

Managing your super through volatile markets

It seems impossible lately to ignore daily media reporting on the turmoil of world economies and the billions of dollars that have been wiped off the value of sharemarkets both in Australia and overseas. Undoubtedly, there is a lot of market movement at the moment and it's no wonder many investors are having their confidence in super tested. After all, in many instances the typical super account will have between 40%-60% invested in sharemarkets locally and overseas.

So we would like to take a moment to give some perspective on what's behind the recent market behavior and what it might mean to you and your super.

What's behind the recent sharemarket movements?

There are two recent international events that have conspired to tip investor confidence and cause sharemarkets to fall.

- Government debt problems (sometimes called "sovereign debt") have been troubling a number of European countries, with a particular focus on Greece.
- Ratings agency Standard & Poor's has downgraded the United States Government's credit rating, prompting sharp selling by investors and driving share prices down.

What do the economic problems of Europe and the USA have to do with your super?

Depending on the investment option(s) in which your super is invested, it's likely that some of your money is invested (via various fund managers) in both Australian and international shares. And while it may be easy to appreciate how international shares have fallen due to concerns in Europe and the USA, the global pessimism does impact investor sentiment in Australia, resulting in a market downturn in our own sharemarket.

It's worth noting that the vast majority of superannuation monies are invested in what's known as "diversified" portfolios (such as Balanced or Growth style portfolios) that consist of a blend of different assets including shares, property, fixed interest, and cash. Having your monies invested across a diverse range of assets means you are not entirely exposed to the movements (up or down) of any one particular asset. As noted above, the typical super account will have 40%-60% invested in local and international sharemarkets so the impact of any downturns you hear and read about in global sharemarkets are usually softened by the fact that your monies are spread across other assets that are not affected by falling sharemarkets.

How should you react to market volatility?

This is a question that is best directed to your financial adviser, but in general terms you might consider the following:

If you are a long term investor

The passage of time will eventually smooth out the downturns you experience in investment markets. Your super will be with you for the remainder of your working life (and beyond) and while it can be frustrating and worrying to see your account balance decrease from time to time, it remains important to stick to a long term plan and not overreact to short term movements and media noise.

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If you are a short term investor

It is important that you don't panic or make hasty decisions. In previous updates we have encouraged members who are getting closer to their target retirement date to seek financial advice. In our view a short term investor could be described as someone who is aiming to retire anytime between now and the next 5 years (or even longer if you are considering transition to retirement strategies). There are numerous strategies that could apply to your situation that will help you deal with market volatility and ensure you head towards your retirement with more confidence than what you may hold at present.

How can Certainty help?

Certainty provides advisory services that can help you gain an understanding on the best course of action for you. Financial advice must be issued in accordance with the law, which defines advice as either **general** or **personal**.

If your needs are quite simple and elementary then you may require only **general advice**, which covers advice on financial products or strategies that can help you make decisions without Certainty having to take into account your personal circumstances. General advice is usually issued to you at no cost as part of our overall service offering through your employer-based superannuation plan.

If you require more detailed attention then we can assist with **personal advice**, which requires Certainty to take into account your personal objectives, financial situation and needs before any recommendations can be issued. Because of these requirements a fee will normally apply. Your first meeting with Certainty is at no cost and at the end of the meeting you will be advised of the applicable fee should you wish to engage us to issue advice. Importantly, fee discounts apply if you participate in your employer-based superannuation plan to which we are advisers.

To obtain more information on our advisory services contact our office on:

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