



SWITCHING INVESTMENT OPTIONS - UNCERTAINTY CAN LEAD TO HASTY DECISIONS.

With the recent volatility in share markets and the “credit-crunch” some people are thinking about whether they should switch their superannuation investments to more conservative or lower risk investment options such as cash.

It is natural for people to feel concerned about the recent volatility in the share markets and its effect on their super, however trying to time markets and switch investment options could leave you worse off.

Super is for the long term

Superannuation is a long term investment and even if you are approaching retirement, it's likely that you will have money invested in the superannuation system for many years to come. More and more members of superannuation funds are taking advantage of pension products like the AustSafe Super Account Based and Transition to Retirement Pensions as a means of providing a retirement income. This means that most people have the luxury of time and should set their retirement goals and expectations with this in mind. There is no use looking at daily movements in share prices if you have a 10 or 20 year investment time horizon. It's long term performance that really matters!

Most funds, including AustSafe Super, set their investment strategies for the longer term in order to ride out the bumps in investment markets, so when members base their decisions on short term performance they are often doing so in direct contrast to the goals of the underlying strategy.

To get the best out of your super, you need to choose the investment options which best suit your long term goals and appetite for risk.

Switching between options on a regular basis can be dangerous and can have a detrimental effect on your final retirement balance.

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Timing markets is difficult

Suppose you had invested \$10,000 in the Australian share market 20 years ago. You would now have more than \$90,000. If you had switched your investment in and out of the market and missed the best 24 days in the same 20 years, you would have just over \$41,000. That's less than half.

Put simply, it's very difficult to pick market movements and missing just a handful of days could have serious consequences for your retirement balance.

In times of extreme volatility it's often best to look to the long term and consider your original investment goals. You should evaluate your goals and the risks of your investments before making a hasty decision to move to a more conservative investment option.

In certain circumstances switching to a more conservative option may be appropriate, however that's likely to apply more in situations where people have immediate or short term commitments for their super savings and capital protection is the main issue. In these circumstances it's best to seek professional advice before making a decision.

AustSafe Super offers members free financial advice through the Fund's customer service centre and Money Solutions.

Tips for surviving volatile markets

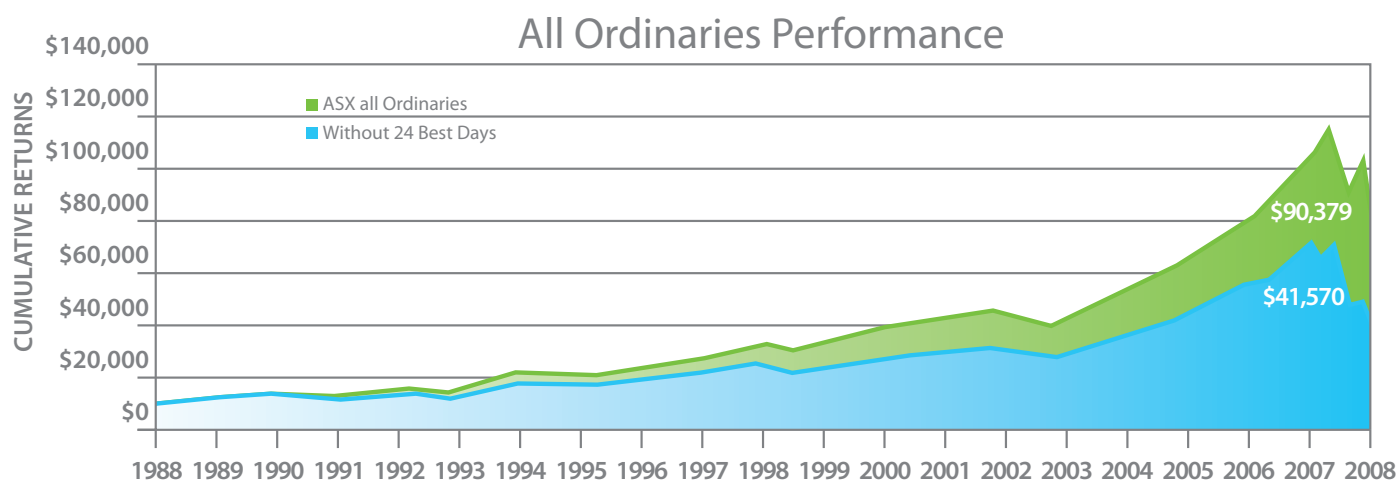
Hold your nerve – switching investments options during periods of uncertainty or extreme volatility can have significant effects.

Check out the costs – costs can make a big difference to your end retirement balance. Understand what your fund costs and what the combined effect of performance and fees really are.

Get advice – if you are unsure or are uncomfortable with making decisions about your fund, talk to your fund about your options.

Consolidate your super – transfer your super into one account and reduce your fees and make your super easier to manage.

Look to the long term – remember that super is a long term investment. Don't get caught comparing short term performance, compare the long term performance of your fund.



Source: "S&P/ASX All Ords and Macquarie"

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Members of AustSafe Super may seek independent financial advice from Money Solutions at no cost in most instances, contact AustSafe Super for further information on your eligibility. Based on daily movements in S&P/ASX All Ordinaries Index between 04/01/1988 and 29/08/2008



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