INVESTMENT ESSENTIALS

Investment foundations for 20's 30's and 40's

WHATS ON THE MENU TODAY?

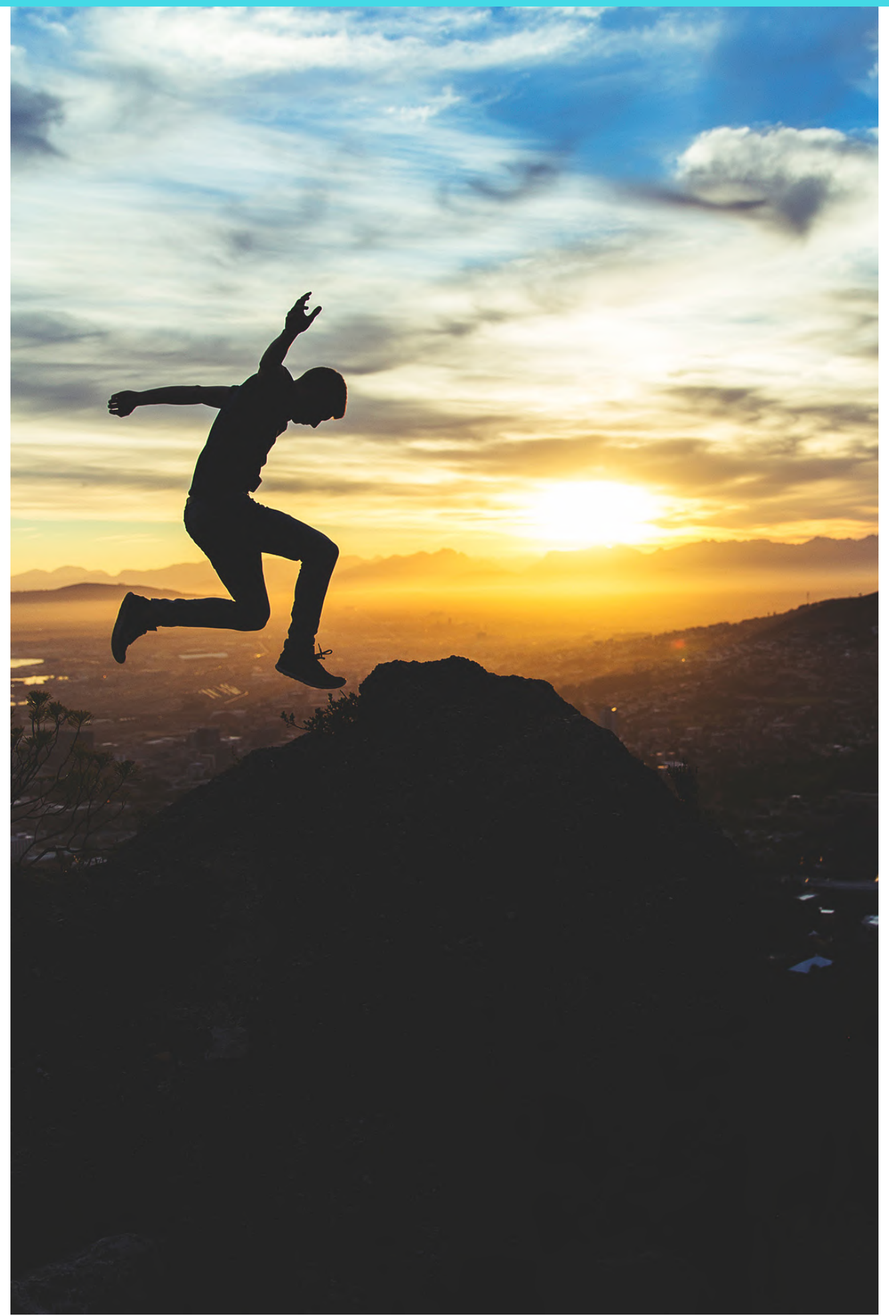
Whats what of investments?

Behavioural finance - emotional investing

Powerful investment concepts

Super is super - but why?

The secret to getting rich slow



WHAT IS AN INVESTMENT?

"The use of money to purchase assets in order to gain profitable returns, as interest, income or an appreciation in value"...

