



Spring 2012



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Diversification  
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## Advice makes a difference

**At Sentry we believe in the difference that financial planning can make to you.**

Our professional Sentry Advisers take the time to identify what's really important to you and develop a personalized plan and strategy that moves and changes with you to reflect the changes in your personal, family and working life.

Sentry Advisers can help you to address a range of personal, protection, investment, superannuation and retirement needs including –

- Growing your investments
- Developing tax-effective strategies
- Protecting your wealth
- Managing debt
- Superannuation and retirement planning
- Estate planning

If you own a business, your Sentry Adviser can also help with –

- Risk management
- Succession planning
- Insurance and protection
- Employee financial services

You can have the confidence to make informed decisions after a meeting with your Sentry Adviser as he / she will help you to identify the things that matter most to you – a comfortable retirement, money for children's education – and then develop a strategy to achieve your goal.

## Who needs life insurance?

**Over 95 per cent of families do not have adequate insurance which means that Australian families are underinsured by \$1.37 trillion<sup>1</sup>**

Sentry Advisers understand that each individual will have different life insurance needs based on their own situation and stage in life. From one year to the next, things happen and life changes. People get married, have babies, get sick, get better, move house, start new jobs, separate, go overseas, retire from work ...

With this in mind, the life insurance product range is designed to be flexible so that it can be tailored to suit the ever changing needs of Australians.

Each life insurance product offers something unique to help you protect the things that matter most.

Life insurance is considered the least important type of insurance (compared to home and contents, comprehensive car insurance and medical insurance), while home and contents insurance is considered the most important.<sup>2</sup>

Consider what your greatest assets are in life and think about how you would cope if you lost the ability to work or were not around to support your family.

If you have just had your first child now, is the time to consider life insurance.

If someone you know has just had a life changing health scare, now is the time to take out life insurance - in many cases, it may be too late for you if you wait.

If you have just bought your first house or upgraded now is the time to take out life insurance.

Top reasons for purchasing life insurance<sup>3</sup>,

- Change in personal health 34%
- Buying a house/getting a mortgage 30%
- Doing up a full financial plan 24%
- Birth of a baby 17%
- Change in health of close friend or family 17%
- Joining a new employer & reviewing their super fund 16%
- Getting married 13%

### How much do I need?

A well chosen life insurance plan ensures you will be able to afford to maintain your lifestyle, and protect your family in the event of an accident or serious illness. Life insurance will also provide for your loved ones after death.

If you suffer a serious illness or have an accident that prevents you from working, there are elements of a life insurance policy that can provide up to 75% of the money to replace the income you would normally have earned. In addition lump sum amounts are available to cover medical expenses and pay off your debts.

If you have a spouse, a partner or children that depend on you financially, you should make sure that your life insurance covers what you owe as well as provide for your dependents.

Remember: the mortgage or other debts are not written off when you die; they must be repaid from your estate.

Your Sentry Adviser can help you determine how much cover you may need to protect your family if you become sick, injured or die. So don't wait. Protecting yourself and your loved ones is more important than your car or contents of your home.

Provided with the compliments of AIA Australia

<sup>1</sup> The Lifewise / NATSEM Underinsurance Report - February, 2010

<sup>2</sup> AFA Life Insurance Research - April, 2011

<sup>3</sup> Synovate Research - Consumer StudyAustralia - November, 2009

## Diversification can help reduce volatility

*No single asset class, investment manager or security provides the best performance over all time periods. As the returns from different asset classes, investment managers and securities will be different at any time, by investing broadly your overall return will tend to be less volatile.*

*This is called "diversification" and is a common way of reducing volatility.*

This concept is illustrated in the following simple graph. If you invested in shares your returns over time are shown by the red line. If you invested in Bonds your returns would have been the blue line. By investing half of your portfolio in each, your return would have been straight down the middle of the returns of each of the asset classes, and is shown with a green dotted line.

