INVESTMENT TERMS AND RISK

DISCLAIMER

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LOW RISK INVESTMENTS

- FOR EXAMPLE, A TERM DEPOSIT OR SAVINGS ACCOUNT IS LOW RISK
- THE DEPOSIT YOU MAKE IS GOVERNMENT GUARANTEED
- TERM DEPOSITS AND BANK ACCOUNTS MAY OFFER INTEREST AT 2 TO 3%.
- ANY INVESTMENT OFFERING A RETURN ABOVE THIS RATE HAS SOME KIND OF RISK AND YOU'LL NEED TO FIND OUT WHAT IT IS.

STEWARDSHIP
FINANCE ACADEMY

Some governments provide guarantee

Some governments like Australian Government has guaranteed deposits up to $250,000 in Authorised Deposit-taking Institutions (ADIs) such as your bank, building society or credit union.

This means that this money is guaranteed if anything happens to the ADI.

The cap applies per person and per ADI.

If you have $250,000 with one ADI and $250,000 with another, then both of your deposits are guaranteed.

If you have more than $250,000 with one ADI then only up to $250,000 is guaranteed.

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Short Term Investments (1 - 3 years)

If you want to spend your money within 3 years, your main concern will be to protect your capital.

A high interest savings account, with an authorised deposit-taking institution is safe and your money will be available when you need it.

A short-term investor should be looking for investments with:

- Risk - very low risk of losing your money
- Volatility - very low, unlikely the value of your savings will fall
- Expected return - 2-3% per year (long-term average return)

Suitable products could be:

- Online savings account (if you could need the cash at any time)
- Term deposit (if you know how long your money can be locked away). Don't let it rollover automatically as it may not be in your best interests

STEWARDSHIP FINANCE ACADEMY

Medium-term Investments (4 - 6 years)

Medium-term investors should look for investments with:

- Risk - medium-level possibility of losing some of your money
- Volatility - medium; capital value could go up or down 20% in a year
- Expected return - 4-5% per year (on average over 10 years)

A suitable product could be a balanced investment option in a managed fund or ETF. If your timeframe is closer to 4 years, a more conservative investment option may be suitable.

This could be suitable because:

- It is expected to provide better returns than a bank account over the same period
- Any short-term periods of negative returns should grow back over the period that you are investing
- It is easy to add money to the investment

Long-term investors (7 or more years)

If you're investing for the long term, say more than 7 years, you want your capital to grow in value.

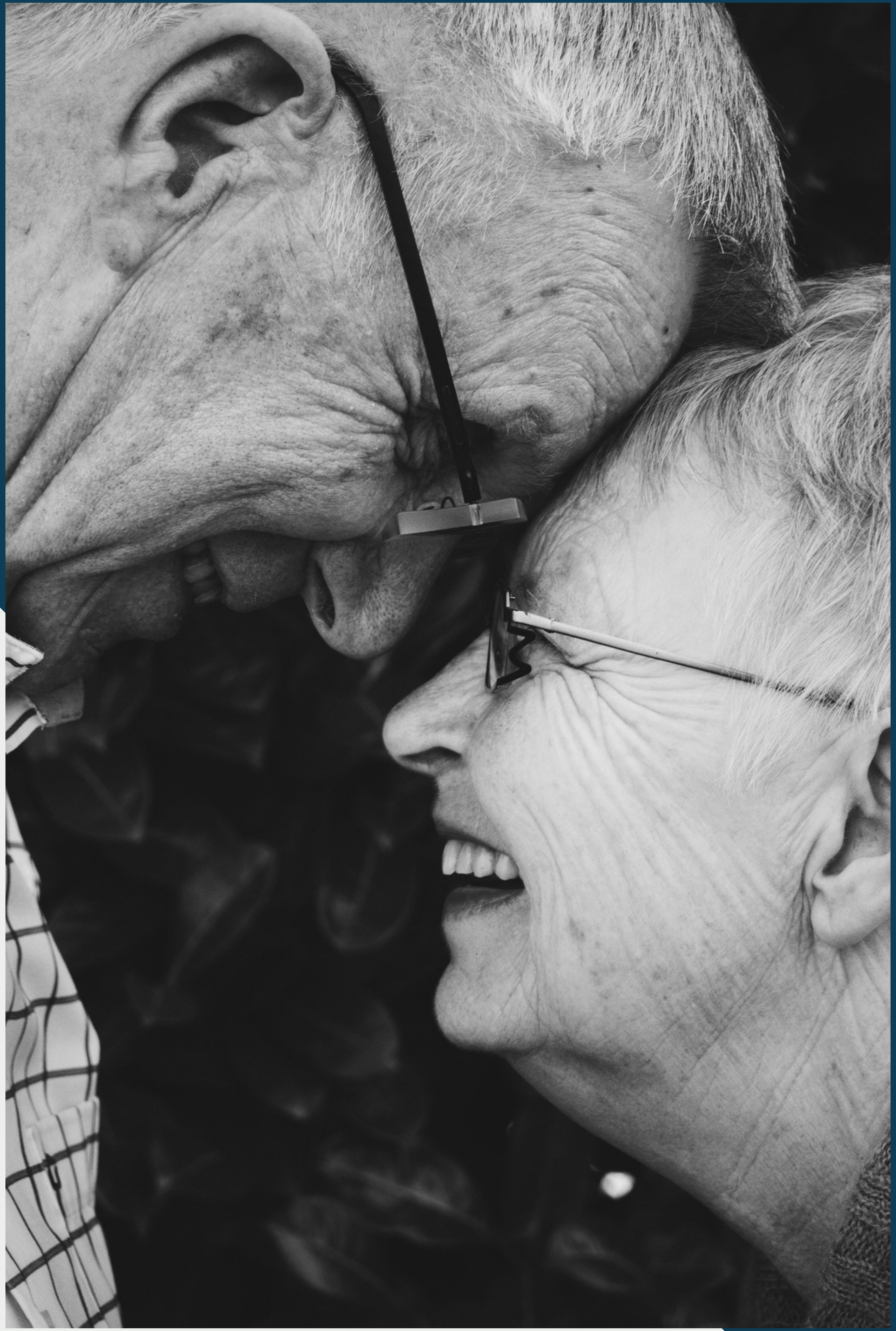
Long-term investors are looking for investments with:

- Risk - high, with negative returns expected 4-5 years out of 20
- Volatility - high, capital value could go up or down by 40% in a year
- Expected return - 5-6% per year (on average over 10+ years)

A suitable product could be a growth or high growth option in a superannuation fund or managed fund or direct shares.

This could be suitable because:

- It is expected to provide long-term returns better than a bank account
- Your capital should grow over time making up for short-term periods of negative returns



Retirees

As a retiree, you rely on your investments to give you money to live on.

You need them to give you regular, reliable income payments.

Some of the risks you may face include:

- Your investments not producing a regular, consistent income. For example, share dividends are usually only paid twice a year and are not guaranteed.
- Interest rates going down, reducing your income.
- Inflation eroding the purchasing power of your money.