INVESTMENT JARGON SIMPLIFIED

VOLATILITY	+ How much something fluctuates in price or value
LIQUIDITY	+ How easy it is to sell an investment back to cash
CAPITAL GROWTH	+ An increase to the value or price of an investment over time
CAPITAL GAINS TAX	+ Tax due and payable on a capital gain made when you sell an investment for more than you purchased it for
DIVERSIFICATION	+ Spreading and reducing risk by holding different types of investments which provide different returns at different times

WHAT IS CASH?

Cash is a liquid, secure asset class with no (or low) investment risk, low returns which is ideal for short term quick access.

BENEFITS

LOW RISK

NO VOLATILITY

EASILY ACCESSIBLE

REGULAR INTEREST INCOME

DISADVANTAGES

NO CAPITAL GROWTH

INTEREST INCOME IS TAXABLE

WHAT IS FIXED INTEREST?

A debt instrument such as government and corporate bonds. You loan money in exchange for regular interest payments and your initial amount back at the end.

BENEFITS

LOWER VOLATILITY

REGULAR INTEREST PAYMENTS

PROVIDE ABOVE CASH RETURNS

DISADVANTAGES

CAN DECREASE IN VALUE

CAN BE LOCKED IN FOR SOME TIME

WHAT ARE SHARES?

A share (or stock) is an investment in a company, where you own a small piece of that company. You can make money through a rise in the share price or income paid as dividends.

BENEFITS

LIQUID ASSETS

CAPITAL GROWTH

LOWER BARRIER TO ENTRY

CAN RECEIVE INCOME

DISADVANTAGES

HIGH VOLATILITY

CAN ALSO LOSE CAPITAL

WHAT IS PROPERTY?

A long term investment, that provides regular income in the form of rent and has potential for capital growth.

BENEFITS

- LONG TERM CAPITAL GROWTH
- REGULAR INCOME
- TOUCH AND FEEL ASSET
- CAN LEVERAGE HIGH LEVELS

DISADVANTAGES

- INTEREST RATE RISK
- BAD TENANT RISK
- CAN STILL LOSE VALUE
- HIGHLY ILLIQUID
- HIGH ENTRY AND EXIT COSTS

NEGATIVE GEARING

Rent is less than the interest payments and expenses

The property costs you money each year

POSITIVE GEARING

Rent is more than the interest payments and expenses

The property makes you money each year

NEUTRAL GEARING

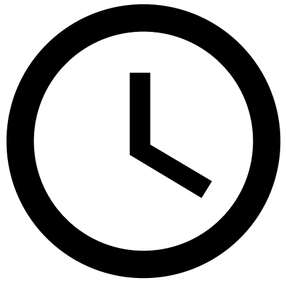
Rent is the same as the interest payments and expenses

The property breaks even each year

BARRIERS TO ENTRY

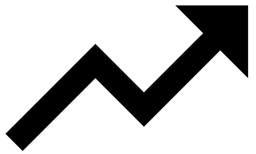
CASH	- VERY LOW - ONLY NEED A FEW DOLLARS
SHARES	- LOW - CAN START WITH A FEW HUNDRED DOLLARS
PROPERTY	- HIGH - WILL NORMALLY REQUIRE YOU TO BORROW LARGE AMOUNTS OF FUNDS

