INVESTMENTS

Make your money work for you

Empowerment through investments and wealth creation

tribel advisory

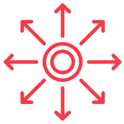
Earning money can be hard work at times so why not make it work harder for you? Let your money earn income and grow in value over time without you having to apply personal exertion. The best way to achieve this is by adopting a structured and evidence-based approach to building and managing your investment portfolio.

Have a plan based on science, not emotion

Money can make us emotional. It feels good when we make money. It scares us when we lose money. Unfortunately, emotion can interfere with our decision-making in a negative way.

When we feel over-confident we underestimate the risks and pay too much. Conversely, when we panic we over-react and sell at very low prices. The key to successful investing, therefore, is to take the emotion out of the investment decision making.

There's been a lot of research and analysis conducted on investment methods and philosophy so it pays to utilise that wisdom.

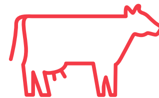


Diversification

Don't put all your eggs in one basket

Chasing last year's winner

Past performance isn't the best predicter of future performance



Avoid herd mentality

Don't get caught up in the hype or fear of the crowd

Harness compound returns

From small things big things grow

Time in the market, not market timing

Slow and steady wins the race

Our plans at a glance

Investment Portfolio Plan	Wealth Accelerator Plan
Grow, manage and protect your wealth utilising a range of asset classes and investment strategies based on a structured and research driven approach.	Grow wealth at a faster rate through the use of borrowed funds.

1. Mapping out your expectations
2. Selecting the right investment vehicle
3. Selecting the right asset class mix
4. Selecting the underlying investments
5. Evaluating and reviewing the performance of your portfolio

1. Mapping out your expectations

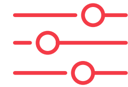
There is more to investing than simply hoping to achieve the highest possible return. Your investment portfolio should reflect your personalised needs:

Risks

Your risk tolerance?
Your risk capacity?
Level of price volatility?

Returns

Capital growth expectations?
Cashflow requirements?
Impact of tax on returns?



Control

Level of involvement?
Liquidity and access to funds?
Investment horizon?

Spending the time to go through your investment expectations ensures your portfolio can be constructed to meet your needs.

2. Selecting the right investment vehicle

Once your expectations and needs are clearly mapped out, the next step is to determine how your investments should be owned – the investment vehicle decision. This impacts things like tax, control, accessibility and flexibility. Investment vehicles are the structures that hold your investment assets. These can include such things as:

Individual

- Taxed at your marginal tax rate
- 50% discount on capital gains if held > 12 months
- No management fees but make own decisions

Company

- Taxed at 30% if purely investment
- No discount on capital gains
- Separate legal entity

Trust

- Taxed in the hands of beneficiaries
- Many different types of trusts available
- Discretionary trusts allow for income splitting
- Scope for asset protection

Super

- Special type of trust designed for retirement savings
- Significant concessional tax
- Limited access until retirement

Insurance Bond

- Special type of savings vehicle
- Concessional tax if held more than 10 years
- Taxed paid by entity

Wrap Accounts

- Access to wide range of wholesale investments and products
- Ability to create tailored portfolio
- Higher ongoing costs

You may utilise various combinations of these vehicles depending on your circumstances.

3. Selecting the right asset class mix

An asset class is a grouping of investments that exhibit similar characteristics and are often subject to the same laws and regulations. As such, it is a useful classification when it comes to building your investment portfolio.

Studies show that asset class selection is the main determinant of portfolio returns with market timing and individual asset selection accounting for only 6%[1].

[1]CFA Institute. "Determinants of Portfolio Performance." https://www.cfainstitute.org/research/financial-analysts-journal/1995/determinants-of-portfolio-performance, Accessed July 7, 2020.

