

Invest in the power of a savings plan today

By the term savings plan, we are simply referring to a scheme whereby you invest a certain amount of money on a regular basis. Many financial institutions make this easy for you by allowing you to set up a 'plan' by which they automatically debit your bank account on a regular basis so you don't have the hassle about remembering to do so.

Starting a plan is often the hardest step but with a little discipline you will soon benefit from all the advantages that a savings plan has to offer.

Benefit from compounding

Compounding can be simply defined as a method of interest calculation where in each period the interest is calculated on both the principal and interest previously accrued. Basically, you don't have to wait to have a giant lump sum – it's better to start now with a smaller amount of money and then you can benefit from compounding on the way to your big lump sum.

For instance, if you started today and invested just \$100 each month into an investment returning 10% per annum, at the end of 12 months, your investment would be worth \$1,264. This may be a much easier investment strategy than waiting until you have a lump sum of \$1,200 to invest – and your investment is worth an extra \$64 from the compounding effect.

Avoid issues of market timing

Timing the share market makes a lot of sense. You buy at the bottom of the market and you sell at the top. The problem, however, is that very few people – if any – can time the market correctly on a consistent basis over the long term. The share market is just not that predictable.

That's why you have to make your investments work for you harder. A savings plan may actually work better for you in times of market volatility and hence can be an important strategy in your investment planning. The main performance benefits are twofold. Firstly, you are not putting all your money at risk should there be a large market fall. And secondly, you are assured that a portion of your money will participate in the early gains of the next market cycle.

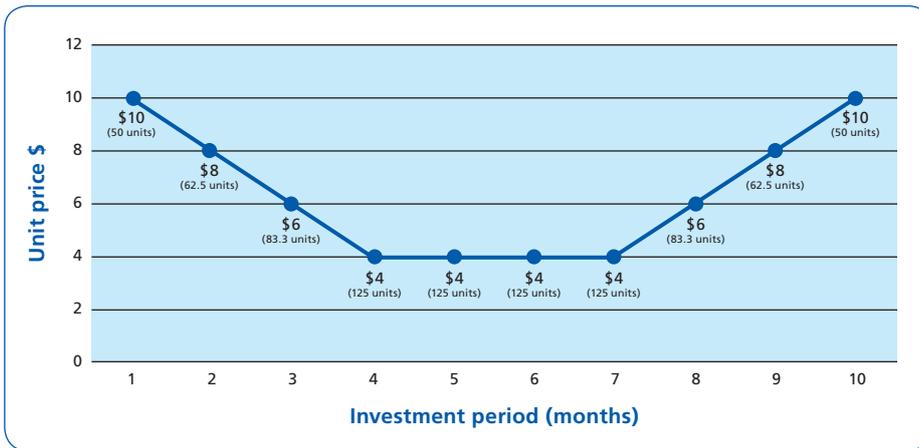
Take the hassle out of investing

Why are the vast majority of Australians not wealthy? It's not because they don't earn enough. It's not because they choose the wrong investments, or because they pay too much tax. One of the main reasons why most Australians are financially dependent is because they never put a wealth accumulation plan in place – and stick to it.

One solution to this problem is a savings plan. Because this strategy comes with in-built discipline, each month you can have money direct debited from your bank account and automatically transferred into your investment. You don't have to remember to make the investment, and you don't have the chance to spend the money on something else.

Profit from dollar cost averaging

Lets assume you make a total of ten \$500 investments, as shown in the table below.



As you can see, when the unit price falls, your \$500 buys more units. So, during a falling market, this approach ensures you buy cheaply. In this example, your \$5,000 investment will result in your acquiring 891.6 units over the period, which at the end of period will be worth \$8,916. Which means your \$5,000 investment has grown significantly* (most of it during a falling market), with a rising market in front of you. Compare that profit to the zero result you would have achieved if you had invested all of your money at the start of the falling market. This phenomenon of averaging unit prices is most commonly referred to as dollar cost averaging.

Comparison of Results	Amount invested	No. of units purchased	Value at end
Dollar cost average	\$5,000	891.6	\$8,916
Invest all at start of period	\$5,000	500	\$5,000
Invest all at end of period	\$5,000	500	\$5,000

*Please note that this is an example only and not based on real unit prices of any funds and does not take into consideration entry or ongoing fees.

How to start

You can take advantage of the powers of a savings plan with most managed funds and superannuation plans. Your financial adviser can assist you in assessing the full range of investment options available to you. Zurich Investments offers a range of superannuation and managed fund options with savings plans. For more information please ask your financial adviser or call Zurich Investments on 131 551, or visit our website, www.zurich.com.au/investments.



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