THE POWER OF COMPOUND INTEREST

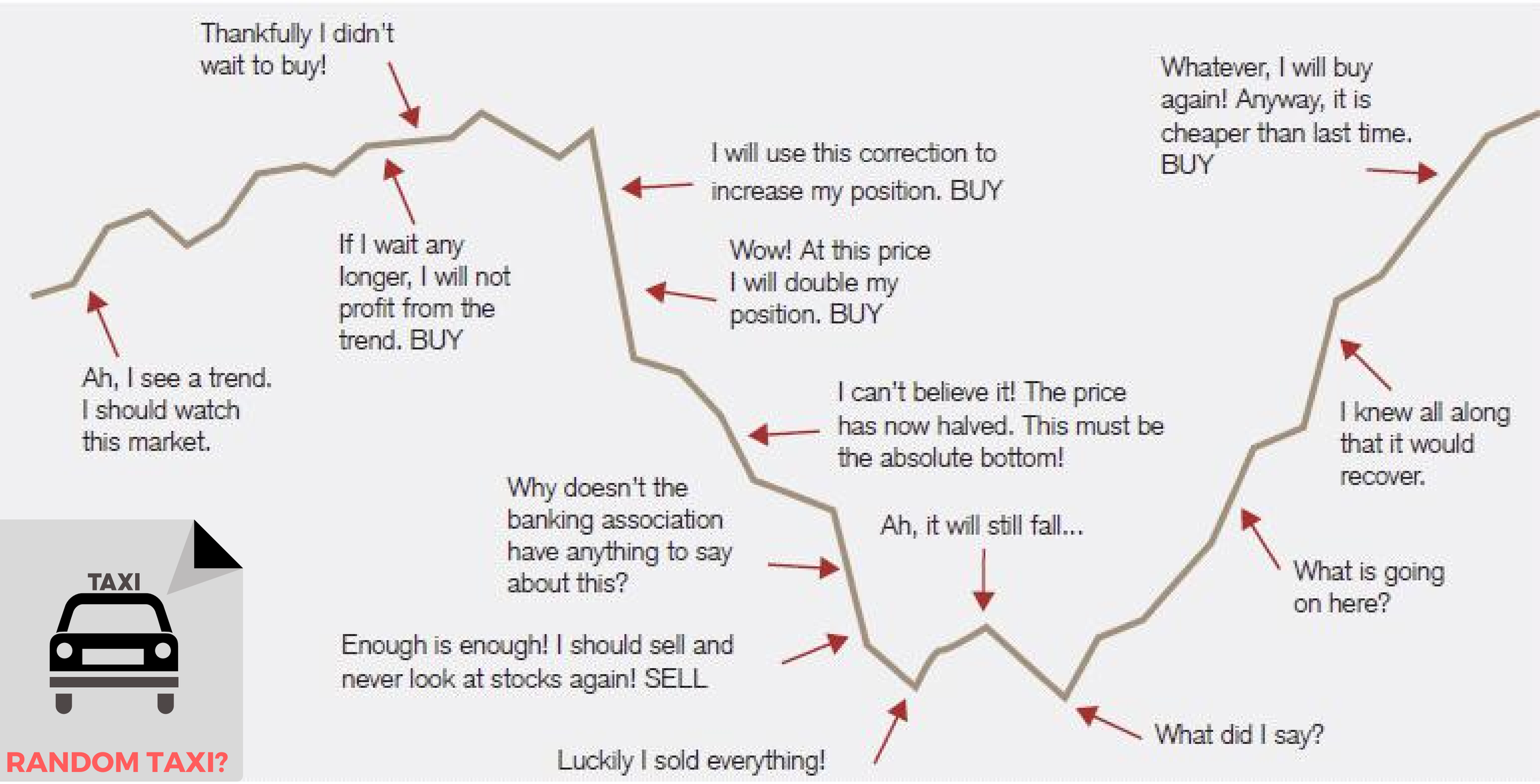


Your advantage
TIME

Your advantage
REINVESTING



Outcome
EARNINGS ON EARNINGS!