The traditional asset class categories include:

Shares

You are a business owner

Receive income as dividends

Value can increase if business grows

Property

You are a landlord

Receive income as rent

Value can increase if there's higher demand for the property

Bonds and fixed interest

You are a lender

Receive income as interest

Value can increase if interest rates fall

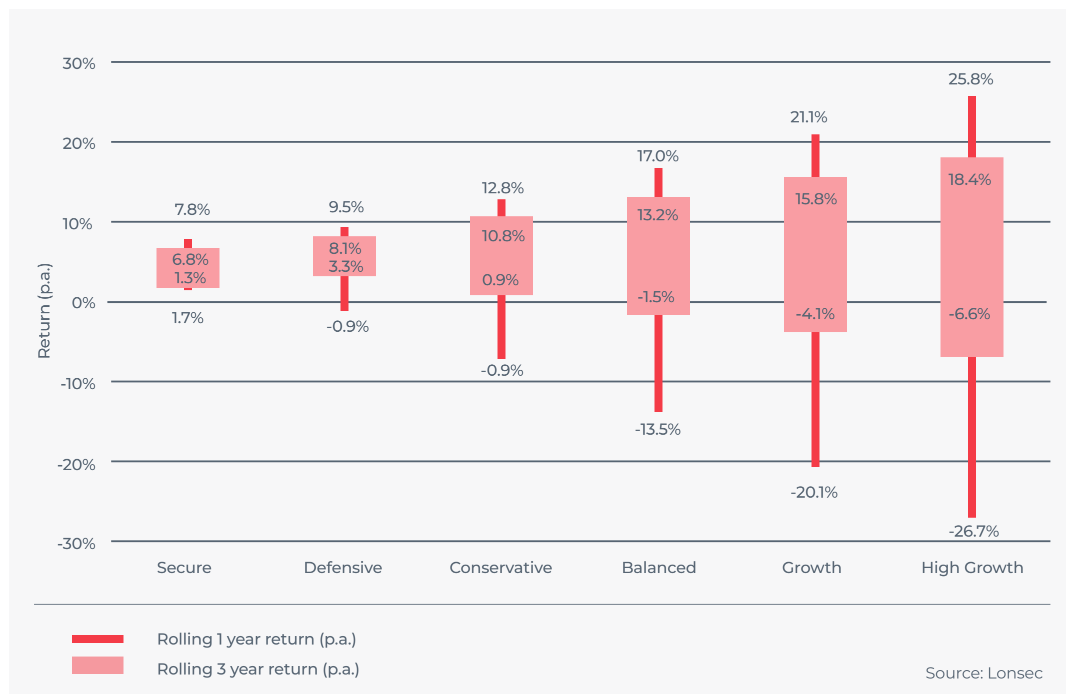
Cash

You are a lender to a bank

Receive income as interest

Value doesn't increase but is guaranteed by the bank (or government up to $250K)

As each asset class exhibit different characteristics, mixing them together in a portfolio can help reduce risks while enhancing the overall portfolio return in various market conditions.



The diagram to the left illustrates various portfolio mixes based on the level of growth assets versus defensive assets.

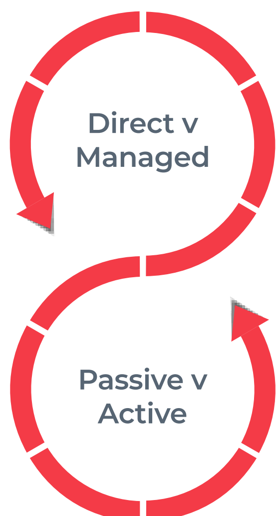
Higher allocations towards growth assets can increase the potential for higher returns, but it also increases the potential for lower returns leading to higher risks.

The risks appear higher where the investment horizon is shorter – 1 year versus 3 years.

What the right asset class mix is for you will depend on your needs, risk appetite and expectations.

4. Selecting the underlying investments

There are a number of approaches to selecting the underlying investments once the asset allocation decision is made.



