

## Saving versus Investing

The terms 'saving' and 'investing' are often used interchangeably but they are actually very different.

Saving is putting money aside for some short-term goals or as a back-up in case of an emergency. While relatively safe, savings are generally placed in a basic savings account earning relatively low rates of interest. The return on your savings may be outweighed by inflation, tax and account charges.

Investing, on the other hand, is putting your money to work strategically for the longer term, to build wealth and increase your financial security over time. Reinvesting dividends utilises the magic of compounding interest, making your money work even harder.

There are many factors that will determine the nature of the investments that are suitable for you. These include:

- your objectives – what do you want to achieve?
- your timeframe – how long do you have to invest?
- your risk tolerance – how comfortable are you with fluctuations in the value of your investment?

All investments carry a level of associated risk. Generally, those investments with higher rates of return over the long term have a greater level of risk over the short term. Similarly, those investments with lower risk usually have a lower long-term return.

Diversification is a strategy that spreads the 'risk' across a variety of different asset classes. Minimising the overall risk helps build the value of your portfolio.

There are many types of investments available to help you build your wealth:

- Cash
- Fixed interest
- Property
- Australian shares
- International shares

Financial advice is not a 'one size fits all' approach. A successful financial plan is one that has been tailored specifically for you. Everyone's situation is different and a Bridges financial planner can help identify appropriate strategies and investments just for you.



## Tips to help build your wealth

- Consider having part of your salary regularly deducted from your savings account and transferred to investments with a higher rate of return
- Invest for the medium to longer term which will help smooth out the short term volatility of some investments
- Growth investments such as property and shares, although higher risk, generally offer a higher return over the longer term than lower risk investments such as cash and fixed interest
- Avoid investments that sound too good to be true, as this is often the case
- Consider investments that are more tax effective such as Australian shares
- Contribute more to super as this is one of the most tax effective investment structures available
- Diversification helps to reduce risk by investing across a range of asset classes