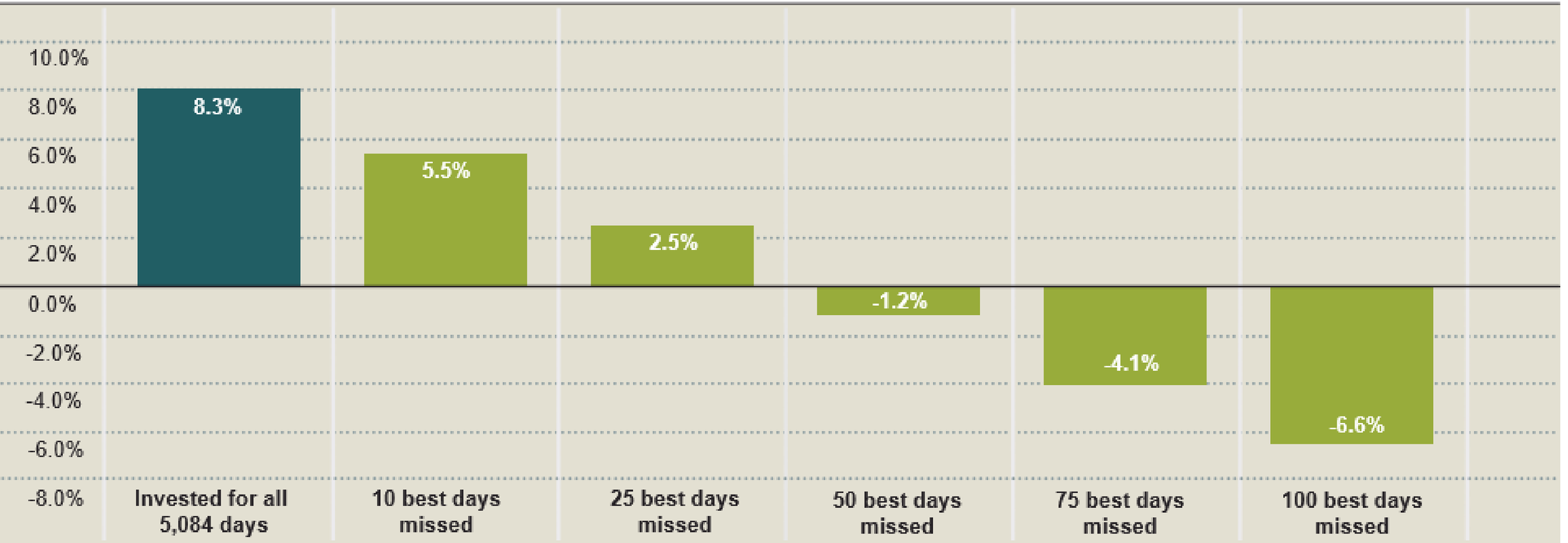

Thankfully I didn't wait to buy!
Whatever, I will buy again! Anyway, it is cheaper than last time. BUY
I will use this correction to increase my position. BUY
If I wait any longer, I will not profit from the trend. BUY
Wow! At this price I will double my position. BUY
Ah, I see a trend. I should watch this market.
I can't believe it! The price has now halved. This must be the absolute bottom!
I knew all along that it would recover.
Why doesn't the banking association have anything to say about this?
Ah, it will still fall...
What is going on here?
Enough is enough! I should sell and never look at stocks again! SELL
What did I say?
Luckily I sold everything!

