MANAGING YOUR SUPER, PENSION OR INVESTMENTS THROUGH PERIODS OF MARKET VOLATILITY

At times when market volatility is high we are sometimes asked by members *'What is Colonial First State doing to protect my money?'*

This factsheet sets out how your super, pension or investments (your money) is invested and the things to consider before making a decision.

Please also visit colonialfirststate.com.au for our latest commentary on global investment markets. We also suggest you read our factsheet titled 'Market Volatility – An overview' for more information.

How is your money invested?

Your money is invested in one or a number of individual investment options. These investment options could range from relatively conservative investments such as 'Cash' options, to more aggressive or volatile options such as 'Global Shares', or in what is known as a multi-sector option which invests across a range of asset classes, different countries and different industries.

Each of these individual investment options will perform differently over all time periods based on what the option ultimately invests in.

You can check which options your money is invested via your statement, on FirstNet (our online portal) or by giving us a call.

Who makes the decision on how my money is invested?

Ultimately, it is your decision as to which individual options your money is invested in, and when to switch between options.

You may work with a financial adviser to develop a financial plan, set an investment strategy for your money, and make investment decisions that are appropriate to your individual situation and goals. Your financial adviser may also assist in implementing any investment decisions that you make.

It is important to note that Colonial First State:

- Does not make investment decisions on behalf of individual members at an individual account level
- Does not try to time investment markets or switch your super, pension or investments between options at an individual member level unless instructed by you or your financial adviser, and
- Does not guarantee the performance or return of any individual investment option or account.

Once you and/or your financial adviser have made a decision about what options to invest your money in, that individual option will typically be managed by a professional fund manager – some options are managed by Colonial First State, but many are managed by external fund managers.

Each fund manager will review the current market conditions and context and make decisions about how the money in that option should be invested in line with their stated investment strategy, which you can find in the Product Disclosure Statements available on our website.

What if I've never made a decision on how my money is invested?

If you have never made a decision on how your money is to be invested, or your financial adviser has not instructed us how your money is to be invested, then your money may be invested in either a 'default' option or across a range of individual options or asset classes.

A 'default' option is typically one of the multi-sector options referred to above. However, we recommend that you check how your money is invested.

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Is my money safe?

When investment markets experience volatility it's only natural to feel concerned about how fluctuations may impact your money. Below are some points to consider when it comes to your money:

- **Keep in mind the bigger picture:** Super, investments and even pensions are typically long-term investments. Shares, which usually form a large part of most multi-sector options, are also generally a long-term investment. They are designed to provide capital growth over a period of five years or more. Think in years, not days. The timeframe for super, investments and even pensions may be 20 years or more, so short-term volatility shouldn't diminish the long-term potential of your money. Growth assets (such as shares) tend to fluctuate in the short term, but have historically provided excellent returns for members over the long term.

  When share markets fall in value, it may be tempting to sell up. However, trying to time the market by selling now and buying back later is a risky strategy that rarely results in members coming out ahead. By taking a long-term view of investing, you can ride out any short-term fluctuations in the market and take advantage of growth opportunities over the long term.
- **Diversification:** Diversifying how your money is invested is one of the most helpful ways of managing volatility in your portfolio. Your money may benefit by being spread across a variety of asset classes, including shares (domestic and global), fixed income, cash, direct and listed property and alternatives. This diversification should help soften the effects of any share markets falls as some asset classes often tend to do well whilst others are struggling. Also, spreading your assets around means you are less reliant on any one asset class at any particular time.
- **Understand your risk profile:** All investments carry some risk. How much risk you're willing to accept will be influenced by your financial situation, family considerations, time horizon and even your personality. If market volatility has caused you to reassess the way you feel about risk, it's important that you speak to a financial adviser to discuss any necessary changes to your financial plan.

What if I want to switch how my money is invested?

Before you switch how your money is invested or withdraw from an investment you should talk to a financial adviser to understand the implications, risks and costs involved. These can include:

- **Crystallising losses:** If the value of your investment is falling, you are technically only making a loss on paper. A rise in investment markets and prices could soon return your investment to its previous value – and even beyond - without you doing anything. Selling your investment makes any losses real and irreversible.
- **Incurring capital gains tax (CGT):** Make sure you know what your CGT position will be before selling any asset.
- **Losing the benefits of compounding:** If you're thinking about making a partial withdrawal, remember that it's not just the withdrawal you lose, but all future earnings and interest on that amount.

Key takeaways

- Super, investments and even pensions can be a long-term investment designed to generate sufficient money so you can enjoy your retirement.
- Diversification is an important part of a long-term investment strategy. To create the lifestyle you want in retirement, it may be necessary to invest in growth assets like shares so that your returns stay ahead of tax and inflation.
- It may be beneficial to ride out the bad times in order to achieve long-term growth. Remember that markets recover – it is just a matter of when that recovery will occur.
- As you progress on your investment journey, it can be important to review your unique risk profile to help determine whether your financial plan still aligns with your circumstances and long-term objectives.
- If you have a financial adviser, they can be invaluable in this process as they can review your situation and provide further guidance.
- If you don't have an adviser we can assist, so please call us on 13 13 36.

Want more information?

For more information and to keep up to date with the latest on market movements, visit the market updates section at colonialfirststate.com.au

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