

BUILDING INVESTMENTS FOR LONG TERM GROWTH AND GAINS

Name: Peter

Age: 49

Occupation: Executive at an engineering firm

Current financial position

In the late 1990s, Peter was at a new stage in his life. With two children from his first marriage, Peter remarried and last year welcomed an unexpected addition to his new family. Despite a substantial salary, Peter realised that his current investments would not be sufficient to cover future expenses such as the children's education. Peter sought assistance from his stockbroker to ensure he would meet his financial goals.

Investment recommendation

On reviewing his current investments accumulated through the Commonwealth Bank float, NRMA demutualisation, AMP and a small parcel of BHP shares given to him by his father as a twenty-first birthday present, Peter was surprised to find his portfolio was worth an impressive \$65,000.

Peter's stockbroker recommended a Margin Loan. Peter would use his existing share portfolio as security and borrow up to \$143,000 to invest more in the share market. His total portfolio would then be \$208,000.

Projected outcome

Peter plans to hold his share portfolio for at least ten years, which if it grows at a projected 10%p.a. rate, should then be worth around \$563,065. As interest charges on the loan are deductible against his salary, servicing the loan will be more than manageable.

While Peter's stockbroker has pointed out that he will have capital gains tax to pay when he sells his portfolio, Peter can see that he has the potential to be well ahead in meeting his commitments and providing for his family's future.

"I'm pleased that I have a good plan in place to meet my financial goals."

Important:

*These examples assume an average growth in funds of 10%p.a. This return is not necessarily indicative of future performance. Remember, investing in managed funds has the potential for losses as well as gains. Distributions, interest payments and fees are not included in this calculation.

**Earnings as a percentage of total client contribution.