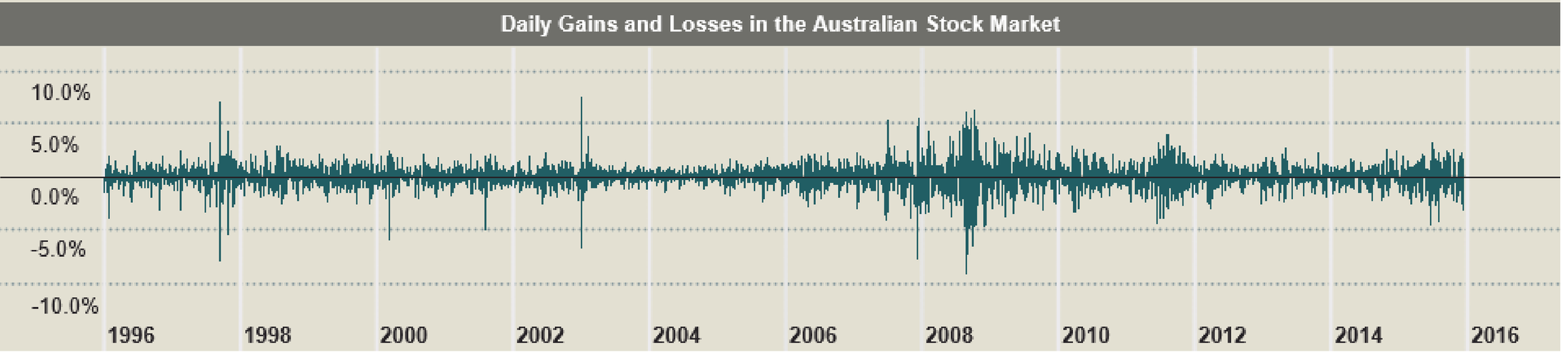
TAXI

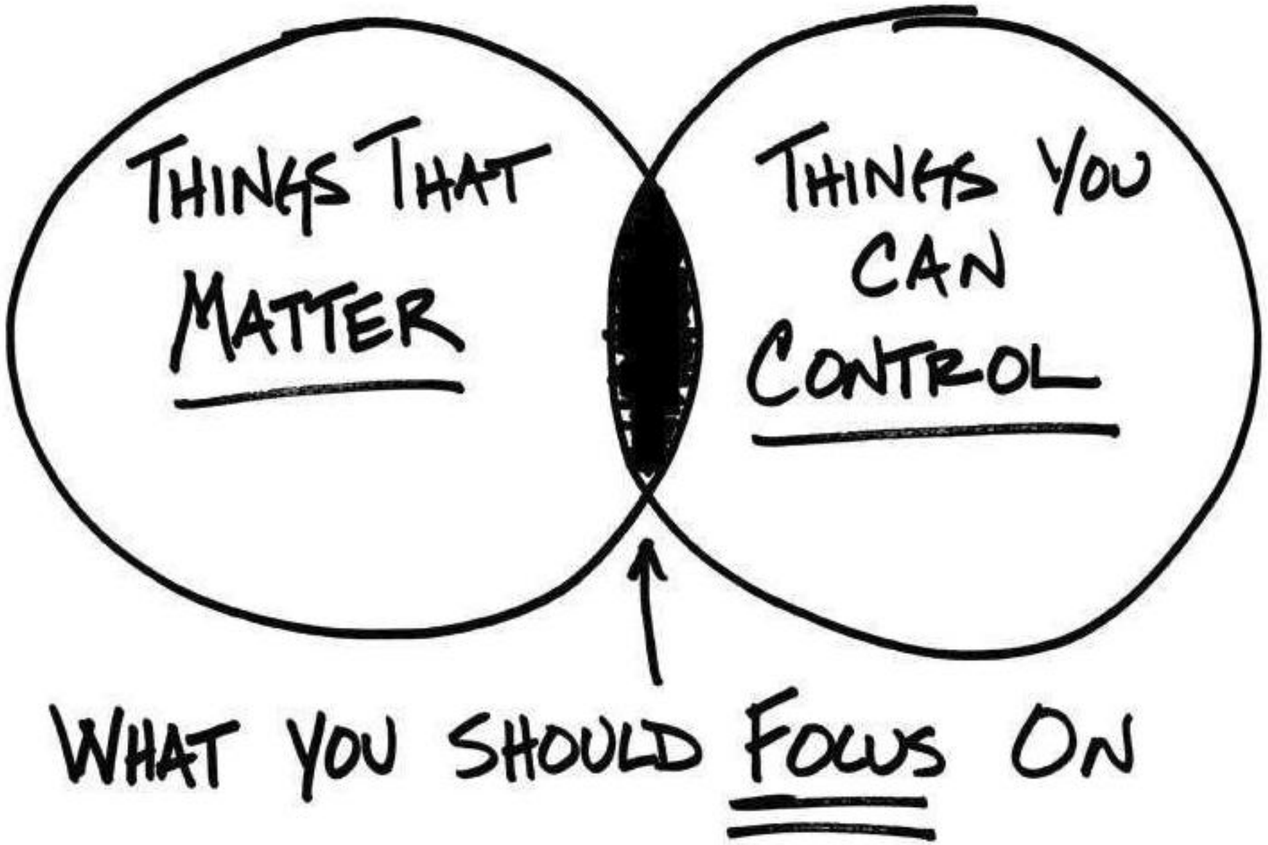
RANDOM TAXI?

