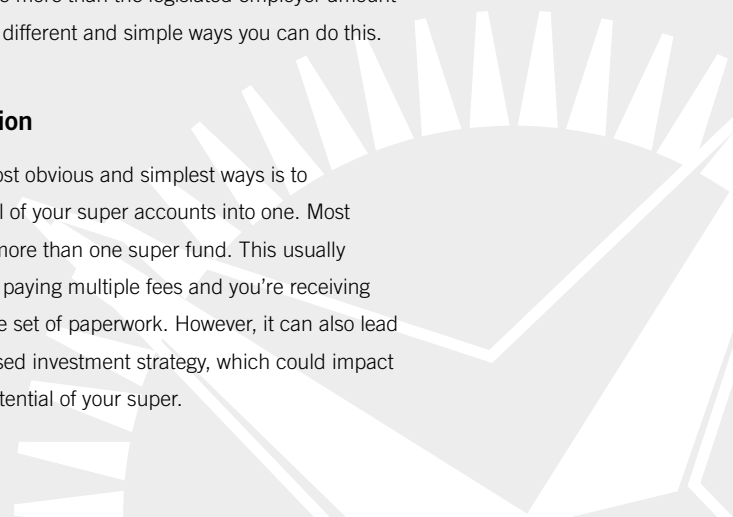
### **Other strategies to grow your super**

Investing your super wisely is just one half of the equation to maximise your super's growth potential. The other half is to contribute more than the legislated employer amount and there are different and simple ways you can do this.

### **Consolidation**

One of the most obvious and simplest ways is to consolidate all of your super accounts into one. Most people have more than one super fund. This usually means you're paying multiple fees and you're receiving more than one set of paperwork. However, it can also lead to a less focused investment strategy, which could impact the growth potential of your super.

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While your super is ideally there to support you financially once you retire, it can also provide significant financial assistance to your dependants in the event of your death.

### Making personal contributions

Adding extra money to your super can be done via concessional and non-concessional contributions. With concessional contributions (ie salary sacrificing), you can only contribute up to \$25,000 pa in any financial year, unless you're aged 50 or over, whereby you can contribute up to \$50,000 pa.

If you're making non-concessional contributions (ie after-tax contributions), you can contribute up to \$150,000 pa in any financial year. Alternatively, the rules allow you to contribute up to \$450,000 in one financial year, provided you don't make any more non-concessional contributions for the following two financial years.

It's important to remember how much you've contributed each year, as you'll be taxed heavily if you exceed the annual contribution limits.

### What other super opportunities are available?

While your super is ideally there to support you financially once you retire, it can also provide significant financial assistance to your dependants in the event of your death. This is why it's extremely important to nominate a beneficiary.

Nominating a beneficiary instructs the Trustee to pay the balance of your super and any insurance cover to a certain person(s). Your nomination can be binding or non-binding and depends on the rules of your super fund.

Binding nominations mean that the Trustee of the fund must pay your benefit to the person(s) you nominate.

Non-binding nominations provide a guide for the Trustee in deciding who receives your benefit. If you don't nominate a beneficiary, any death benefit payable is left to the discretion of the Trustee. Where the Trustee decides to pay the estate, the benefit is distributed to the beneficiaries in accordance with the Will.

With binding nominations, some super funds also allow you to nominate how the death benefit is paid to your dependants. For example, you can nominate whether you want the benefit paid as a lump sum or as a pension. This part of the nomination may be binding or non-binding on the Trustee and AXIS Financial Group can provide assistance with this if you're uncertain.

### How can AXIS Financial Group help?

How you invest your super is a big decision – and a personal one. This is where we can help.

AXIS Financial Group has over 10 years' experience in providing independent, quality financial advice in corporate and personal super.

Our friendly team can help you identify and implement your retirement objectives, consolidate your super, assist with your beneficiary nomination and any queries you may have about your super.

If you'd like to know more, call the Advisory Group or Technical Services team on **(08) 9426 5800** or **1800 111 299** or email us at: **mail@axisfg.com.au**



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