



Budget



+ wealth + security

Booster

October 2012

Top 10 Investment tips

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 these may be, 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

Clarify your investment goals and 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'. 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 way to put your plans into action as they pool your savings with many other investors. You can then access a wide range of quality investments which are 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.

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.

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?

Source | Colonial First State

This communication has been prepared on a general advice basis only. The information has not been prepared to take into account your specific objectives, needs and financial situation. The information may not be appropriate to your individual needs and you should seek advice from your financial adviser before making any investment decisions.

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