

# Asset Allocation



## LESSON 2

**Asset Allocation**  
Long-term goals may seem far away, but starting to save early is important, and you'll need a mix of investments to achieve them.

## Finding the Right Mix

Hi everyone—Nikki here! Even though I'm grown up now, I still ask my grandparents for advice—especially about retirement. It seems far away, but they say it's never too early to start saving! With my promotion, I'm able to put more money into my **superannuation**. I'm excited to invest in my future! Superannuation is a special retirement account that lets you invest money you earn now to have an income stream when you retire. I decided to ask my grandparents for advice. I went to their house with information about my pay and the brochures from some **super funds**.

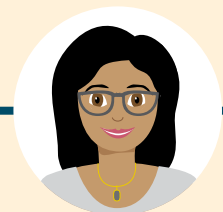


Grandma said that the key to a comfortable retirement is planning and saving early. She asked me two key retirement planning questions: (1) How long do you have to save for your goal (retirement)? and (2) How long do you need your money to last? She always asks tough questions! Well, I'm about 40 years away from retirement—which is a really long time horizon—and we figured I'll need money to last me at least another 30+ years after I retire to cover me into my old age. So glad I'm starting early!



### TWO KEY RETIREMENT PLANNING QUESTIONS

1. How long do you have to save for your retirement goal?
2. How long do you need your money to last?




Early  
Twenties



Mid-  
Twenties

We went through the brochures and my pay slips. Contributions to my super are paid directly by my employer but I can also make voluntary contributions. I make \$80,000 a year, so if I put 10% of my salary into my super, I could contribute \$8,000 in addition to the \$7,600 my company would contribute.



**NIKKI'S SUPER CONTRIBUTION**

Nikki's Annual Salary	\$80,000
Super Contribution per Year	\$8,000
Nikki Contributes 10%	\$7,600
Company Contribution	<u>\$7,600</u>
TOTAL	\$15,600

Then, we started to look at the managed fund investment options offered by the superannuation company. Some of the companies included shares, some bonds and some a mix of the two. As I get older, like Mum, I'll rebalance my investments to include a greater percentage of bonds because they are generally less risky, and I won't have as much time to recover any losses. Great advice, Grandma and Grandad!



### WHAT'S THE Big Idea?

Even though some of your financial goals seem like a long way off, if you start investing early and consider your time horizon when choosing investments, you'll have a better chance of having enough money when you need it.