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Investment choice



What is investment choice?

So, what exactly does investment choice mean? Perhaps looking at what it is **not**, is a good place to start. Investment choice is **not** about picking shares, or being an investment expert. What investment choice **does** mean is that you can choose an appropriate investment mix for your retirement savings.

It's important to understand that investment choice is not necessarily available to everyone – it depends on your particular super fund and category of membership. You should check your super fund's Product Disclosure Statement to determine if investment choice applies to you.

Let's look at investment choice in detail.

Choosing your investment mix

One of the most important decisions to be made is how much, or what percentage, of your super you want invested in defensive investments, or asset classes, and what percentage in growth investments.

Defensive investments include cash and fixed interest investments. These are the types of investments used when trying to protect your investment from the chance of a negative return. They tend to produce lower long term, but more stable, returns than growth investments.

Growth investments include property and shares. These are the types of investments that are likely to experience volatility in performance from year to year, but have the potential to grow over the long-term (which is at least 5 years).

By spreading your investments across asset classes, countries and investment managers, you can reduce the level of risk associated with investing. This is called **diversification**.

There is no 'right' mix, as everyone has different investment needs. That is why your super plan is designed to offer different investment options. Each option is designed to suit different investment objectives and strategies.

Investment strategy decision is the largest driver of returns

The decision you make regarding exposure to growth versus defensive assets, known as your investment mix or asset allocation, is one of the key factors that will influence your long-term investment returns. This will ultimately impact on the value of your retirement savings.

By having different mixes of growth and defensive investments in an investment option, the characteristics of that investment option change.

If an investment option has a high proportion of growth investments compared to defensive investments, you would generally expect higher long term returns with more short term volatility. In the opposite case of a low proportion of growth investments and a high proportion of defensive investments, you would generally expect lower but more stable returns.

Most investment options are managed by professional investment managers. The investment managers are responsible for the selection and monitoring of investments within each asset class - which is why you don't need to worry about picking shares or being an investment expert!

Your employer will have a default super fund established to receive contributions if you don't make a decision.

Factors you should consider

There are a number of factors that you need to take into account when you are making your investment choice decision.

These generally include consideration of :

- Your financial objectives,
- Your investment timeframe,
- Your attitude to risk/return, and
- Your partner's risk profile and your attitude to negative returns.

We strongly recommend that you speak to a licensed or appropriately authorised financial adviser to seek professional advice when considering your investment choice, or any other investment decision.

Switching tools & flexibility

Where you have the option to change your investment strategy, we recommend switches be made only where your goals or personal circumstances have changed.

You should refer to your super fund's Product Disclosure Statement for details relating to how frequently you can switch and the costs associated with making an investment switch.

You are also encouraged to seek professional financial planning advice before making any major changes to your super.

Let's recap...

The decisions you make now will affect the long-term investment returns you receive from your super. They will also impact on the likelihood of your investment going up and down in value along the way.

Importantly, you should review your timeframe and your long-term objectives and if there is no change to them, then you should stick to your chosen long-term investment strategy.

It's important for you to take control of your super and remember to always seek professional advice from a licensed or appropriately authorised financial adviser when considering your investment choice, or any other investment decision.

To speak directly with a Mercer financial adviser call **1800 633 403**.
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