

## canberra times: q&a

**Q 1: My wife and I are 40 years old with 3 children. We have tried to invest wisely over the years but are disappointed with the sharemarket drop over the last few years, even though it seems to be coming back up again. We have a few investments in place and feel they are now the wrong ones, but we are wary of selling as their value is lower than when we purchased. We are also redrawing too much off our home equity to fund living expenses and are going backwards rather than forwards. We feel we are in a position to do better. What can we do?**

Withheld, CANBERRA

A 1: This is a good question that highlights some of the complex issues each and every person faces with respect to their financial situation. Absolutely, a financial planner can assist you in making sense of, structure and manage your financial situation to maximise your financial potential. Some issues you have raised include:

1. Investment selection – you explain that you have chosen the wrong investments as they have dropped in value with the sharemarket drop – it is important to remember that just because an investment drops in value in the short term does not necessarily mean that it is a bad investment. It is important to make sure the investments you select reduce investment risk as much as possible and this is often done best using well diversified managed funds.
2. Investment timeframe – it sounds like you are considering selling your investments due to a short term drop in value – any investment involving shares or property should have a long term investment timeframe in mind (7 years or more) to give you every opportunity of achieving a reasonable investment return.
3. Market timing – again it sounds like you are trying to time when to get into investments (before they go up in value) and out of them (before they go down in value) – very few people are regularly successful with a market timing strategy as investments involving shares and property will be volatile (move up and down in value) in the short term but on the whole will achieve a reasonable long term growth in time for a well diversified portfolio. You just need to be patient.
4. Access to cash to fund living expenses - you advise you are using a mortgage redraw facility – this is a fine financial planning tool however it needs to be managed carefully to make sure you have a sound balance between funding investment and lifestyle effectively.

In short, a financial planner can bring together all aspects of your financial situation to work out how to integrate them all effectively. A key component of this is to make sure you have a clear understanding of how much you spend, and you set a spending limit each year, to make sure that your spending and investment strategy will be sustainable and comfortable as you build your wealth.

I would encourage you to seek some advice from a Certified Financial Planner to make sure all aspects of your financial situation are working effectively together. There is nothing to lose by

q&a

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seeking some advice and you will probably find it opens your eyes to what is possible and get some other ideas on how to improve your situation. The sooner you seek advice, the more time you have to work with to improve your financial future.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

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