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With many share price indices more than 40 per cent above their March lows, the media is turning to the story that valuations are no longer compelling and that the economic recovery will be sluggish.

Others go further and say this is a "bounce" in a longer-term bear phase that could take the market back below the March lows. These bears are nervously eyeing October, traditionally seen as a shaky time for markets.

*It's no wonder, then, that some nervous investors who missed the March-to- August rebound are now afraid of getting in because they think the market is too elevated, while others who stayed invested are wondering whether they should take some profits off the table.*

At one end of this emotional spectrum of investing is regret about what has already been lost. At the other is a combination of fear and greed at what the future could hold. All of these feelings are understandable and reflect the fact there will always be uncertainty in investing. With investment return comes risk, after all.

But while no-one yet has come up with a consistently successful strategy for timing the market, there are some things that everyone can do to help ease the anxiety they feel about investing.

Firstly, realise that it does not have to be a choice between being 100 per cent in the market and 100 per cent outside. Ideally, an

investor should stick to their strategic asset allocation — be it 70/30 or 60/40 or 50/50 shares /bonds. So you can have some cake and eat it too.

Secondly, your target asset allocation can be combined with periodic rebalancing, in which the investor shifts assets from well performing asset classes to those less favoured. This is a good way of controlling risk without necessarily trying to time the market.

Thirdly, there is nothing wrong with adjusting asset allocation over time. If you are on course to meet your financial goals, you may decide to take less (or more) investment risk. For example, some investors might see the current turmoil as an opportunity to increase their exposure to shares to increase their expected return, providing their time horizon is suited to such a change.

It's always difficult to choose exactly the right time to get back into the market. Ideally, it would have been nice to get out in late 2007 and back in around early March this year.

But most mortals are unable to finesse it to that degree. The good news is that there are other options than just staying out of the market altogether and plunging back in.

These include maintaining a long-term strategic asset allocation, periodically rebalancing, taking money off the table if retirement goals are on track and dollar-cost averaging if that provides comfort.

The underlying philosophy in all these options is that individual investors are making decisions based on their own needs and risk appetites, not according to someone else's opinion as to what the market does next.

Uncertainty will always be an integral part of investment (and life). But there are many things we can control. And this is where a good adviser comes in.

## Competition...Win \$250 by telling us when the market will reach an all time high?

The All Ordinaries closed at just over 3000 points on 6th March 2009. Since then it has recovered almost 50% to be at 4511 (at the date of printing).

At the start of this year, many 'experts' were predicting the All Ordinaries would fall below 2500. Yet another flimsy forecast.

Given the frequency with which expert forecasts are wrong, we'd like to hear what you think the sharemarket has instore.

Complete the enclosed entry sheet for your chance to win \$250 and the title of 'Five Star Sharemarket Expert'.

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# Align

# News

Dear Reader,

In 2008 the All Ordinaries posted its greatest ever fall in a calendar year. The 43% decline was worse than the Great Depression, worse than the 1970's oil embargo and worse than the 1987 share market crash.

This has left many investors asking "where to from here?"

In our feature article on page 2, 'Australian share market returns in review', we look at a century of historical returns. The diagram illustrates how extraordinary 2008 was and gives some clues as to what the future may hold for investors.

The lesson for the Successful Investor remains the same: Diversify your investments, ignore the noise in the media and keep to your plan.

In my view, investing in the share market remains an attractive proposition and plenty of opportunities exist for investors willing to take on measured amounts of risk.

Until next time,

**Darren Johns**

## Exactly when is the right time to invest?

Just six months ago, millions of would-be investors were reluctant to invest in the share market because the market was falling too fast. Now many are wary because the market is rising too fast. In the meantime, life moves on and markets continue their unknown path.

An experienced financial adviser will recognise the syndrome. It's like watching a child standing tentatively at the edge of a swimming pool. She's torn between her desire to join the gang and her fear

of getting cold and wet. But if she leaves it too long, she misses the opportunity altogether and it's going home time.

In retrospect, of course, it would have been better to get out of the share market in October 2007 and wait patiently in a cash account, before reversing course again in March 2009.

The reality is that correctly timing your exit and entry to the market is impossible. If it were as easy as some claim, millions would be doing it and getting very rich in the process. Some of us would be writing books about it and going on TV business shows to promote our "timing secrets".

The reason timing stories are back in the news is because some analysts and commentators are questioning the sustainability of the recent rally in share markets.

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