



Thought of the Month Shift to Shares

Over the last couple of years, a lot of Australians have been wary of risk when investing and have invested in cash or term deposits. But the latest figures show that shares have outperformed cash and property, so is it time to think about different investment options?

The Reserve Bank of Australia has reduced the official interest rate several times and it is now as low as it was in 2008 at the height of the GFC when businesses such as Lehman Brothers were collapsing. Mortgage holders have been rejoicing, hoping that the banks will pass on some of the interest rate cuts. Meanwhile, investors with significant cash or term deposit holdings have been experiencing lower returns.

CASH AND TERM DEPOSITS

With the interest rates so low, six month term deposit rate are now sitting at less than 4 per cent. This has fallen significantly from the high of 2008 when they were around 9 per cent. This means that people who are relying on cash or term deposits to provide income or returns have not had as much discretionary income as they would have liked. The predictions are that interest rates will continue to fall, and if this happens, returns from cash and term deposits are going to continue to fall as well.

PROPERTY

Over the last couple of decades, property was a significant way to generate great returns, but after the GFC confidence fell and there were a lot of forced sales. Over the last 10 years, property has only returned 5.5 per cent*. One of the major deterrents right now is that with the taxes and levies on purchasing a property, the cost of buying is around 6 per cent of the purchase price*. Some experts are predicting property growth to slow even more going forward, saying that the late 90s boom was a once in a lifetime high.

SHARES

Over the last five years the share market has been pretty low, it is down a third from their highs in 2007, but when you look at the ten year return rate of shares it has returned 8.7 per cent, which looks pretty good.

SO WHAT SHOULD YOU DO?

The key is to look at diversifying across cash, shares and property. You need to understand the historical information, your appetite for risk and where you are in the investment cycle. By balancing long and short term investments with your objectives you will be on the path to success. We would be happy to talk with you about the different options to find one that suits your needs.

If you have any queries relating to the above, please contact People's Choice on (08) 9489 2700 or by email on corpsuper@peopleschoicecu.com.au.

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