

# Can you do better?



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So you think you're a good saver? Every month you put a little aside in the bank for a rainy day. You have never calculated what your savings will add up to by age 60 but you assume that if you put a little aside into the bank each month over your working life that you will probably be OK.

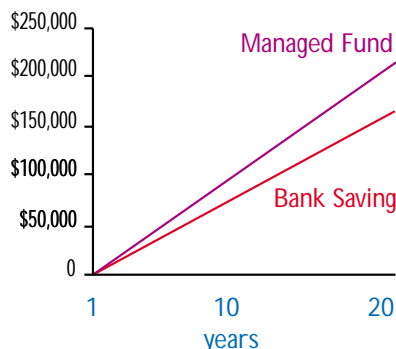
Lately however, you have started to notice a lot of articles about the "aging population" and how the government will not be able to support everyone with the age pension. You've accepted that you will probably never be rich (or famous!) but now you have also started to endure some level of anxiety in regard to how you will support yourself in later life.

But what if there were another way? What if your disciplined approach to saving a little each month could be further enhanced by the use of better

performing investments. Can you really afford to miss out on the extra benefits that this can provide and just continue to put your money in the bank each month?

Let's look at an example of someone at 40 years of age who can save about \$400 per month and look at what happens if they put these savings into the bank versus a managed fund investment. We'll assume the bank investments are made up of term deposits which continually get reinvested and return about 5% per annum on average and we will assume the managed fund is invested in the sharemarket with average returns of 8% per annum after fees. (Tax has not been accounted for).

Graph: managed fund investment vs bank savings over 20 year time frame.



As shown in the graph, after 20 years of placing your money in the bank your savings have grown to \$158,717. But the interesting thing is that the managed fund has grown to \$219,657. Both strategies have cost you the same amount, that is, you have invested \$96,000 over the period, but you would have an extra \$60,000 to your name just by choosing the managed funds option. This happens because you are earning 3% more each year which over twenty years of compounding provides significant extra returns.

## **Don't leave it too late!**

Of course whether this all adds up to a comfy retirement for you is another story. Many people start thinking about retirement in their 50s and then wish they'd started sooner. Call us to help you start a savings and investment plan to suit your individual retirement goals.