The Cost of Trying to Time the Market

Risk of missing the best days in the market 1996–2016



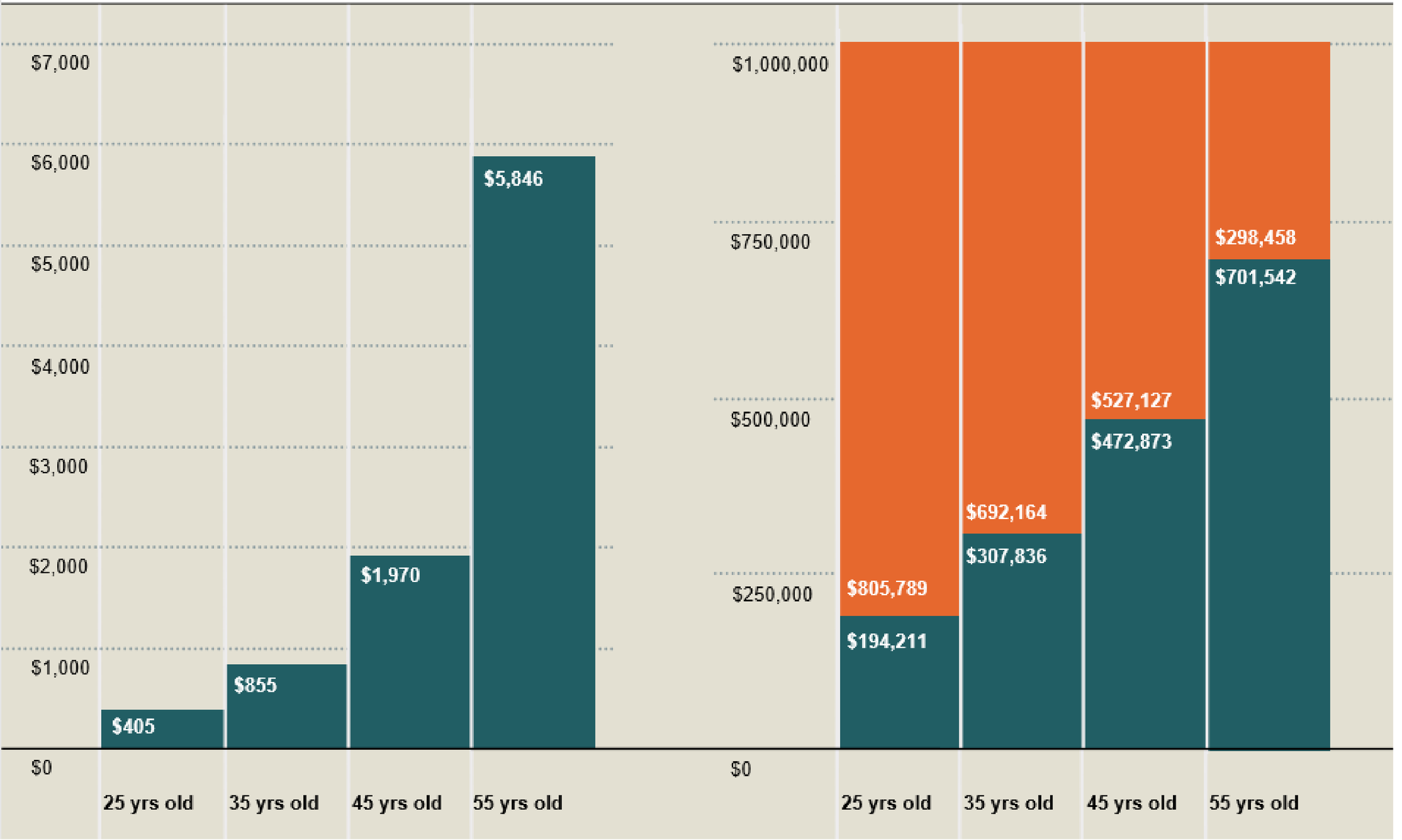


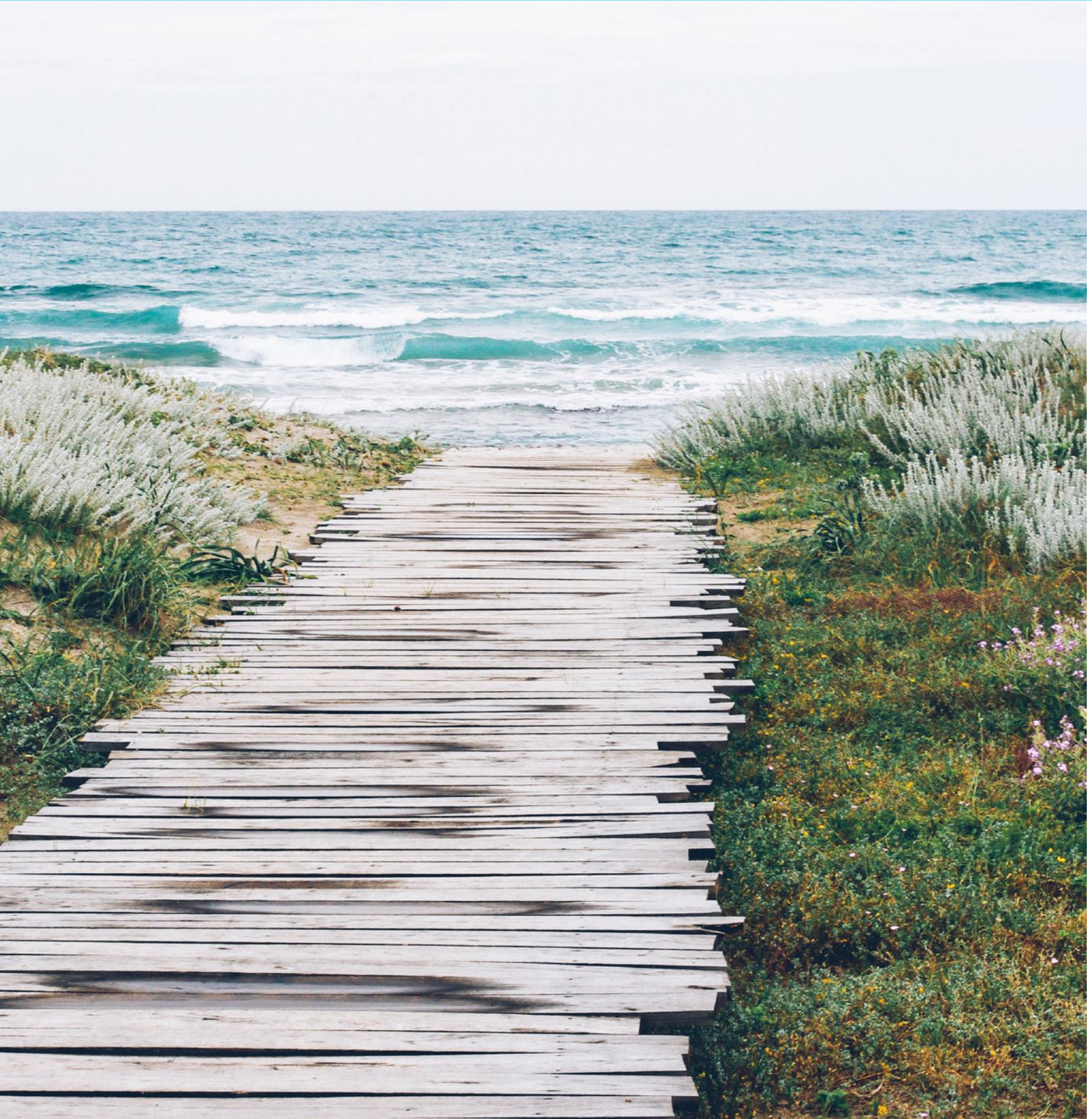


SOURCE: CARL RICHARDS / BEHAVIOUR GAP

The Earlier You Start Investing, the Easier It Is to Reach Your Goals

Monthly savings needed to accumulate $1 million by age 65





SUPERANNUATION

Super is a savings vehicle designed to help you fund your retirement. It is a long term asset because often we cannot access it for a very long time.

However, someone is putting nearly 10% of your weekly pay in this "savings account" for you. So it's critical to pay attention and take it seriously!

WHY SUPER IS SUPER

+ SUPER FUND EARNINGS TAXED AT 15%
+ CONTRIBUTE TO SUPER AND REDUCE TAX
+ CAN BE USED TO FUND LIFE INSURANCE

CONCESSIONAL TAX - INSTANT RETURNS

YOUR INCOME	MARGINAL TAX RATE	NET VALUE $10K AFTER TAX	NET VALUE $10,000 INTO SUPER	DIFFERENCE ($)	DIFFERENCE (%)
$37,001 - $87,000	32.50%	$6,750	$8,500	$1,750	18%
$87,001 - $180,000	37%	$6,300	$8,500	$2,200	22%
$180,000+	45%	$5,500	$8,500	$3,000	30%

THE BORING SECRET TO FINANCIAL FREEDOM

- **Spend less than you earn** // sound money management and good money habits and behaviours drive **MOST** of our financial independence
- Start slow, start small but **start NOW**
- Invest regularly and continually
- Sexy sells but investing should be boring

ONE STEP CLOSER TO FINANCIAL INDEPENDENCE