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Maritime Super
OUR FUTURE

Investing your super

As a general rule of thumb, your retirement income is made up of 10% contributions made during your working years, 30% investment earnings before retirement and 60% comes from investment earnings in retirement. Your investment strategy has a big part to play in your future income.*

The following provides an overview of important points to consider and suggested strategies to help you when it comes to investing your super.

"How you invest your super will directly impact the amount of your retirement income, and therefore your retirement lifestyle"

Determining your long-term investment strategy

The first step in the process is to consider your retirement income goals. Once you've done this, the next step is to determine or set your long-term investment strategy. Your long-term savings goals will depend on your expected lifestyle in retirement and how much you think you'll need to achieve it. It's then a matter of working out what investment (and contribution) strategy you need to help you get there.

Remember the fundamental relationship between risk and return: the higher the expected return on a particular investment, the higher the risk, and vice versa. So while you're looking to achieve a certain level of growth over time, you also need to consider the level of risk you're comfortable taking to achieve this. Attitudes toward risk vary widely: for some, it's about getting the right balance between risk and return, and for others it is all a matter of getting the highest return possible.

Your age, and how long you have until you will need your super, will also influence your investment strategy decision. For example, if you're in your 20s or 30s, you still have a lot of time to save so you can ride out the ups and downs of high growth investments that are expected to deliver higher returns over time.

From the day you retire, your money can potentially be invested for 20 years or more, so you need to make sure it continues to grow and at least keep pace with inflation. A low-risk investment strategy may not maintain or grow your pension account balance.

Choosing your investment option

Once you've determined your long-term investment strategy, you need to choose an investment option that is in line with it. Each of the Fund's investment options have a different level of expected risk and return. This is because the investment options are invested in varying degrees across growth and defensive asset classes, or invested in a single asset class.

Growth assets like shares, property and private equity generally produce higher returns over the long term but are more likely to go up and down in value over the short term.

Defensive assets like cash and fixed interest generally produce lower returns over the long term but are less likely to go up and down in value in the short term.

When choosing an investment option, it's important you choose one with a risk/return profile you are comfortable with. Once you've chosen your investment option, you shouldn't really need to change it unless your personal circumstances change.

Diversifying your investment

Diversification is an important risk management tool. It's just a big word that means: don't put all your eggs in one basket. So when one asset class is performing poorly, another may be doing well and your investment is not as exposed to poor performance. It's generally not common to have asset classes performing well or poorly all at the same time. Different asset classes generally perform differently at points in time.

* Russell Investments 10/30/60 Retirement Rule is based on a balanced-style portfolio made up of approximately 65% shares and 35% bonds, and assumes contributions made from age 25 to 65, with 25 years in retirement.

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Managing market volatility

Volatility in the sharemarket is not unusual. In recent years, we've experienced significant drops in the sharemarket, particularly since the Global Financial Crisis in 2008. The average super investment is made up of a combination of shares, bonds, cash, property and some 'alternative' assets, this means any volatility in the sharemarkets will be felt in varying degrees in your super investment.

Volatility alone is not the issue, it's the way you react to this volatility that can impact your super savings. When you react by switching your investment to so-called safer assets (like cash) during times of volatility, you are locking in losses, and there's a good chance you'll miss the upswing in the markets.

The best way to meet your financial goals is to remain calm and stick to your long-term investment strategy – don't react to short-term market movements that can make you worse off financially in the long run.

> ***"Volatility alone is not the issue; it's the way you react to this volatility that can impact your super savings"***

Need help?

If you don't feel confident working out your investment strategy and making decisions about your super investment, help is available.

You can call Member Services on 1800 757 607 to speak to one of the team or make an appointment with one of our financial planners.

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