



# Invest your super for long-term growth

Superannuation is your money for retirement, so it is a long-term investment. You should keep this in mind whenever you make an investment decision.

## Dangers of short-term investing

Trying to time the markets can be counter-productive. Some investors try to pick the top and bottom of the market to maximise profits. More often than not these investors miss the rebound or downturn, and end up worse off than if they had done nothing.

Time and risk are inversely linked. Usually the longer you invest, the lower your risk of not achieving your investment goals. Shares can be volatile over short time periods, which is why they are a long-term investment (five years plus). Investing over shorter-time periods increases your risk of not achieving your investment goals.

## Dangers of trading too often

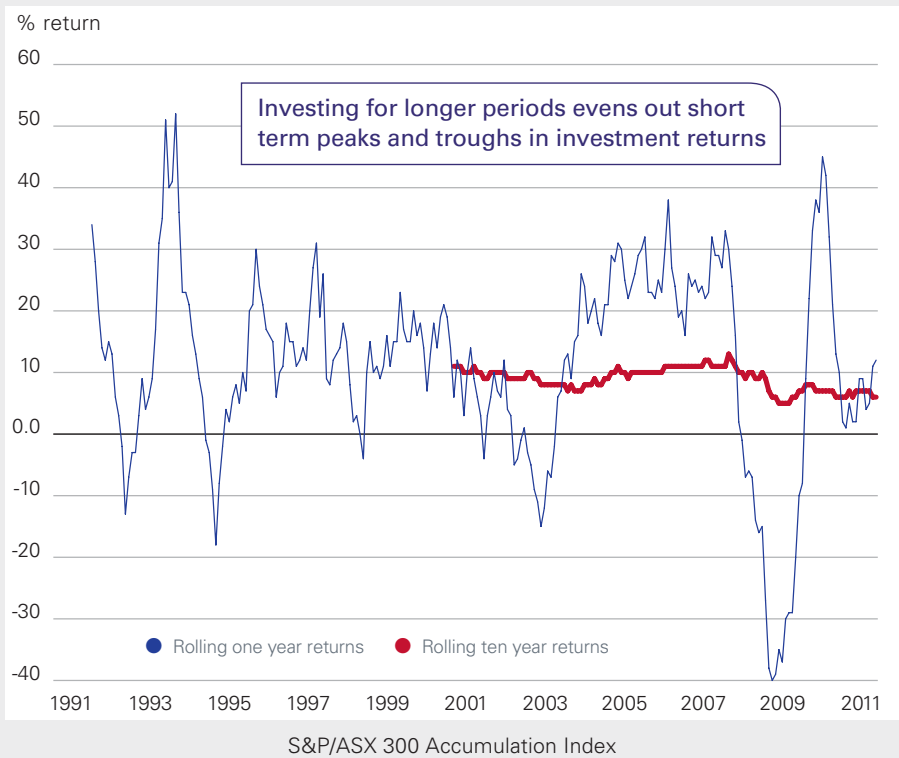
While trading in real time is a flexible and convenient way to invest, trading too often can be costly. Over-trading can result in increased brokerage costs and tax, which can impact investment returns.

The amount of capital gains tax (CGT) each investor pays depends on when the shares are bought and sold and whether they were sold for a gain or loss. Gains on shares held within a superannuation fund for less than 12 months are taxed at 15% while those held longer than 12 months are taxed at the concessional rate of 10%.

Brokerage fees are charged whenever you buy or sell shares and while they are small they can quickly add up with frequent trading.

## Short versus long-term investing in Australian shares

This graph compares Australian sharemarket returns over rolling one year and ten year periods. The blue line shows how volatile the sharemarket can be from year to year. The red line shows how a longer investment timeframe can smooth out the sharemarket's highs and lows.





## Daniel saves tax and more of his returns

### Here is an example of two self managed superannuation fund investors:

Daniel is a long-term investor who only buys shares that he thinks will go the distance. He buys ten shares when he starts his self managed super fund, which he holds for five years.

Daniel's friend Harry, who also has a self managed super fund, likes to trade. He buys ten shares, but only holds each share for six months before selling it and buying another.

The table below shows the brokerage costs, capital gains tax paid and final portfolio value for Daniel and Harry assuming they receive the same rate of return of 6.5% per annum on each stock.

	Daniel	Harry
Brokerage Costs	\$390	\$3,683
Capital Gains Tax Paid	\$1,805	\$2,083
Portfolio Value	\$66,248	\$61,803

Harry's higher level of brokerage costs and capital gains tax has resulted in a \$4,445 lower portfolio value than Daniel at the end of the five year period.

## Why it's important to diversify

Investing in a range of securities, sectors and asset classes spreads your risk and means you don't have to rely on the returns of a few investments.

Different investments perform better at different times. By following a diversified strategy, your better performing investments can help to offset your investments that aren't performing so well. While this strategy can reduce some of the highs, it can also reduce the lows and result in smoother investment returns.



## Quick reference

- super is a long-term strategy so choose your investments accordingly
- over-trading can cost you in fees, tax and investment returns
- time in the market is more effective than market-timing
- diversifying your super across different securities, sectors and asset classes helps to reduce risk



## Seek advice before you invest

Our Financial Education and Advice Team can help you decide which AustralianSuper investment options are right for you. They can also refer you to an external licensed financial adviser for more specific advice about investment strategies and listed securities within the Member Direct investment option. Call our Financial Education and Advice Team on **1300 300 273** or visit **www.australiansuper.com** to find out more.