Part 6 – Stop procrastinating

So we have plumbed the depths of the GFC and got a bit of a scare along the way. It's time for some good news. In a long term wealth strategy, events like the GFC are just blips along the way that will not impede your path to financial independence in a properly constructed investment portfolio.

From the moment we begin to save we start having options where to place those funds. While your financial planner will be there to guide you through the process, the likely starting point for most people is some form of fixed interest product that provides a fixed compound interest return over a set period.

You may choose to have a number of these facilities spread over different term maturities and they are generally considered a stable part of a wealth portfolio.

Scenario 1

For instance, if you invest $5,000 at age 30 and receive 5% a year interest and leave it until your 65 it will have grown to $28,700. But if you contributed $5,000 a year for the duration of the holding, the final available funds would swell to just under $500,000.

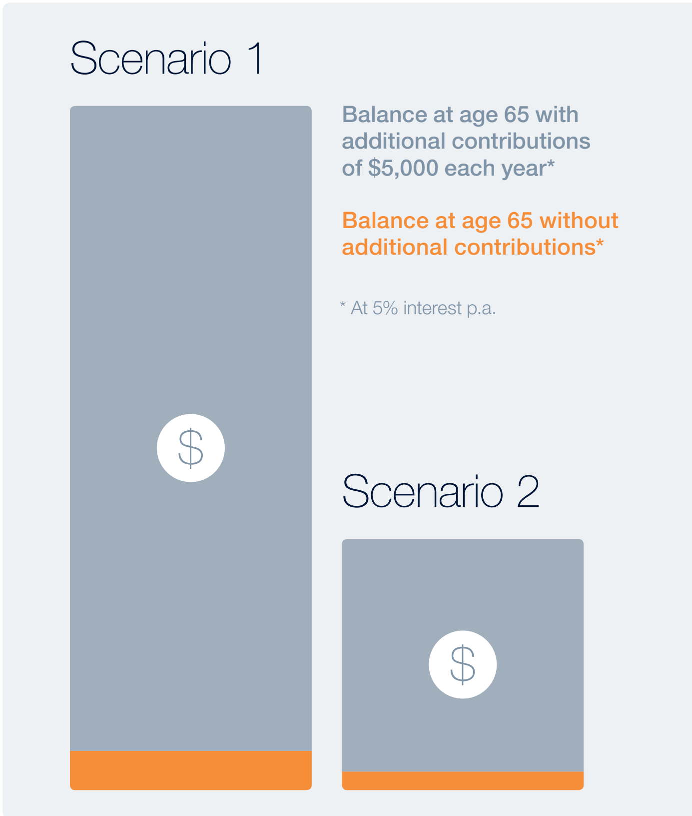
If you combine that with buying and paying off your home it's easy to see why it's smart to start taking control of your financial future as early as possible. Retirement under that scenario would be easily managed.

But no matter what time you start your saving plan the important thing is not to keep putting it off.

Scenario 2

A $5,000 investment at age 45 earning 5% a year would only net $13,563 when you reach 65 years old. However, topping up the investment by $5,000 a year over the period would boost the final figure to $181,000.

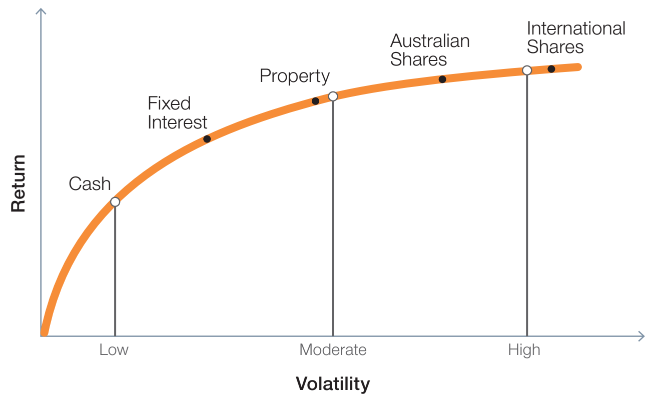
Beyond that allocating your funds into an array of investments is the best way to ensure a stable path of growth for a wealth portfolio.



"To put it bluntly if you want to achieve these goals don't procrastinate. Each year that passes makes achieving all your goals that little bit harder."

For some of the more common assets in an investment portfolio the risk vs reward trade-off would look like this.

Risk vs return – trade off



Source: Financial Professionals

We can see from this graph that cash, fixed income and property are the lowest risk assets, and certainly in Australia owning your own high home is a high priority.

About 69% of homes are owner occupied and according to APRA in the first quarter of this year financial institutions had $1.2 trillion in loans to 5 million households with an average mortgage balance of $235,000.

But as news headlines keep warning us, the cost of owning your own home continues to rise and it's becoming harder for younger people to afford. Australian Property Monitor reports the cost of the average house at the beginning of the year was $614,348, while in Sydney it was highest at $782,973 and Adelaide the most affordable at $450,444.

Taking control of your cash flow and putting it to work for you is all about meeting your financial aspirations, including home ownership. With a properly constructed wealth plan you can grow your savings, save for a deposit on a home, and make plans to pay down that loan as quickly as possible, while still making room for holidays, a new car, and all the other things you consider important in life.

To put it bluntly if you want to achieve these goals don't procrastinate. Each year that passes makes achieving all your goals that little bit harder.

So set your sights firmly on your future and act today by making an appointment with a financial adviser.

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