Fact Sheet

Managing investment volatility

Market volatility and fluctuating returns are a normal part of the investment cycle. And while you'll never be able to eliminate volatility entirely, there are ways to manage it and even make it work in your favour.

Volatility and your super

It's a fact: financial markets go up and financial markets go down. And because your super is invested in these markets, you will almost certainly be affected by market volatility at some stage.

As a long-term investment, your superannuation will be exposed to many market cycles. And your account balance will move up and down with these cycles. It's completely normal to experience periods of negative return along the way.

When it comes to your super, this shouldn't bother you. Why? Because your super is a long-term investment and, for many people, that means 30 years or more.

There are a few simple things you can do to help you get through periods of market volatility – see page 2.

There are some **simple things** you can do **to help manage volatility**

Bulls and bears

A full market cycle includes both a bull and a bear market. So what are they?

A **bull market** is an extended period of rising markets, usually triggered by an economic recovery or positive investor sentiment.

A **bear market** is a term that describes falling investment markets and negative investor sentiment.

The bull and bear market references originate from the way in which each animal attacks its victims – the bull drives its horns upwards and the bear swipes its paws downwards.

1. Don't forget to diversify

There's no guarantee which asset classes or sectors will perform well, so your best defence against market volatility is **diversification**. Put simply, this means spreading your money across a mix of asset classes so that the poor returns in one asset class may be offset by good returns in another.

How can I diversify?

First State Super offers you a range of pre-mixed investment options that are diversified for you already. These options invest across the main asset classes, investment styles and managers. If you prefer, you can diversify by spreading your money across our single asset class options.

To read more about our investment options, go to **our website** and download the *Member Booklet Supplement: Investments* which will tell you about the objective, assets and level of risk for each investment option. If you hold an income stream, this information is contained in the relevant member booklet.

2. Smooth out the bumps

A simple way to smooth out the effects of a volatile market is to use **dollar cost averaging**. This just means investing a set amount regularly. An easy way to achieve this is to set up a payroll deduction that automatically pays a fixed amount to your super account each month.

By doing this, you'll be buying more when prices are lower and less when they are higher. Over time, this technique can reduce the impact of market declines and help smooth your returns. Using the regular saving discipline of dollar cost averaging also ensures that you don't get caught up in the media 'hype and hysteria' that sometimes accompanies periods of market volatility. Our *Dollar cost averaging* fact sheet explains this process in more detail and gives you a simple example of how this approach works.

How can I smooth out the bumps?

You can either make regular contributions from your pay, or make lump sum contributions as one-off deposits from your after-tax savings.

For more information go to our website and download our fact sheet *Adding to your super* which will explain the different ways you can add some of your own money to your super. The forms you need are also on our website.

3. Do less more often

Volatile markets can be tough on your nerves but, before you make any changes to your investment strategy, it's important to remember that history has shown us that markets tend to recover just as quickly as they fall.

The market falls that followed the October 1987 crash, the bursting of the tech bubble in 2001, the September 11 terrorist attacks and even the 2008 global financial crisis were all followed by a strong bounce back within a relatively short timeframe. So don't let short-term volatility influence your long-term investment strategy.

Constantly switching to more conservative investments could mean that you miss out on the gains when the share market recovers.

Managing volatility is an area where a financial planner can help you. As a member of our fund, you have access to a range of financial planning services from simple phone advice at no additional fee through to comprehensive financial planning on a fee for service basis. You only pay for the service you need and use, and if the advice relates to your super with us, it may be possible to have the fees deducted directly from your super account.

Here to help!

Super can be quite complicated and sometimes you just want to know that you're making the right decisions. Because the right decisions about your super can make a real difference to your financial future.

So if you've got any questions, or you just want the comfort of knowing you're on the right track, getting some advice can help.

StatePlus is our financial planning business and is wholly owned by us. The team at StatePlus can answer simple questions about your super over the phone, or if your situation is more complex, prepare a full financial plan for you. It's all up to you, no obligation. Book online at firststatesuper.com.au/advice or call **1800 620 305** (Monday to Friday 8.15 am to 8.15 pm AEST/AEDT) to arrange an appointment.

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Contact us

Phone 1300 650 873

Fax 1300 722 072

Email enquiries@firststatesuper.com.au

Web firststatesuper.com.au

Post PO Box 1229
Wollongong NSW 2500

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