

Investing

This fact sheet looks at some options for investing your money. It can be used:

- as a discussion starter with family members and friends.
- for self-reflection to check how much you already know and where to find more information.

Investing can be a very effective way to grow your wealth.

Investments have the potential to generate income and also to increase in value over time.



1. Did you know?

- It's important to remember that investing is not the same as saving.
- Investments can generally be grouped into two broad groups, defensive and growth.

2. Types of investments

Defensive investments focus on generating income (in the form of interest). Some examples of defensive investments include:

- **TERM DEPOSITS**
A term deposit locks away an amount of money at a fixed interest rate for a nominated time period. Return on investment is often guaranteed. The investor can select the amount and time period to suit their needs. A term deposit is generally considered to be one of the safest types of defensive investments.
- **DEBENTURES AND SECURED AND UNSECURED NOTES**
Companies issue debentures and secured and unsecured notes to investors in order to raise funds. In return, the company promises to make regular interest payments, and return the money lent to them on a date in the future. This type of investment usually offers higher interest rates than bank deposits, but also carries higher risks.

- **BONDS**
Bonds are a type of loan made to organisations. Governments and companies sell bonds to investors for a fixed period of time and pay them a regular rate of interest. At the end of the fixed period, the price of the bond is repaid to the investor. Bonds can range from safe to very risky.

Growth investments aim to increase in value over time, as well as having the potential to generate income. Some examples of growth investments include:

- **SHARES**
Shareholders are technically a part owner of a company. Shares are bought and sold on the share market via a broker. Investors who own shares, may also receive income from dividends, which are a portion of a company's profit paid out to its shareholders. Shares are also considered growth investments because their value can rise over time. It's possible to make money when shares are sold for a higher price than what was paid for them.
- **MANAGED FUNDS**
Those who would prefer a professional to make decisions for them can invest in managed funds. Money is pooled together with other investors and an investment manager buys and sells shares and other assets on their behalf.



— SUPERANNUATION

This is similar to a managed fund in that money is pooled with other members' money and invested on their behalf by professional investment managers. Generally, investors are not able to access this money until they retire. Employers should make contributions to super funds on behalf of their employees, who can also top it up with their own money. The government may also make contributions for people who are low income earners.

— PROPERTY

Residential and commercial property has the potential to earn income through rent. An investment property comes with ongoing costs such as council and water rates, insurance, body corporate fees, land tax, property management fees, repairs and maintenance costs. Additionally, like shares, the value of property can rise, so investors may be able to make money over the medium to long term by selling the property for more than what was paid for it. Investors usually borrow to invest in property as this has potential for tax benefits. This is known as gearing and can be positive or negative. There is risk attached to negative gearing.

DISTRIBUTION	Dividend, or share of company's profits distributed to shareholders.
MANAGED FUNDS	A fund manager invests the pooled funds of individual investors across a range of investments.
NEGATIVE GEARING	Where the income from your investment is less than the expenses.
PORTFOLIO	The collection of all of the different investments that you own.
STOCKBROKER	A trader or trading company which is able to access the stock exchange to buy and sell shares for clients.

3. Power words for investing

Understanding and being able to use these words will provide you with more power to make informed decisions on investing.

ASSET	Something of value which you own, such as a bank account, bonds, shares, house, land, car.
ASX	Australian Securities Exchange.
BROKERAGE	The fee paid to the stockbroker who buys and sells shares on your behalf.
CAPITAL GROWTH	Where the value of the investment increases over time.

4. Need more help? Want to know more?

A wide range of information on investing is available on [ASIC's MoneySmart](https://www.asic.gov.au/moneysmart) website.



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