

# Achieve

Stay informed, make the right decisions // Issue No. 14 · 2010

 Russell  
Investments

## Get the right formula

Three simple steps for a better investment strategy



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The benefits of being invested with Russell

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Super versus direct investing – the verdict

# Latest Russell news & updates



## Are you on track with your super?

There's a pretty strong likelihood that we will all have a long retirement. In fact, if you want to live well during retirement, you need to be prepared for your retirement savings to last for 25 or so years.

### So how do we make our savings last the distance?

Let's have a quick chat about how you can get on track for retirement. Visit [www.russell.com.au/achieve](http://www.russell.com.au/achieve) to watch a webcast from me on how we can help you make your savings last the distance.

**Chris Corneil**  
CEO, AUSTRALIA AND NEW ZEALAND  
Russell Investments

## Have you received your statement?

When you receive your annual statement, it's a great time to check in and assess your situation. If you haven't received it, or would like to receive next year's statement online instead of in the mail, please contact the Helpline.

You can always log in at [www.russell.com.au/super](http://www.russell.com.au/super) to see how you're tracking and download your past statements.

## Helping you manage your super online

We've recently launched the [simple savings calculator](#) which helps you identify how much you should ideally have saved in your super now, based on your age, gross salary and investment option.

### We've also made enhancements to the following calculators:

The [insurance needs analysis calculator](#) helps you estimate how much insurance you might need to protect your retirement savings in the event you can no longer work due to accident or illness.

The [contributions optimiser calculator](#) helps you explore how making contributions to super, before-tax and/or after-tax, can affect your take-home pay and your net contribution to super. The calculator has been enhanced to take into account your contribution limits and the Government Co-contribution. It can help you consider various contribution strategies and their tax implications.

For more information or to use these calculators, visit [www.russell.com.au/calculators](http://www.russell.com.au/calculators)



## FIND OUT MORE

For more information on Russell innovations over the years, visit [www.russell.com.au/innovate](http://www.russell.com.au/innovate)

# Meeting your needs through innovation

## The benefits of being invested with Russell

Having grown from a family brokerage firm established in 1936, the role of Russell in financial markets has evolved over time, as new opportunities were identified and client needs changed. Below are a few of the Russell innovations we have developed over the years which help you get more out of your super and investments.



1969

We developed the first **manager research and consulting business**

as a result of identifying the benefit of using academic research in the investment process. This model was replicated throughout the industry.



1980

It was Russell that first identified the need to diversify across a range of investment managers who specialise in different asset classes, styles and sectors, in order to produce **consistent long-term returns for our investors**.

We brought together our research and consulting capabilities to identify and select **best-of-breed** investment managers from around the world and put them to work in our multi-manager funds.



2007

The '**Nirvana**' annual member statement was designed to make it easier for our members to understand their super. The statement was an **industry first** and received an award from the Association of Superannuation Funds of Australia (ASFA) for "**Excellence in Member Communications**". The judges agreed that it set a new benchmark for the industry.

Then, as a result of the Better Super legislation changes, Russell took the opportunity to develop a unique solution to assist those members who were looking to transition to retirement in the most tax-efficient way. The **Russell Private Active Pension** – the first fully integrated super, pension and banking solution – was a finalist in the SuperRatings '**Best New Product**' category in 2009 and more recently was a finalist in the 2011 SuperRatings '**Best Pension Product**' category.



2010

We recently launched a next generation exchange traded fund (ETF) to the Australian market.

When our investors asked for income-seeking investments, we developed the **Russell High Dividend Australian Shares ETF**, a diversified Australian share portfolio that aims to deliver higher than average after-tax dividends.

**Our innovations have come to define many of the practices that are now standard in the investment world today. As we identify opportunities, Russell will continue to develop ground-breaking solutions to help you achieve a better retirement outcome.**

### Russell wins award for 'Best new ETF in Asia'

The Russell ETF was unanimously selected for the 'Best New ETF in Asia' Award. The judges said that the Russell ETF provides Australian investors with the ability to access a strategy traditionally only available in a managed fund, in a more cost effective, transparent and liquid manner.

Find out more at [www.russell.com.au/etfs](http://www.russell.com.au/etfs)



# Get the right

## Three simple steps for a better investment strategy

It's easy to get caught up watching the ups and downs of investment markets, and to worry about how they impact your superannuation balance.

But what if we told you that provided you have the right investment formula, you don't need to worry about the market movements over the short term?

