

How do you make your money work harder for you?

The case for investing.



Series: Let's get back to basics
Complexity: **Beginner**

There are lots of options when it comes to saving. You could invest in shares, buy a property or simply keep your money in your bank account.

However, history has shown that over the longer term, investment portfolios containing growth assets such as shares consistently outperform portfolios containing only cash.

That's why investing some of your money in shares instead of leaving it all in your bank account can make your savings work harder for you.

How does this work in practice?

Let's compare the potential returns of two investments over 10 years, by looking at the example below.

Investing in shares can be riskier than keeping your savings in the bank, but it also has the potential for higher returns over the longer term.

"...investing some of your money instead of leaving it all in a bank account can make your savings work harder for you."

It means that potentially your money is working harder for you so you can reach your goals – like saving for a house deposit, sooner.

example. investment returns

Say you invested \$500 in Australian shares in 1998 and left the same amount in your regular savings account. By the end of 2008, your share investment would now be worth \$842.87 while your savings account balance would be only \$671.96. Which would you prefer?

Assumptions: Cash invested at a fixed rate of 3% p.a.; Australian shares returns: S&P/ASX 300 Accum Index; prior to 31 March 2000 – ASX All Ordinaries Accum Index.

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