Complete Financial Planning

Your family's future is our business

NEWSLETTER

SEPTEMBER 2019

IMPORTANT ANNOUCEMENTS

CFP ARE HOSTING THEIR ANNUAL FAMILY MOVE DAY, FRIDAY **11th October 2019**

CFP WILL ONCE AGAIN BE HOSTING A CHRISTMAS PARTY TO CELEBRATE THE FESTIVE SEASON ON **Friday 13th of December**

THE OFFICE WILL BE CLOSING OVER THE CHRISTMAS PERIOD BETWEEN **20.12.2019 - 06.01.2020**

Reminders

Kelli is working remotely from Collie; her work mobile number is 0447 337 122.

Don't forget the office is shut on a Friday, as Kathy and Emma work from home these days. They can be contacted on their mobiles, 0413 348 472 and 0488 198 200 respectively.

VOLATILITY: 5 KEY MESSAGES FOR INVESTORS

Financial markets can be subject to periods of event-related volatility during which investor confidence can be significantly undermined. Here, we provide 5 key messages to help investors steer their portfolios through volatile times.

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1. Volatility is a normal part of long-term investing. From time to time, there is inevitably volatility in stock markets as investors react nervously to changes in the economic, political and corporate environment. Above all else, financial markets dislike uncertainty. Yet markets are also prone to over-react to events that cloud the short-term outlook. As an investor, it is important to take a step back at these times and keep an open mindset. When we are prepared at the outset for episodes of volatility on the investing journey, we are less likely to be surprised when they happen, and more likely to react rationally. By having an open mindset and a longer-term investment perspective that accepts short-term volatility, investors can begin to take a more dispassionate view. Not only does this help with the job of staying focused on long-term investment goals, it also allows investors to begin to exploit lower prices rather than lock in losses by emotionally selling at lower prices

2. Over the long term, equity risk is usually rewarded. Equity investors are typically rewarded for the extra risk they face – compared to, for example, sovereign bond investors – with higher average returns over the longer term. It is also important to remember that risk is not the same as volatility. Asset prices regularly deviate from their intrinsic value as markets overshoot or undershoot, so investors can expect price volatility to create opportunities. In the long term, stock prices are driven by corporate earnings and have generally outperformed other types of investment in real terms, i.e. after inflation

3. Market corrections can create attractive opportunities. Corrections are a normal feature of stock markets; it is normal to see more than one over the course of a bull market. A stock market correction can be a good time to invest in equities as valuations become more attractive, giving investors the potential to generate above-average returns when the market rebounds. Some of the worst historical short-term stock market losses were followed by rebounds

4. Avoid stopping and starting investments. Those who remain invested typically benefit from the long-term uptrend in stock markets. When investors try to time the market and stop-and-start their investments, they can run the risk of denting future returns by missing the best recovery days in the market and the most attractive buying opportunities that become available during periods of pessimism. Missing out on just five of the best performance days in the market can have a significant impact on longer-term returns

5. The benefits of regular investing stack up. Irrespective of an investor's time horizon, it makes sense to regularly invest a certain amount of money in a fund, for example each month or quarter. This approach is known as cost averaging. While it doesn't promise a profit or protect against a market downturn, it can help lower the average cost of fund purchases. And although regular saving during a falling market may seem counter-intuitive to investors looking to limit their losses, it is precisely at this time when some of the best investments can be made, because asset prices are lower and will benefit from any market rebound. (Investors should always review their portfolio from time to time and adjust it if needed.)