The returns of Shares and Bonds offset each other and the combined return is therefore less volatile.

taking on the role of lender to a vast range of governments and companies all over the world. For when you invest in 'debt' securities you are actually lending money with interest being your return.

Each of these main asset classes can be further broken down into smaller groupings based on similar characteristics. For example, shares may be broken down to shares that are listed on a stock exchange (so people can buy and sell them easily), and shares that are privately owned.

It is also possible to group them based on geography, such as Australian shares and global shares. The possibilities are endless.

### Investing in sharemarkets

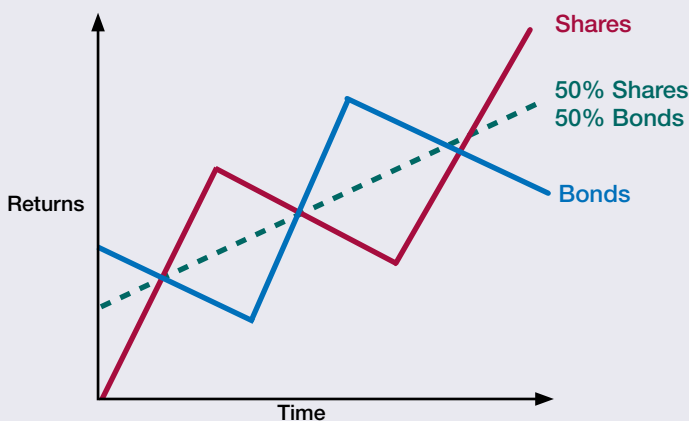
What's important when investing in either the global and Australian sharemarkets is an understanding that a diversified share portfolio should offer a favourable outcome over the long term, but the length and shape of the journey can be equally unpredictable.

As it is impossible to accurately time the stockmarket consistently, it is important when investing in shares you invest for long periods of time.

Over the past 25 years, there have been 13 corrections in the Australian market (where the market has fallen by at least 10% from its previous closing high).

However, most of those corrections now barely show up on a chart.

It's important to remember that shares are a long-term investment.



There are tens of thousands of potential investments available. They can be grouped based on their similarities into "asset classes". The four main asset classes are:

**Shares:** Shares (sometimes called equities or stocks) represent a part ownership in a company. Income from shares is primarily profits from the company's businesses and is paid to investors in the form of dividends.

**Property:** Investments in real estate. Income from property is primarily rent.

**Cash:** Cash includes bank term deposits, savings, cheque accounts and cash management trusts.

**Bonds:** Bonds are also referred to as fixed interest securities and includes government bonds, corporate bonds, mortgages and hybrid securities.

As an investor, you can now imitate financial institutions by

The below chart demonstrates the rise and fall of sharemarkets over a 25 year period. You can see that world events can cause prices to rise and fall, however, most markets usually recover and the trend over the long-term remains upwards.

## The value of \$10,000 invested 25 years ago



## Getting advice

*In building wealth, it's often the opportunities you don't know about that can make the biggest impact.*

*In fact, new opportunities to achieve more with your money arise all the time. A Sentry Adviser can work with you to help you uncover your options and assess how effective they will be in helping achieve what's important to you.*

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## Superannuation – Understanding the basics

**Superannuation, or super as most of us know it, is a good long-term savings plan, which will provide you with an income when you retire. For many Australians, super will be their main form of retirement income.**

During your working life you make contributions to your super fund and the earnings you receive are reinvested, building up your super over time. The money that you put into your super fund must generally stay there until you reach retirement, or when you begin your transition to retirement, both after a set minimum age. As contributions to your super fund and their earnings are generally taxed at just 15%, this makes super one of the most tax-effective investment vehicles.

### How does super work?

To understand how super works, it's important to keep in mind that super is a framework for holding investment assets. It's not an investment in itself. Super funds can offer a range of investment options and asset classes that may include cash, property, shares and fixed interest.

