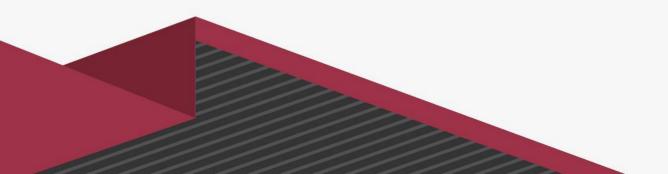


The Golden Rules of Investing



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A smart investor doesn't rely on good luck. Instead, they take the time to consider their investment goals. Then they develop a plan and choose investments that align with their needs and objectives.

Here are our tips to put you on the path to investing smarter.

Work out your needs and objectives

If you're planning to invest, there are a few steps to take before you jump in. Preparation is the key to success.

Are you ready to invest?

Make sure you're ready to invest by checking you have:

- your debts under control (your adviser can help work out a budget plan)
- enough cash for emergencies (a good rule of thumb is to have easy access to 3 months' worth of household expenses)
- Image: adequate insurance protection.

Develop a plan

If you have a financial goal in mind, it will be easier to develop an appropriate investment plan. Think about what you want and why, and set a timeframe to achieve each goal. Then you can measure all investments against your plan.

Understand risk and return

While your investment goals are very important, you should also consider your appetite for risk when you're shaping an investment plan.

In a 2014 study by ASIC on financial behaviours, 28% of people said they had heard of the risk/return trade-off but didn't really understand it.

Successful investors understand the types of risks that can affect their investments and what they need to look out for.

Diversification

A good way of managing risk is to spread your money between different asset classes such as cash, fixed interest, property and shares. This is known as diversification.

Diversification will leave you less exposed to a single economic event, so if one business or sector you've invested in fails or does badly, you won't lose all your money.

Borrowing to invest

If you are borrowing money to invest then you are taking even more risk if your investments fail.

Judging expected returns

To help you work out whether the returns offered by the investment opportunity are reasonable, look at the expected returns for other similar products. If the returns seem very high in comparison, be very wary. And be aware that some investments that appear to offer relatively modest returns can also be extremely risky.

Get to know the investment before you invest

Before you jump into any investment, carefully assess its suitability.

Read the <u>product disclosure statement</u> (PDS) for each investment product and make sure you understand the product's key features, fees, commissions, benefits and risks. Ask the product provider or a financial adviser if you need further clarification.

Monitor the investment

Even with careful planning, you can still get caught out, for example, economic conditions can change and company profits can vary from year to year, so it's important to keep track of your investments.

Look out for warning signs

There's no fool-proof method of spotting losses in advance. However, sometimes there are warning signs that an investment is going south.

Don't panic

Market and economic conditions can change rapidly - but a panicked reaction can often make things worse. Some investors try to time the market and fail. If your strategy is sound, and the investment is long-term, stay with it.