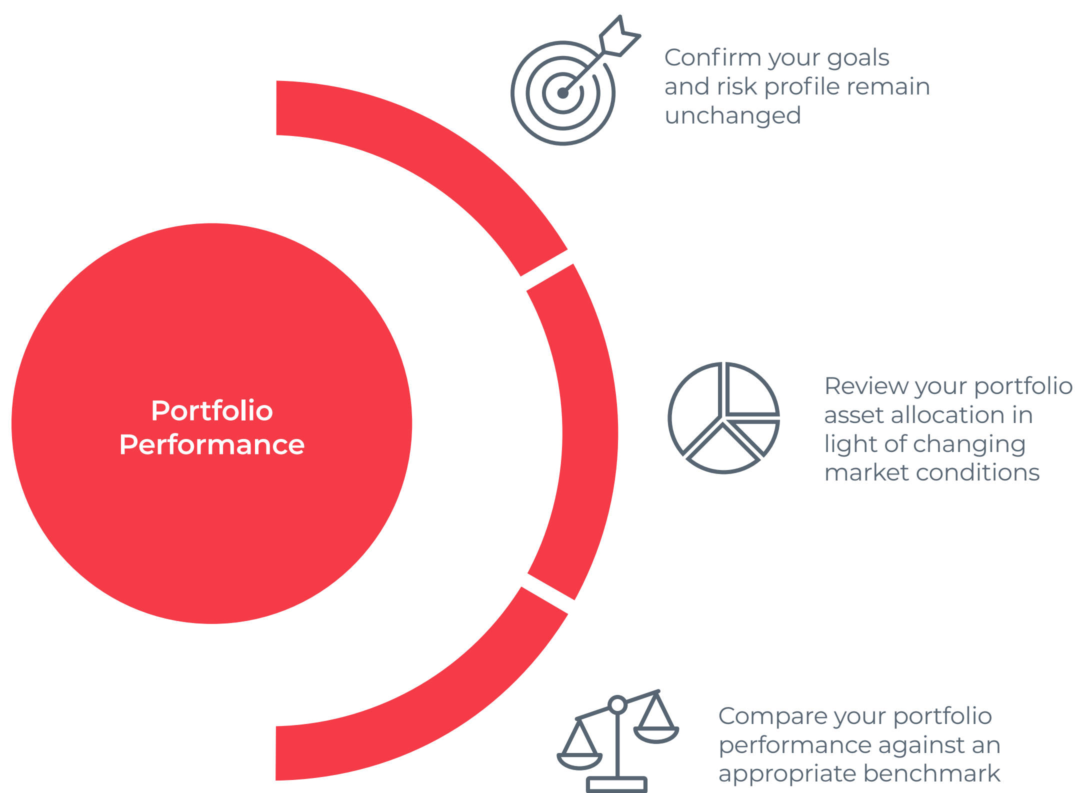
Direct v Managed – You can own an investment directly in your name and manage this yourself. Alternatively, you can utilise the services of a third-party professional such as a fund manager.

Passive v Active – A passive investment is one where you essentially buy and hold for the long term and requires very little effort on your part. An active investment requires more hands-on management from either yourself or a third-party professional, and usually involves more frequent transactions or decisions.

The approach that is right for you may depend on such factors as your technical expertise, the fees and charges and your time availability. You may also have different approaches depending on the type of asset class.

5. Evaluating and reviewing the portfolio performance

Having regular performance reviews is common for most employees to ensure they stay on track to deliver on their work commitments. Your investment portfolio should be treated in a similar vein to ensure it continues to work for you.



Get in touch with Tribel

Contacting Tribel is easy. Call to speak to one of our advisors, or you can email us of find more information on our website.

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Financial wellness first

At Tribel, it's our mission to deliver holistic wellbeing for our tribe – our clients and their families – by partnering with them throughout their financial journeys.

We're a national team of financial advisors and planners with over 15,000 clients and funds under advice of over $1 billion.

For individuals, we provide cashflow management, debt management, risk management, wealth creation, retirement planning and estate planning. For businesses, we provide business ownership protection, key person protection and employee protection services.

Located in Sydney, Brisbane, Melbourne, Perth, Adelaide, Newcastle, Bathurst and Mackay, we're proud to service individuals, SME overs, Corporate and Associations right across the country.

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