NEWEALTH

AUSTRALIAN FINANCIAL SERVICES LICENSEE

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Information Guide

Booklet

Selling Growth Assets

This Information Guide booklet provides you with general information only.

It will also help you to better understand any recommendations we have made for you.

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About Us

Newealth is an independently owned Australian private company. Not being owned by any banks, life insurance companies or fund managers has permitted Newealth to better service clients, identify strategies and recommend solutions that meet their needs.

This Information Guide provides you with general information only about the consequences of selling growth assets. It will also help you to better understand any recommendations we have made for you in this regard.

Selling, Withdrawing and or Redeeming

Whether you are thinking about transferring your money to another investment, paying off some debts or buying something, it's important to consider the consequences of withdrawing or redeeming growth assets such as property and shares.

Here are seven things to consider before selling your growth assets.

1. The growth assets objective and timeframe

All growth assets (and defensive assets) have a investment objective and suggested timeframe. If you have been invested for a shorter period than the suggested timeframe and withdraw, the investment objective of the growth asset may not have be achieved due to there not being enough time for the growth asset to ride out any short-term volatility.

Choosing to remain invested in growth assets with a long-term timeframe through periods of volatility increases the chance of the growth asset achieving its profit objectives.

2. The effect on your Balance Sheet

If your growth asset is part of a longer-term strategy, withdrawing now could mean it may take even longer for you to achieve your financial goals.

For example, if you are invested in Australian shares and decide to move these funds into cash, you may be sacrificing higher returns over the longer term.

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Moving your money into another growth asset may even increase the risk within your overall portfolio, due to change in the level of diversification.

3. There will be tax implications

When you sell growth assets after it has gone down in value, you end up crystallising a capital loss.

This means you lose the potential for your investment to go up in value while taking on a capital loss.

4. Time, not timing

While many investors try to 'time' their purchase into growth assets, knowing the right time to buy and sell requires as much good luck as good judgement.

Factors such as interest rates, exchange rates, commodity prices and consumer spending all come into play to influence the performance of growth assets.

The table below shows the returns of international shares and Australian shares and what would happen if investors who tired to time the market were not invested during the 10 best months and 20 best months since 1989.

It shows that investors would have received significantly lower returns if they missed the best 10 months and an even more significant reduction if they missed the best 20 months.

Market	If remained fully invested %pa	If missed 10 best months %pa	If missed 20 best months %pa
International Shares (S&P 500)	9.14	4.57	1.10
Australian Shares (ASX All Ordinaries)	11.16	7.07	3.84

Investing for long term, rather than trying to make short-term changes, gives you the best chance if reaching your financial goals. So when markets are fluctuating and you feel like selling your growth assets, ask yourself whether the peace of mind is worth missing the upside when markets recover.

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5. The grass is not always greener

While moving out of one growth asset into another may work in the short term, not all growth assets perform well year in, year out.

In fact, moving could leave you worse off than you were before.

If you crystallise a capital loss, you will also be moving less money than you originally had, making it even harder for your investment to go up in value.

6. Be aware of the fees to withdraw

Each fund and fund manager may charge different fees to withdraw some or all of your investment. The fees associated with withdrawing from one fund and then investing into another will impact your overall return.

It's important that you check with your fund manager or read the latest product disclosure statement to find out the total costs of moving your money.

7. Discuss your situation

Before selling, remember to always talk to your Financial Planner before making any decision about your growth assets.

They can help you understand what's happened with your growth assets and how it fits in with your long-term investment strategy.