

*To achieve financial success, two elements are needed: financial goals – developed with a financial adviser; and regular investments. A small amount invested regularly can have a greater impact on your investments than larger sums invested irregularly.*

*Simplicity*



*Freedom*

The first step to regular investing is to set a financial goal. Your goal may be to retire at 45, buy your dream home or pay for your children's education.

Let's have a look at an example which shows the benefits of implementing a regular savings and investment plan.

## Case study

Joe is 35 and wants to buy his dream yacht and sail around the world in 15 years time when his children have all finished school. Joe estimates that his dream yacht and the trip will cost \$150,000 in today's dollars and he already has \$10,000 saved. If Joe invested \$500 per month, he would have accumulated the \$150,000 and a little extra as shown in Graph 1. This is assuming that Joe's investment earns a real return of 5% per annum after inflation and tax.

## When should you start your program?

Now. As shown in Joe's example, the longer your investment plan is in place, the more time you give compound interest to work for you. As shown in Graph 1, Joe's savings grow more quickly over time, generating more returns each year, even though the rate of return and amount contributed was constant.

## Compound interest

The increase in Joe's accumulated savings is due to compound interest. Compounding occurs when interest is calculated on both the principal and interest previously accrued.

The benefits of starting your program earlier can be best explained in an example where two investment plans are compared.

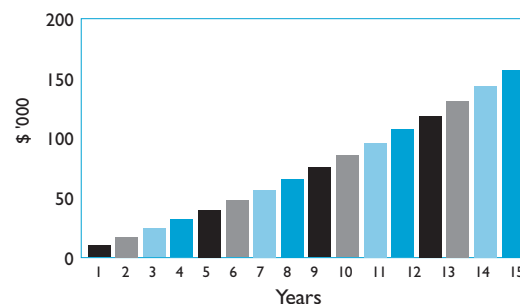
For example, Carol and Jim are both aged 40. Carol decides to invest \$1,000 per month for the next 20 years in preparation for her retirement. Jim decides to invest \$2,000 a month, but does not commence his program until he reaches 50. They both intend to retire at age 60 and we assume that their investment will generate 8% per annum after tax.

Graph 2 shows that even though Carol and Jim both invested \$240,000, Carol's savings are larger because of an extra 10 years of compound interest.

Successful investing requires you to regularly maintain your investment plan.

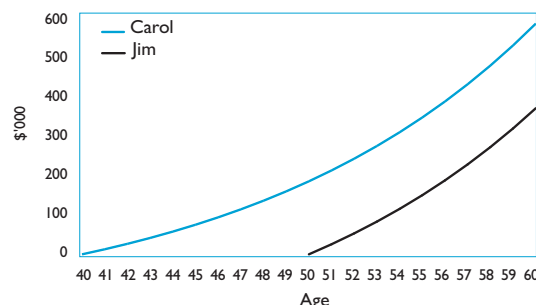
The best way to do this is to arrange a direct debit from your pay or bank account into the investment vehicle you have chosen.

**Graph 1: Joe's world trip savings and investment projection**



Source: ASGARD

**Graph 2: Start saving earlier and reap the rewards**



Source: ASGARD

*Choice*

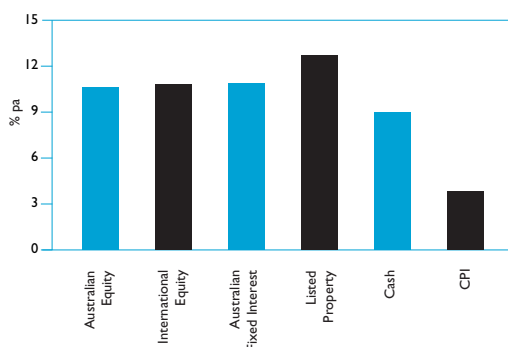
## The key to financial success

Establish your financial goals, develop an investment plan and start saving regularly as soon as you can to make sure that compound interest works for you.

## Where to invest your savings

You should consider investing a significant proportion of your money in growth assets such as shares and property as they almost always outperform more conservative asset classes such as cash over the longer term, as shown in Graph 3. Growth assets also tend to significantly outperform inflation. They can also be a very tax-effective investment, if they pay dividends which are franked.

**Graph 3: Historical Investment Returns**  
18 years to June 2004



Source: St.George Investment Solutions

Many listed companies pay tax on their profits before dividends are distributed to you. In other words, those dividends come to you 'tax paid'. Your personal tax liability is then calculated after taking into account the tax that has already been paid by the company. The objective is to ensure that the dividends are not over-taxed.

As a result, investors on the top marginal rate of 47% pay little tax on 'fully franked' dividends, while investors on lower tax rates either pay no tax on the dividend or qualify for a tax refund.

## Planning for your retirement?

If one of your goals is to provide yourself with a comfortable retirement, do not rely on the Superannuation Guarantee (SG).

The SG is now 9% of your salary. This seems like a lot but most people will need to save much more than 9% each year to meet their retirement goals. For more information, ask your financial adviser for a copy of 'Superannuation – Do I have enough?'



## Steve Waugh chooses ASGARD – here's why you should too:

- You'll have the peace of mind that comes from knowing your money is in safe hands – ASGARD is part of the St. George Group, Australia's 15th largest company.
- You'll have the freedom to choose from more than 200 leading managed investments along with more than 300 shares.
- Maintain control over your investments. Choose from a range of pre-set portfolios or create your own portfolio.
- Save money and minimise paperwork by keeping your investments in one place.
- You'll receive excellent service. ASGARD is Australia's most awarded investment platform and currently administers more than \$17 billion for over 200,000 investors.



Investment. Superannuation. Retirement.

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