### Getting your formula right

Every investor is different - but there are three simple points all of us should consider to find the ideal investment formula.

#### 1 Determine your investment objectives

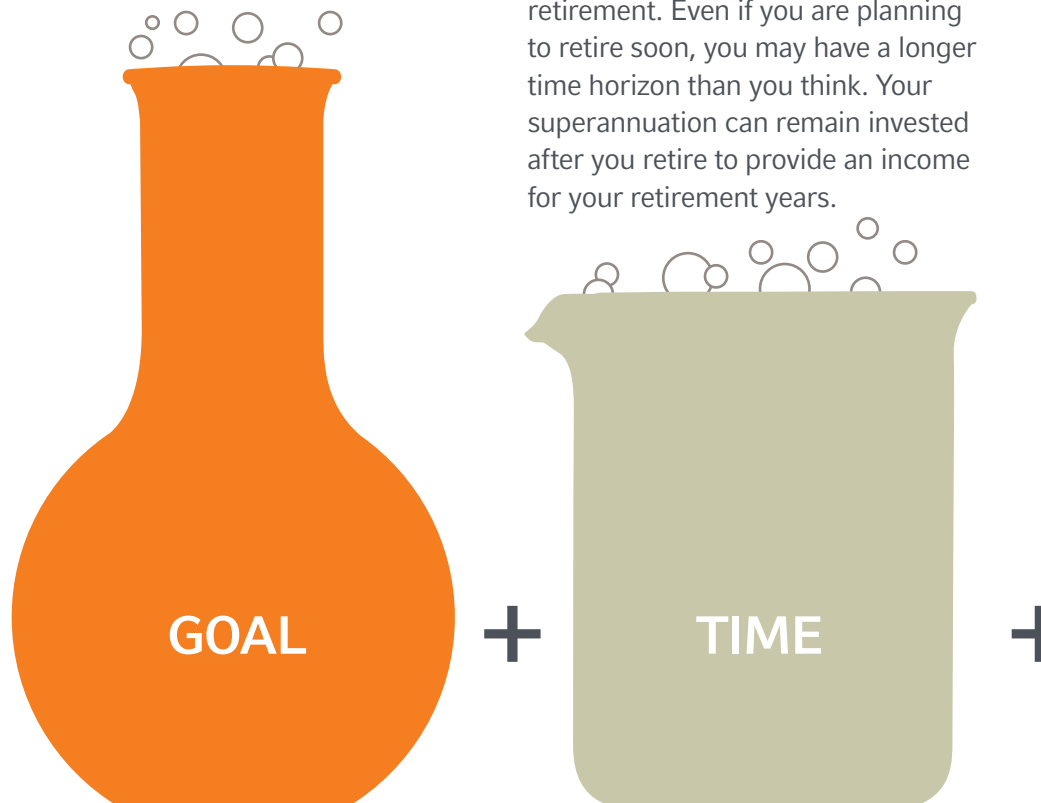
A younger person may be more interested in accumulating wealth over the longer term and be less concerned about their balance going up and down in the short-term.

Someone closer to retirement on the other hand, might want to sustain their savings by having less exposure to market movements.

#### 2 Consider your investment time horizon

The length of time you are planning to invest for should help determine the option you choose. The longer your time horizon, the more freedom you have to select riskier investments, because if you do experience a loss, there is time for your portfolio to recover.

In super, your time horizon is generally long term unless you are close to retirement. Even if you are planning to retire soon, you may have a longer time horizon than you think. Your superannuation can remain invested after you retire to provide an income for your retirement years.





# formula

## DON'T WANT TO DO ANYTHING?

If you have not previously made an investment choice you are already invested in a well-managed portfolio.

You benefit from adjustments we make to suit what the markets are doing - our global reach means we have some of the best information to help us make investment decisions.

## 3 Decide how comfortable you are with risk

For example, someone with a lower risk tolerance may feel more comfortable in a conservative option. Conservative investors accept that in exchange for a more stable portfolio, the long term return is generally lower.

Aggressive investors accept that in exchange for higher long-term growth their portfolio will be more volatile over the short term.

## The benefit of investing for growth

John is 39, currently invests in the Russell Balanced Portfolio and earns \$70,000 per year. His employer is making the compulsory 9% contribution to super and he has a super balance of \$50,000.

By changing his investment to a higher-risk portfolio that aims to deliver an extra 1% investment return (e.g. Russell Growth Portfolio), in 25 years time he could have an extra \$59,600.

