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A rough start to 2008 for investment markets

Prepared by Certainty Financial
- the appointed financial consultants to your employer superannuation plan

Most of us with a superannuation fund hold some form of Australian and/or International shares, typically through a managed fund (such as a Growth, Balanced or Conservative portfolio). Share markets around the globe have fallen in the wake of the US housing slump and related problems in US sub-prime mortgages, which means many super funds will have been impacted negatively over the past six months.

So what should superannuation investors do during times of market volatility?

Stay Calm

Superannuation for most is an investment for the long term. We believe it is important to remain focused on the long-term investment horizon and not get caught up in short-term market movements. There have been a number of major market events over the last twenty years that have hurt share markets, but they invariably bounce back with an upward trend over time.

When markets are falling in value it is common for investors to consider selling shares (or units in a managed fund) with the intention of buying back in when markets become more stable. Trying to time the market is a near impossible task. More often than not it results in the further losses for investors that sell too late (crystallising their losses) and buy back in too late. (missing out on much of the upside). Time *in the market* is more important than *timing the market*.

Sensible precautions

This notion of riding out the storm is not meant to imply superannuation investors sit back and do nothing. There are still some sensible precautions any superannuation investor can take in response to market volatility.

- 1. Review your investment time horizon.** Are you still a long term investor or is retirement just around the corner? Investors with a short term horizon are encouraged to seek qualified financial advice irrespective to how the markets are performing.
- 2. Reassess your investment "risk profile".** Your super fund will have a means of helping you conduct your own "investor risk profile" (either within the Product Disclosure Statement or via their website) which can help you determine whether your investment outlook is conservative, aggressive, or somewhere between the two. Compare the outcome to your current portfolio mix and see if it is an appropriate match. If it isn't or if you are unsure, then you should seek qualified financial assistance.
- 3. Visit your super fund's web site.** Keep abreast of what's happening in the markets by reading the online commentary posted on your superannuation fund's website.

When taken into context, current share market behaviour is not uncharacteristic and is certainly not new. What's important is that superannuation investors do not act without having a good understanding of their investment needs and the consequences of any intended action.

How Certainty can help

The benefits of having a financial plan that documents your investment objectives and financial strategies cannot be overstated. If you have concerns, or would like further help, seek advice from a qualified investment advisory firm such as Certainty Financial.

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