

INVESTMENTS

Think before you switch

August 2009



Given the current volatility of the markets, you may be considering switching your investment options.

During a market downturn some people panic and start moving their superannuation investment into cash, term deposits or other conservative assets. Before you make changes to your investment options we suggest you consider the following information.

What are the consequences of switching my investment options?

- If you switch out of an investment option with shares and property you potentially miss the opportunity to benefit from a market upswing.

The Australian share market has slumped significantly since November 2007, with much of this driven by investor emotion and forced selling rather than fundamental problems with Australia's economy.

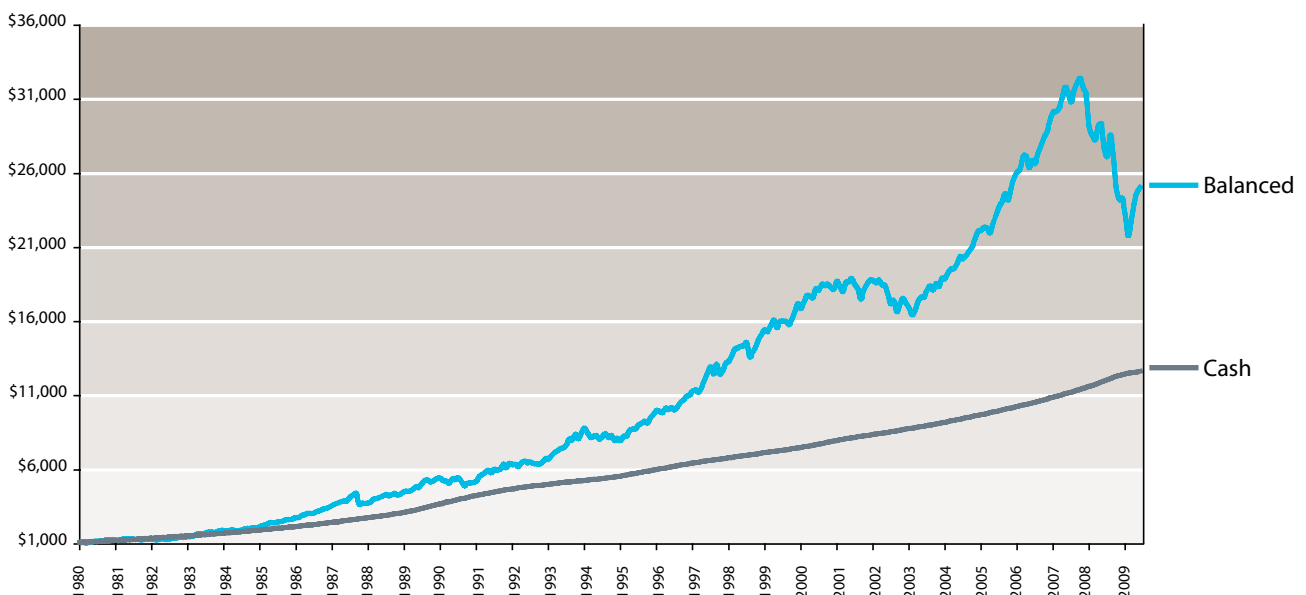
- If you switch investment options now, you may lose your share of some of the tax benefits that accrue in that investment option. This is because the full value of some tax benefits can only be recovered when the market improves.

- If you do choose to switch then find out whether suitable alternative investment options are available in your current product. Most superannuation products have a range of investment options with different mixes of growth and conservative assets.

Superannuation is for the long-term

Superannuation should be viewed as a long-term investment as it can't be accessed until you cease work after age 55 or meet a condition of release. If you are prepared to stay invested in shares and property during market downturns then in the long-term you would generally expect better returns than conservative investments such as cash. And switching to cash after a market downturn results in missing the market upturn. The graph below shows that by remaining in a balanced fund over the last 30 years, as at the 30 June 2009, the return would have been significantly greater than if you invested the same amount in cash. A balanced fund generally has 70% growth assets (shares and property) and 30% defensive assets (cash and fixed interest).

Growth of \$1000 (1980 to 30 June 2009) Balanced vs Cash



This chart is based on historical data and is not an indication of potential market performance.

Source: Russell Investments

What if I'm retired and need to use my superannuation to meet expenses?

If you can meet expenses by using other forms of income, leaving your superannuation invested in options with shares or property allows you to benefit when the markets recover. However, if you need access to your superannuation in the short-term other strategies may be appropriate.

Speak to your financial adviser about the best strategy for you.

What are the implications of moving my superannuation to another provider?

This is a decision that needs careful consideration. Some of the important points we suggest you think about are:

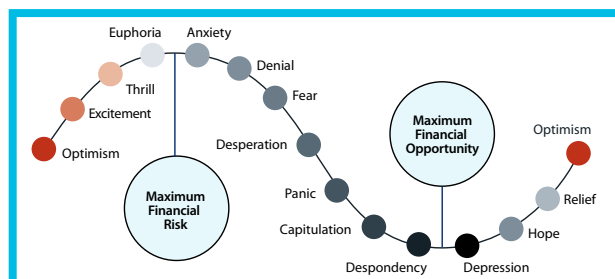
- Do you have insurance under your current product? If you have to go through a process of providing evidence of your health to a new superannuation fund, it may be harder to obtain, and you may lose an important benefit.
- Exit fees. We suggest you consider the impact of these fees before transferring your superannuation, particularly if transferring out of older products.
- If you move your superannuation to another provider now, you may lose your share of some tax benefits. This is because the full value of some tax benefits can only be recovered when the market improves.

We recommend you read the Product Disclosure Statement (PDS) of any new fund you are considering carefully, compare the fees and features with your current product, and speak to a financial adviser.

Remember the market moves in cycles

Seeing negative returns on your superannuation investment can be unsettling particularly if you are approaching retirement. Unfortunately, in times like these investors often make short-term decisions today about their investments without fully understanding the longer-term impact.

The chart below shows us the cycle of our emotions. When things are great we feel that nothing can stop us. And when things go bad we look to take drastic action. As investors we all start with optimism. When the market stops meeting our expectations and begins to turn we anxiously watch the market for any signs of direction. Our anxiety turns to denial, then fear as the value of our investments decline. We start to act defensively and may think about switching out of growth assets to more conservative assets. Ironically at these times we commonly fail to recognise that we are actually at the point of maximum financial opportunity.



Source: Russell Investments

Whilst we can't control what the market is doing, the good thing is that we can control our own behaviour. The earlier you get the right information about what is happening in the market, the better placed you are to weather the current turbulence and focus on your long term investment strategy.

Contact Us

We can help you if you need more information or advice about planning your financial objectives and investment strategy. Simply contact us and we'll put you in touch with one of our qualified financial advisers.

Call 1300 209 088

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This brochure was prepared for members of the TOWER Master Fund (ABN 20 891 605 180) and the TOWER Superannuation Fund for the General Public (ABN 76 727 806 658).



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