To achieve the same result without switching portfolios, John would need to save an additional \$17.45 per week or nearly \$1,000 per year.

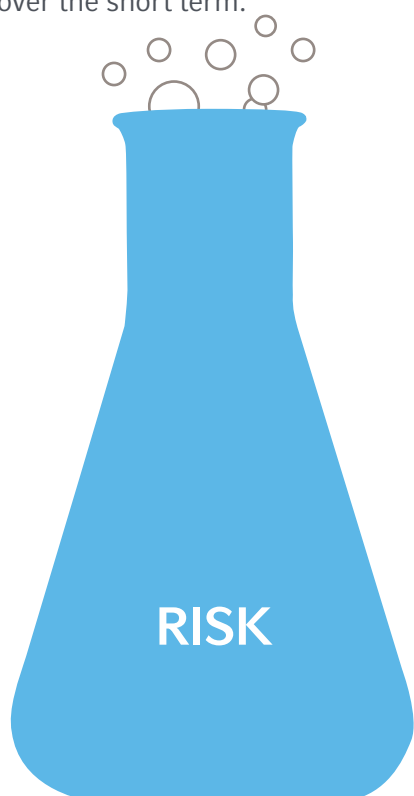
## How to take action

Once you've considered these tips, you can complete our online investor quiz at [www.russell.com.au/investorquiz](http://www.russell.com.au/investorquiz)

Our investor quiz provides a suggested asset allocation to income and growth assets that you may be most comfortable with. You can then take this information and compare it to the asset allocations of the Russell portfolios, to find the portfolio that matches.

If you decide to change your investments, you can update your portfolio online, or contact us for help. Once you have found the right option for your needs, it's important to stay invested regardless of what markets are doing.

For more information on the basics of investing, visit [www.russell.com.au/toolkit](http://www.russell.com.au/toolkit)



+ RISK = YOUR STRATEGY



# Where to invest your savings

## Adviser Peter Stewart talks through the verdict of super versus direct investing

Some people believe superannuation is a type of investment asset, like shares or bonds. In actual fact, super is simply a structure within which almost any type of asset class can exist. This structure has tax concessions and rules designed to help you save for retirement.

Outside super there are almost endless direct investment opportunities, including: real property, term deposits, direct shares and managed funds. These investments can also be held within a super fund, where the tax treatment of any earnings is different.

### About your Fund

Russell SuperSolution invests in Pooled Superannuation Trusts (a special type of managed fund for superannuation). This is one of the most common structures for large superannuation plans. Managed funds bundle together a selection of assets into one place and track the overall investment performance of the whole bundle.

Professional investment managers choose the underlying investments and pool the contributions of all investors together to share the costs and benefits. Managed funds generally allow access to a much wider selection of investments than would be readily available to an individual investor.

### Why invest in super?

Low tax on contributions and investment earnings helps you to save more for your retirement, compared with investing outside super where you're taxed at your marginal tax rate. And, if you access your super after your 60th birthday, it is tax free.

Contributions you make through salary sacrifice are taxed at 15% on the way in to super, which is significantly lower than many people's income tax rate, so there is more left over to invest. You pay income tax on after-tax contributions, but they attract co-contributions from the Government if your total income is under \$61,920.

Being in a managed fund structure like Russell SuperSolution also means you have expert portfolio managers selecting the investments – so you don't need to worry about choosing the investments for yourself. You just pick the portfolio that best suits your needs and they do the rest.

### What's the catch?

When considering making contributions to super, it is important to remember that superannuation is preserved.

This means that unless there are special circumstances, you will not be

### WHY INVEST IN SUPER?

There are many ways to invest. When investing in super you are **only taxed at 15%** or less on your investment earnings, instead of paying the marginal tax rate of up to 45% in a non-super investment.

Visit [www.russell.com.au/whysuper](http://www.russell.com.au/whysuper) to see how Brad ended up with more than Leonie by investing in super instead of a term deposit.

able to access funds from your super account until after you reach your preservation age (see table below).

So if you're going to need your savings before you retire, consider saving an amount outside super as well.

Remember – there are a lot of benefits to investing in super but the purpose of superannuation is to save for retirement. It's important to consider your broader investment strategy when making decisions on how to invest.

Call the Helpline for more information or to be referred to an adviser.

“Low tax on contributions and investment earnings helps you to save more for your retirement, compared with investing outside super where you're taxed at your marginal tax rate.”

