TIPS FOR INVESTING:

- **Start by being aware of the underlying principles of investing,** including the tax we will pay and the effects of inflation.

- **Be aware of the difference between good debt & bad debt.** Debt is generally considered to be 'good' or positive if it helps you purchase wealth-building assets - meaning assets that are likely to give you an income and/or grow in value over time. Good debt may also be tax deductible. Debt may be viewed as 'bad' or detrimental for your wealth if it is used to buy assets that will fall in value, won't earn you any money and are not tax deductible.

- **Get to know investing terms.** Refer to a glossary of investing terms.

TYPES OF INVESTMENTS

The performance of these different assets can vary significantly over time, with the theory being that those with a greater level of risk should generally perform better over the long term, compared to those investments with a lower level of risk

1. **Cash -** Cash assets, such as savings accounts and term deposits, are the most liquid of all the asset classes. That is, they can be most readily converted to cash. Cash is the safest form your money can take but it typically generates the lowest returns.

2. **Bonds -** Fixed income assets, such as government and corporate bonds are often seen as providing a relatively stable and reliable return. When purchasing a government bond, you are essentially lending money to the government which they will pay you back with interest. This interest is paid to you in regular instalments throughout the length of the bond.

3. **Property -** Unlike buying a home to live in, an investment property is usually bought with the goal of making money (usually via rent) and perhaps a capital gain if you sell and the property price has increased. Conversely a loss if the property price has fallen since you purchased it.

4. **Shares -** A share is a unit of ownership in a company, mutual fund, financial asset, or trust – buying shares in a company provides the shareholder with equity in that company. Because you own a part of the company, as a shareholder you may be entitled to a portion of the profits it makes, and these are paid out as dividends. This dividend income can be one of the ways in which shares generate returns for their holder(s). You may also make a capital gain if you sell and the share price has risen, conversely a loss if it has fallen since you purchased it.

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UNDERSTANDING RISK

Risk is an individual understanding of your attitude to risk and depends on a multitude of factors. It is best to discuss with a qualified financial planner.

To keep it simple, think of investments as falling into two broad categories of risk:

GROWTH ASSETS	Growth assets are usually shares or property and these investments generally have the potential to earn higher returns but carry higher risk over the short term. The rate of return of the investment may vary and the value of the investment may be more volatile.
DEFENSIVE ASSETS	Defensive assets on the other hand, provide little chance of capital loss but generally earn a lower return. These types of assets include cash and fixed interest and returns are less likely to fluctuate in the short term.

Investing:

- Moneysmart investor toolkit
- Moneysmart how to develop an investing plan
- Canstar Investor Hub 'Best Return on Investments - Shares, Bonds, Cash or Property?
- AMP '12 Smart Investment Options in Australia'
- Financial Planning Australia 'How it works'
- Moneysmart Choosing a financial adviser