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Regular Investment Plan

Financial Planning Fact Sheet 01

A secure financial future is a top priority for all of us because financial security gives us choice. Choice allows you to achieve your goals, live your dreams and realise your ambitions whatever they may be. To make your savings work harder for you, you need to invest in a range of assets, all of which operate at different levels of risk and produce varied outcomes.

This Financial Planning information sheet provides an overview of several options that can help you achieve your future financial objectives, such as a comfortable retirement, saving for a deposit on a home or an overseas holiday.

What is a regular investment plan?

A regular investment plan allows you to commence investing in managed funds with as little as $1,000. This type of plan may suit you best as an investment vehicle if you have little time or interest in specific assets such as shares or property, or you want to start investing but you do not yet have the funds for shares or property. Investing in well managed assets can help you achieve your financial goals.

What is a managed fund?

There are many different investment options such as shares, property, bonds and cash. Managed funds can give you access to all these investments including assets which are not ordinarily available to you through direct investment, such as overseas investments, infrastructure projects and large commercial properties.

A managed fund pools the funds of many individual investors which is then used to buy assets according to the investment objective of the fund. The fund is professionally managed to produce income, growth or a combination of both.

When you invest in a managed fund you are allocated units based on the entry price at the time you invest. The unit price changes over time as the market value of the assets in the fund rises and falls.

Why invest in managed funds?

Taking advantage of a team of investment professionals helps you make the most of your money. Some of the benefits of managed funds include:

- **Diversification** – managed funds can reduce investment risk by spreading the investment across assets, companies, industries, sectors and countries.
- **Invest regularly** – you can choose to invest a regular amount each month. By investing regularly you can smooth out the impact of fluctuations in the market and reduce the risk of investing a large amount at an unfortunate time. This concept is known as 'dollar cost averaging'.

For example, if you put $100 per month into an investment that initially had a unit price of $10 and over the next 6 months the market falls (causing the unit price to drop) before recovering to its original value, your portfolio would look like this:

Month	Investment	Unit price	No of units
1	$100	$10	10
2	$100	$8	12.5
3	$100	$5	20
4	$100	$5	20
5	$100	$8	12.5
6	$100	$10	10
Total	**$600**		**85**

Investment cost $100 per month for 6 months = $600.
Investment value 85 units @ $10 each = $850.

If you invested $600 when the units were $10 each you would have a total of 60 units worth $600 in 6 months time.

By investing $100 per month every month you have 85 units worth $850 over the same time.

- **Start investing with a small amount** – investing in direct shares or property often involves large sums of money. However, you can invest in shares or property via managed funds for as little as $1,000 with a monthly payment of $100.
- **Tax effective income** – managed funds investing in shares or property may distribute tax effective income with fully franked dividends or tax free and tax deferred income as part of the distribution. Income paid as a dividend is a share of a company's profit. Dividends that have had company tax paid are known as franked and include a tax offset known as an 'imputation credit' which is available to reduce your tax payable. Tax free and tax deferred income is from property investments and is not taxed in the year you receive it.
- **Compound your returns** – by reinvesting your investment income returns you are allowing your investment to grow at a much faster rate. The table below shows how much you would have if you invested an initial $1,000 plus a regular investment plan which averaged a return of 8% each year.

Regular Investment	1 year	3 years	5 years	10 years
$100 pm	$2,171	$4,769	$7,611	$15,928
$300 pm	$4,513	$12,122	$20,441	$44,797
$500 pm	$6,856	$19,475	$33,272	$73,665
$700 pm	$9,198	$26,828	$46,103	$102,534
$1,000 pm	$12,712	$37,857	$65,349	$145,837

This table is based on a hypothetical managed fund that returns 8% each year (assuming an ongoing management fee of 1.75% and an entry fee for all contributions of 4%). All income is reinvested. Figures are adjusted for inflation at 3% to be shown in today's figures. This does not represent the actual or expected return of any fund. All investments are subject to risk and may rise or fall in value over time. Source: Colonial First State.

- **Income and growth** – the return from a managed fund can come in two forms – income (paid to you as a distribution) and changes in unit price (which can provide capital growth).

How do I know which type of fund is right for me?

Everyone has different investment needs. Your attitude to investment risk, your investment objectives, and how long you are prepared to invest for will determine which type of managed fund best suits your needs.

How do I start investing?

When deciding how and what to invest in, you need to consider your personal investment objectives, financial situation and particular needs. No one solution fits all, so it is important to make well informed decisions in order to achieve your goals.

Our Financial Planning service can help you achieve your financial goals by providing an investment strategy tailored to suit your needs. We can also assist you with the implementation of the strategy and regularly review your portfolio to ensure it continues to meet your objectives and financial situation.

For further information or to arrange an appointment with a qualified Financial Planner, please call Financial Planning on **1300 654 193** or email **finplan@bankfirst.com.au**.

This information does not take into account your objectives, financial situation or needs. Therefore you should firstly consider the appropriateness of this information and refer to the Terms and Conditions or the relevant Product Disclosure Statement (PDS) before acquiring a product. These documents are available at our branches or by contacting us on 1300 654 822.

Victoria Teachers Limited | ABN 44 087 651 769
AFSL/Australian Credit Licence Number 240 960
FPID008 041217

117 Camberwell Road Hawthorn East VIC 3123
Phone: 1300 654 822 | Fax: 03 9882 4348
Email: info@bankfirst.com.au
bankfirst.com.au