When you put money into your super fund and choose your investment options, you are actually buying units in these funds (if the super fund is unitised). The number of units you receive depends on the daily unit price. This price will vary daily according to changes in the market.

Money can be put into your super fund by you, your employer, your spouse and sometimes even the Federal Government. Typically, if you are working, your employer will contribute at least 9% of your salary to your super fund. This is known as compulsory super.

### What types of super funds are there?

There are several different types of superannuation funds. The main ones are;

**Employer/corporate/staff funds** - these are funds established by an employer for the benefit of their staff.

**Personal funds** - as the name implies, you personally join as an individual through a super provider. There are many available and most will offer a wide range of investment choices and other features.

**Industry funds** - these were originally set up for people working in a particular industry, e.g. builders or health care workers. Many are now available to the public.

**Self-managed super funds** (also called 'do it yourself' funds) - these can have up to four members and are generally used by people with larger amounts in super or by family groups.

### Can I withdraw the money that I have in super?

Usually, you are restricted from accessing your super money until you reach your preservation age. Your preservation age is based on your date of birth and ranges between 55 and 60.

In very specific circumstances you may be able to access your super funds on compassionate grounds, however these situations are limited.



## Superannuation – Understanding the basics (Continued)

### When can I access my super?

Generally, you can only access your super savings when you reach preservation age. This is to ensure your super savings are used for retirement.

Before you can access your super you need to meet one of the conditions below:

- Reach preservation age and retire
- Reach preservation age and continuing to work
- Changing jobs on or after 60 years of age
- Reach 65 years of age.

Your 'preservation age' determines when you can access your money, even if you have not retired. It is based on your date of birth and ranges between 55 and 60.

### How much super is enough?

Your retirement may be a distant thought or it may be just around the corner. Either way, it's important to know you'll be able afford the lifestyle you want and deserve.

While Australian employers are required to contribute at least 9% of your salary to super, you need to work out if this will be enough for you to live comfortably in retirement?

The amount of super you'll need will depend on your individual circumstances, such as your desired retirement age, retirement income, how long you want the income for and what your net return will be.

It's also a good idea to speak to your Sentry Adviser, as he / she can help you with tips and strategies to make the most out of your super and save more for your retirement.

### Is compulsory super enough to meet my needs?

Most Australian employers are required to contribute at least 9% of your salary to super; this is known as compulsory super. Even though compulsory super is intended to help fund your retirement, it may not provide you with enough money in retirement for the lifestyle that you want.

Before you decide that you can solely rely on compulsory super contribution please speak to your Sentry Adviser.

### Can I choose my super fund?

The short answer is yes.

Since 1 July 2005, employees, with some exceptions, have been able to choose the super fund their contributions are paid to. The good thing about this

is it puts you in control of what could be your biggest source of retirement savings.

For help in making decisions about super talk to your Sentry Adviser. Your Sentry Adviser can help you identify your goals and recommend the super strategies best suited to your individual situation.

### How can a Sentry Adviser help me?

With all that's happening in financial markets at the moment it's only natural to be looking for help to make sense of it all.

Like all of us you want to know what the changing markets mean for you, your family, your savings and your future. That's why it's a good idea to speak to your qualified Sentry Adviser.

A Sentry Adviser can help you assess your current financial position and work out whether you're in good shape to meet your personal and financial goals. Knowing what your goals are puts you in a better position to make choices that are right for you.

Speaking to your Sentry Adviser will help him/her develop or update your plan so it is tailored to your needs. The sort of things you should think about are your goals for:

- building savings and investments,
- protecting your family and lifestyle,
- planning for changes in your life like the birth of a child,
- saving for your retirement

A financial plan based on your goals and priorities puts you in control of your financial future and helps you create a secure and comfortable future.

Make the time to regularly meet with your Sentry Adviser to review your plan together to make sure it still meets your needs.

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For further information contact your Sentry Adviser

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