KAREN ELEY

FINANCIAL FREEDOM STARTS HERE

INVESTED

THE SIMPLE STEPS TO INVESTING E-BOOK

Transition from a Consumer to An Investor in 5 Simple Steps

www.kareneley.com.au

STEPS TO START INVESTING

So you want to start investing. The problem is, you have no idea where to start. No problem, we've got your back with our practical guide. The basics of investing for wealth creation explained, simply.

KNOW YOUR PURPOSE

Once you've decided to step into the world of investing the first place to start is to be clear on your goals – why do you want to invest?

The smartest investors in the world define how, when, and why they are investing.

They understand that they need a strategy map to get where they want to go and create an Investment Wealth Plan to help guide them toward making the right decisions at the right time.

A well-prepared Investment Wealth Plan is also a tool to monitor your progress and measure your success.

This e-book will show you how to create your own.

Taking the leap from saving to investing might be a big step for you, so it's important you're clear on why you want to do it. Because investing is a lot like driving a car; you need a destination in mind before you start and drive with your eyes open.

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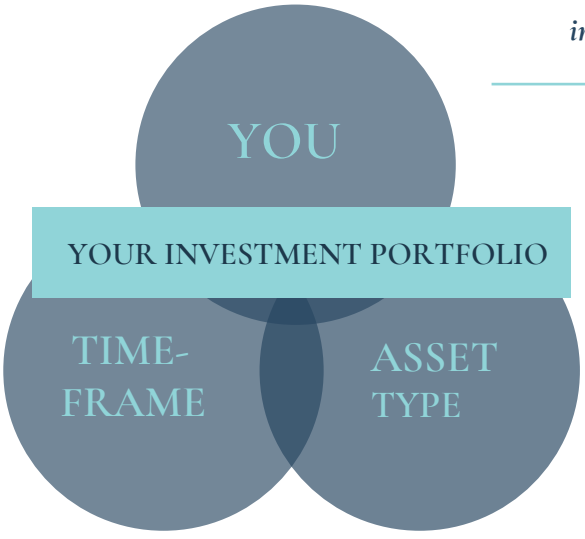
1. CREATE ADDITIONAL INCOME TO SUPPLEMENT YOUR CURRENT INCOME

2. INCOME NOW ISNT THE FOCIS BUT YOU'D LIKE YOUR INVESTMENTS TO GROW IN VALUE IN 7+ YEARS.

3. A COMBINATION OF INCOME NOW AND LONGER-TERM GROWTH IN VALUE (CAPITAL GROWTH)

> *Investing should be the intersection of you, your timeframe and the different investment types available*



TYPES OF ASSETS

While there are more asset types than those listed below, like infrastructure and gold, these are the main ones. They're a good place to start learning about investing. Plus, we're all about keeping things simple:

- Cash
- Fixed interest
- Australian shares
- International shares, and
- Property

All of these investment types can be classified as either **growth** or **defensive** assets.

INVESTING

Once you've worked out why you want to invest, it's vital to understand exactly what you're investing in.

If you can't explain something simply to a family member or friend, avoid it. Most financial concepts aren't difficult; it's just takes time to learn something new.

DEFENSIVE/ INCOME ASSETS	GROWTH ASSETS
Cash	Australian Shares
Fixed Interest	International Shares
Term deposits	Property

> *An investment is an asset you purchase, which, in future, will grow your wealth through income or increased value.*

Each asset type (also referred to as asset class) has its own purposes and properties. Before deciding which ones to invest in, consider the outcome you're after.

CASH

This is the safest asset type, with no risk of losing your amount invested It offers the lowest level of volatility and risk. However, inflation will reduce its rate of return. Over longer periods of time, cash will underperform the other asset types. Risk is low.

FIXED INTEREST

Includes term deposits, bonds, and fixed-interest securities. The main risk of losing money is where there are changes (increases or decreases) in interest rates. For example, if rates go up, then some bond or fixed-interest values go down. Risk is low.

AUSTRALIAN SHARES

Shares are a share of ownership in a company that operates to make profits. Having shares allows you to participate in sharing the companies' profits. Profits are either paid out to investors via dividends or are reinvested back into the company for future growth, which should, in turn, increase the share price. Australian shares are listed on the Australian Stock Exchange (ASX). Risk is high.

OVERSEAS SHARES

These shares carry the same risks as Australian shares, but they have an extra layer of risk due to fluctuations in the exchange rate. International shares offer more diversification as there's a greater number of companies and industries to choose from. Returns come from dividends and changes in share price. Risk is high.