**PETER STEWART**  
Benchmark Consultants,  
Australian Financial Services

DATE OF BIRTH	PRESERVATION AGE
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
1 July 1964 and after	60



# SuperSolution investment returns

As at 30 September 2010

Once again, we saw high levels of volatility over the September quarter. It began well following a troubling June quarter, with the markets rebounding on news that many European banks had passed their 'financial health tests', as well as the near-record number of company earnings reports which beat analysts' expectations in the US.

However, in August the global market outlook again turned negative. While concerns temporarily eased on the European debt situation, investors began to question the global economic recovery as China showed signs of an economic slowdown, and the probability of a double-dip recession in the US increased. Local sharemarkets moved in line with the US during this period as investors anticipated a subsequent slowdown in Australia.

In September, the Chairman of the Federal Reserve – the US counterpart of the Reserve Bank of Australia (RBA) – made a statement assuring investors that all efforts would be taken to keep US markets stable, and hinted at further economic stimulus packages. At the same time in Australia, strong GDP results were announced, and the RBA held interest rates at their current levels. These factors combined helped to fuel a solid sharemarket rally, which resulted in the Australian sharemarket posting a gain of 8.29% over the quarter.\*\*

The volatility experienced over the last three months reinforces how unpredictable financial markets can be over a short-term period, and why it is so important to maintain a long-term view in the face of temporary market noise.

\*\* As measured by the S&P/ASX 300.

Russell Portfolios	Quarter	1 yr (p.a.)	3 yrs (p.a.)	5 yrs (p.a.)	Inception date*	Since inception (p.a.)
<b>DIVERSIFIED PORTFOLIOS</b>						
Russell Conservative	3.34%	7.50%	2.89%	4.59%	01/07/03	5.80%
Russell Diversified 50	3.56%	6.54%	0.12%	3.72%	01/07/03	6.04%
Russell Blended Balanced	4.05%	5.80%	-2.61%	2.95%	01/04/05	4.41%
Russell Balanced	4.09%	5.50%	-2.75%	2.79%	01/07/03	6.29%
Russell Balanced Opportunities	4.28%	5.87%	†	†	01/07/08	0.39%
Russell Growth	4.28%	4.26%	-5.41%	2.01%	01/07/03	6.70%
Russell High Growth	4.52%	4.25%	-6.07%	1.89%	01/04/05	3.46%
<b>SECTOR PORTFOLIOS</b>						
Russell Australian Cash	0.88%	2.94%	4.22%	4.46%	01/07/03	4.38%
Russell International Property Securities – \$A Hedged	6.41%	1.70%	-3.78%	5.12%	01/04/05	10.70%
Russell Australian Shares	7.32%	3.03%	-4.32%	4.36%	01/07/03	6.94%
Russell Australian Opportunities	-0.94%	-0.48%	-10.12%	-3.45%	01/11/04	0.72%
Russell International Shares	6.33%	9.37%	-8.84%	-0.87%	01/07/03	1.86%
Russell International Shares – \$A Hedged	8.47%	18.01%	-9.67%	-0.49%	01/11/04	1.21%
Russell Global Opportunities	-1.21%	-0.05%	-8.03%	-1.62%	01/04/05	-0.51%
Russell Socially Responsible Australian Shares	5.51%	0.23%	†	†	01/07/08	-2.61%

\* The date the investment portfolio became available.

† Investment returns are not available for this period as this portfolio has not been in place for the period specified. The returns shown are net of investment management fees and taxes on investment income. Past performance is not indicative of future performance. This performance information is provided to you by the Trustee of Russell SuperSolution Master Trust, Total Risk Management Pty Ltd (AFSL 238790).

For quarterly investment returns and market commentary visit  
[www.russell.com.au/investmentreturns](http://www.russell.com.au/investmentreturns)

For the latest investment tips and education visit  
[www.russell.com.au/toolkit](http://www.russell.com.au/toolkit)

# ARE YOU **ON TRACK** FOR YOUR RETIREMENT?



Visit [www.russell.com.au/ontrack](http://www.russell.com.au/ontrack) to find out now.

We recognise everyone is different, so we offer assistance to suit your needs.



#### Online education and access to your account

Keep up to date through online access to your account via our secure website. [www.russell.com.au/super](http://www.russell.com.au/super)



#### Help over the phone

General financial advice is available over the phone via the Helpline free of charge. **1800 555 667**



#### Personal financial advice

We have handpicked a small number of qualified advisers who we believe are best placed to provide personal financial advice.



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