PROPERTY

Property or real estate can produce returns through rental income and capital growth. Investment types include residential, retail, industrial, and commercial. The biggest risk is liquidity; it could be hard to sell just the laundry in a property, if you need quick access to cash. Risk is high although fluctuations in values are not as volatile as shares.

WHEN CHOOSING WHICH ASSETS TO INVEST IN, YOU NEED TO THINK ABOUT HOW MUCH RISK YOU WANT TO TAKE FOR THE EXPECTED RETURNS.

All assets have different 'risk and return' characteristics and behave differently at various times during the market cycle. That's why having a mixture of assets reduces risk – this is what's known as 'diversification'.

The following table highlights the different characteristics of each asset class:

Asset Class	Risk/ Volatility	Minimum timeframe for investment	Type of return	Chances of a negative return	What's been the average return over 20 years*
Cash	Low	n/a	Interest	1 in every 36 years	4.2%
Fixed interest	Low-Moderate	1-2 years	Interest & sometimes growth	1 in every 19 years	5.5%
Property	High	5+	Income & growth	Via property trusts 1 in every 5.2 years	Listed- 7.3%
Australian shares	High	5 +	Income & growth	1 in every 4.1 years	9.2%
International shares	High	5 +	Income & growth	1 in every 3.9 years	7.5%

Source: Russell/ASX Long-Term Investing Report 2018
*Returns are over 20 years, to December 31, 2017.

Volatility measures risk. A 'high volatility' asset will have more frequent changes in value ie. its price or value will fluctuate – compared to 'low volatility' assets.

Like human beings, markets exhibit different behaviours under different circumstances and events. Understanding your own behaviours as well as that of markets will put you in a good place to make decisions.

> *Fear and panic are not an investment strategy*

DISCLAIMER - past performance is not an indicator of future performance

Follow our 5 step process to create your Investment wealth plan

1. INVESTMENT OBJECTIVES

To help you determine which investments will best suit you, rank the following objectives from 1 – 10:

Priority Ranking	Investment Objective
	Maximise opportunity for large short-term gains
	Reduce tax
	Minimise the risk of loss of money invested
	Build savings for a major purchase within the next 1-5 years
	Generate additional income to supplement my current income
	Make sure my money is easily accessible if needed (liquidity)
	Slow and stable growth of my money for a long-term need i.e. children's education, house purchase 7+ years away
	Long-term growth for retirement
	Protect assets from other parties (i.e. creditors, if in business; family members)
	Maximise opportunity for medium or large long-term returns, for retirement or children's inheritance

2. INVESTMENT AMOUNT

Determine how much money you have for investment. Is it a lump sum, or a regular amount you can add to an investment each fortnight or month?
You may wish to invest different amounts in riskier assets and safer assets.

TOTAL INVESTMENT AMOUNT	$

Now, think about the total amount you have to invest, what amounts or % do you want to keep safe

How much money do you want to invest securely?	$
How much are you prepared to invest in riskier investments?	$

How much can you regularly add to an investment (or to help maintain an investment – such as, maintenance on a rental property)?

How much do you have to invest - MONTHLY AMOUNT?	$

Some investments will allow you to start with a smaller initial investment, (as little as $1), if you're making regular monthly contributions.

3. INVESTMENT TIME FRAME

When investing in assets, it's important to commit to a certain amount of time that you'll keep your money invested, without wanting to access it or sell down to cash for another use.
What timeframes can you commit to with your money?

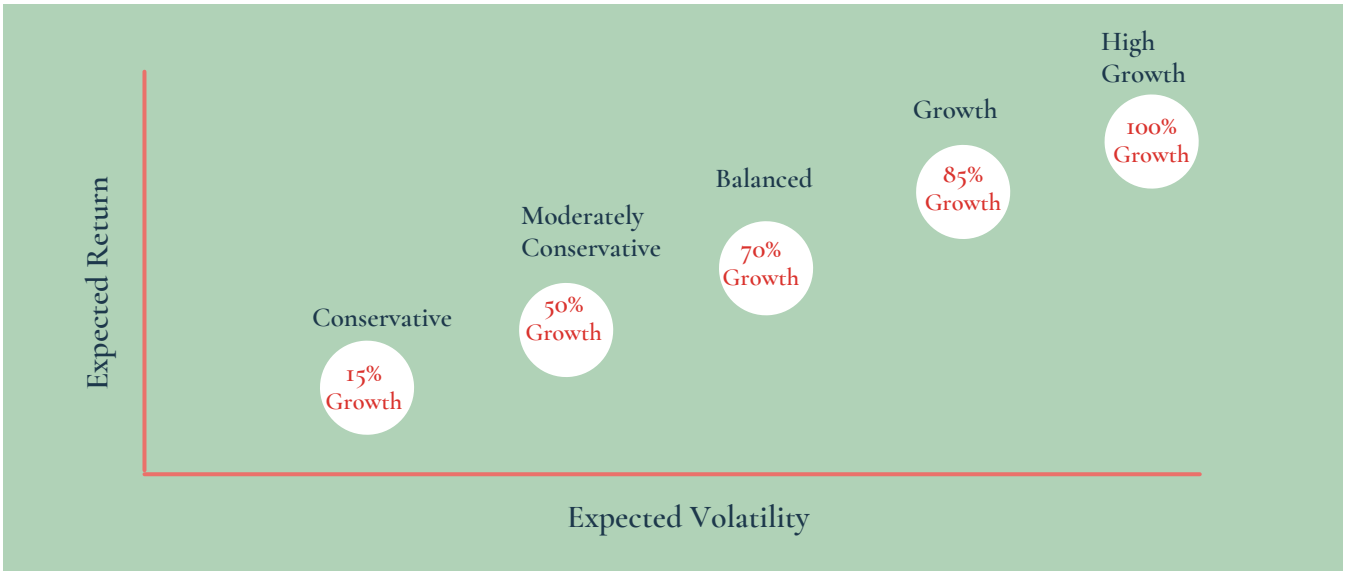
Timeframe	12 mths	2-3 years	5 yrs	7+yrs
	$	$	$	$

When investing in shares and property, you want at least a 5-7 year investment timeframe.

4. RISK RETURN TRADE-OFF

Different types of investments carry different levels of investment risk, and also different returns. As a general rule, the greater the potential investment return you are seeking, the higher the investment risk you will need to be prepared to take.

How much risk you are willing to take on will depend on your own situation, timeframe, knowledge and goals.



% Growth asset allocation
The terms above are typically used by diversified ETFs and Super funds

INVESTMENT WEALTH PLAN SUMMARY

Now you've gone through Steps 1 - 4 you can create your own Investment Plan summary page, using this template. Write them out review them regularly, adjust if necessary, and most importantly - stick to it.

Name: Jodie Smith
Age: 45

Investment objective:
Grow money for my retirement at age 65 in 20 years time. I also want to minimise tax.

Amount to invest:
$110,000 (my current super balance), plus extra investment of $12,000 per annum ($1,000 p/mth)

Level of risk:
Asset allocation – 85% growth assets for next 10 years, then reduce to 70% for the following 10 years

What to invest in:
Superannuation – shares and property investment options; plus
Investment in my own name via an online trading account, and $10,000 cash reserves in bank a/c.

Once you have a plan in place, what do you need to learn more about before investing and your next steps?
CHECK OUT: https://education.rask.com.au

SHARES, STOCKS & EQUITIES - WHAT ARE THEY?

They're actually all the same thing and mean you've bought a share of a company. You are a part-owner of a listed company that operates to earn income and profits. As a share investor you sharein the financial risks and the financial rewards.

WHY INVEST IN SHARES?

- Shares have the ability to provide you a higher long-term return (8% p.a over the long-term) than leaving your money in a bank account.
- Can start with as little as $500
- Very liquid - this means if you have to, you can sell (cash them out) quickly -like, within 3 days.
- Offers diversification (spread your risk).
- Easy to get started – you can register with a stockbroker or open an online broking account, and is no more complicated than opening a bank account.
- Provide tax-effective income.

HOW TO INVEST IN SHARES?

ACTIVE APPROACH (direct)

- Purchasing direct shares, individual stocks: ie. CBA, BHP, TLS, WOW

Active shares - you make all the decisions of what and how much of each share to invest in.

MANAGED APPROACH (indirect)

- Exchange-Traded Funds (ETF)
- Listed Investment Companies (LICS)
- Managed Funds
- Superannuation

You pay a specialist to make the portfolio decisions of what and how much of each share to invest in.

We're not going to tell you they are safe and there's no risk involved. It's not true. However, shares also aren't as scary as the media headlines would have you believe either. Do your research, like you would if you were designing a kitchen or planning a wedding, learn about the risks, implications, and costs and start small to begin with.

An investor's biggest challenge, is themselves and their behaviour.

> *The share market has no emotions and we shouldn't either when we invest.*

One of the main reasons women tell me they don't invest in shares is because they're overwhelmed by choice. From brokerage platforms, the decision to invest locally or in global markets, direct shares or exchange traded funds (ETFs) or managed funds.

There are 4 simple steps:

1. Choose a Broker (there are plenty of affordable online brokers or broker apps)
2. Decide what 'type' of investing you want to do (active & direct; or passive and index)
3. Research shares *(via broker research)* or ETFs *(go to https://www.canstar.com.au/etfs/)*
4. Start trading - but start small to begin. If you want to gain experience, without using your own money check out the ASX Sharemarket Game *(https://www.asx.com.au/investors/investment-tools-and-resources/sharemarket-game)*

STEP 1: CHOOSE A BROKER

You can use an online trading platform – most of the major banks have them; or a Micro Investing App. Which one you select will be based on the following:

- The amount of money you want to invest (check for min investment requirement)
- Do you want to invest regularly (ie. automate an amount every month) or use a round-ups strategy, or a simple once off lump sum
- The types of shares you want to purchase (ready made portfolios, ETFs – exchange traded funds, direct shares, global shares)
- How often you intend to trade (buy and sell) and the cost of their brokerage fees

When selecting a broker – understand if the platform is HIN or Custodial. What's the diff?

Holder Identification Number (HIN) is a number issued by the Australian Securities Exchange (ASX). When you open a brokerage account in Australia, in most cases you'll be issued with a HIN (although some brokers use a custodial model). Whenever you buy any investments through that broker, they'll be recorded against your unique HIN, which gives you an extra layer of protection if your broker ever closes or you wish to switch. Having a HIN makes it easy to transfer your holdings between brokers.

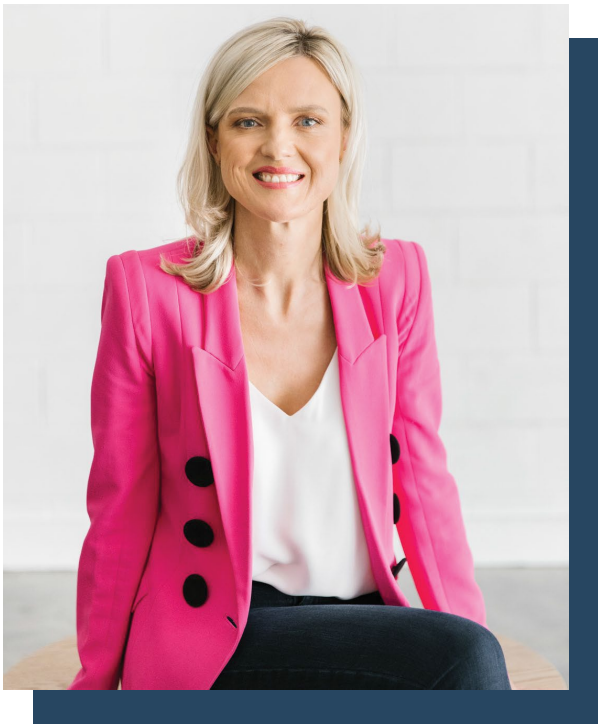
Investment custodian

Many micro-investing apps in Australia, along with some low-cost brokers, use a custodial model. This means that instead of getting your own HIN, the investment manager uses a custodian that has one "mega" HIN, with every client's investments held under it. The advantage of this model is that investment platforms can offer a cheaper and more efficient way to invest on behalf of a large pool of clients, as they can place large trades and disperse the brokerage cost across many clients. The downside of this model is that you have less direct control over your investments (think voting, dividend reinvestment plans and changing brokers).

More resources:

- **www.womentalkingfinance.com.au** (subscribe to my monthly newsletter)
- RASK – The Australian Finance Podcast (all things shares & personal finance)

Note: The contents of this document are factual information, and not intended to be personal advice.



Introducing

KAREN ELEY

Financial Literacy Campaigner & Money Coach

> *I believe women have all the natural traits and skills to become successful investors, we often just lack the knowledge and confidence. The good news is, investment knowledge can be learned and confidence can be built.*

As a former financial adviser for over eighteen years, she saw the need to assist women better engage with their finances. Through her company, *Women Talking Finance*, Karen helps women who feel confused or overwhelmed with money matters to build financial competence and confidence through money coaching.

Karen is a Certified Money Coach (CMC)®, and a qualified Financial Adviser, holds a Bachelor of Accounting and a Diploma in Financial Planning - so yep, she knows her stuff.

As a former shoe addict (yes, she understands the temptation of wants vs saving) she is committed to showing individuals what's possible with money, from both a practical and psychological perspective.

Karen helps people manage *themselves* so they can manage their *money*.

OK, NOW SOME WORDS FROM THE LEGAL TEAM

Any information provided is factual information only and current at the time written (reviewed 2025).
The intention of this document is to provide financial education, not financial advice.
You should consider seeking independent financial, taxation or other advice when considering whether investing is appropriate for your objectives, financial situation and needs.