

Regular savings plan – a key to long-term wealth creation

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To be a successful investor in the sharemarket, you don't necessarily need a large amount of money. What does help though is a commitment to a regular savings plan – a convenient and flexible approach to investing.

Dollar cost averaging and regular savings plans are a convenient and flexible way for investors to gain additional exposure to investments over time. The benefit of these strategies is that they reduce the risk of investing a large amount of money in a single investment at the wrong time.

Dollar cost averaging

Dollar cost averaging is an approach where an amount of money is invested, on a regular basis, usually monthly, into an existing investment. This approach takes advantage of the only certainty of the sharemarket – that prices will continue to rise and fall.

By investing a fixed amount at set intervals, you are buffering the ups and downs of the sharemarket. Your fixed amount will buy more units when the prices are low and fewer units when the prices are high. This means the average price paid can be lower than the average market price. Please refer to Table 1 for an example.

Regular savings plan

A regular savings plan is a disciplined method of investing and an excellent way to benefit from dollar cost averaging. With a regular savings plan, a set amount of money is automatically debited from your bank account on a regular basis.

Table 1 – Dollar cost averaging

The average price you pay per share can be lower.

Regular investment	Market price	No. of shares received ¹
\$200	\$10	20
\$200	\$9	22
\$200	\$7	29
\$200	\$6	33
\$200	\$6	33
\$200	\$6	33
\$200	\$6	33
\$200	\$7	29
\$200	\$9	22
\$200	\$10	20
Total cost of shares = \$2,000		Average market price = \$7.60
Value of shares = \$2,740		Average price paid = \$7.27

Source: Perpetual

¹ Does not include transaction costs eg brokerage.



In Table 2 on the next page, we show the results of investing \$2,000 each year in Perpetual's Industrial Share Fund since 1980. To simplify the table, we have assumed an annual investment rather than a monthly or quarterly saving.

The table is divided into investments on the highest and lowest days of each year to show the returns under different buying scenarios. The 'Highest day' is the day when the unit price in Perpetual's Industrial Share Fund reached its annual peak – this was the most expensive time to buy into the Fund. The 'Lowest day' is the day when the unit price reached its lowest point for the year and was the cheapest time to buy.

Even if an investor had made all the investments into Perpetual's Industrial Share Fund at a time when the Fund's unit price peaked each year, they would have achieved a very attractive average annual return of 16.9%.

We offer investors regular savings plans and dollar cost averaging plans through Perpetual's WealthFocus platform. To establish either a dollar cost averaging plan or a regular savings plan with us, you should first consult with your financial adviser.

Table 2 – Savings plans are a very disciplined method of investing

Highest day			Lowest day		
Date of Perpetual's Industrial Share Fund ² Unit price high	Cumulative investment	Value of account at 31 December	Date of Perpetual's Industrial Share Fund ² Unit price low	Cumulative investment	Value of account at 31 December
December 1980	\$2,000	\$1,942	March 1980	\$2,000	\$2,659
April 1981	\$4,000	\$3,925	October 1981	\$4,000	\$4,890
January 1982	\$6,000	\$5,844	March 1982	\$6,000	\$6,933
December 1983	\$8,000	\$11,251	February 1983	\$8,000	\$14,119
November 1984	\$10,000	\$13,865	May 1984	\$10,000	\$17,240
October 1985	\$12,000	\$21,988	January 1985	\$12,000	\$27,552
December 1986	\$14,000	\$35,976	January 1986	\$14,000	\$45,470
September 1987	\$16,000	\$36,299	November 1987	\$16,000	\$46,203
December 1988	\$18,000	\$48,771	January 1988	\$18,000	\$62,066
December 1989	\$20,000	\$60,388	February 1989	\$20,000	\$76,678
July 1990	\$22,000	\$59,116	October 1990	\$22,000	\$74,782
December 1991	\$24,000	\$86,117	January 1991	\$24,000	\$109,163
May 1992	\$26,000	\$89,774	November 1992	\$26,000	\$113,475
December 1993	\$28,000	\$124,573	January 1993	\$28,000	\$157,707
February 1994	\$30,000	\$113,453	December 1994	\$30,000	\$143,559
December 1995	\$32,000	\$135,557	January 1995	\$32,000	\$171,402
December 1996	\$34,000	\$173,342	July 1996	\$34,000	\$219,089
September 1997	\$36,000	\$217,013	October 1997	\$36,000	\$274,082
April 1998	\$38,000	\$249,299	October 1998	\$38,000	\$314,575
April 1999	\$40,000	\$277,602	October 1999	\$40,000	\$351,629
December 2000	\$42,000	\$308,402	February 2000	\$42,000	\$390,496
June 2001	\$44,000	\$350,582	September 2001	\$44,000	\$443,755
June 2002	\$46,000	\$347,468	October 2002	\$46,000	\$439,585
October 2003	\$48,000	\$405,217	March 2003	\$48,000	\$512,616
December 2004	\$50,000	\$529,894	January 2004	\$50,000	\$670,442
December 2005	\$52,000	\$596,961	July 2005	\$52,000	\$755,018
December 2006	\$54,000	\$725,798	August 2006	\$54,000	\$917,880
May 2007	\$56,000	\$783,780	August 2007	\$56,000	\$990,951
January 2008	\$58,000	\$491,888	November 2008	\$58,000	\$622,470
October 2009	\$60,000	\$673,937	March 2009	\$60,000	\$853,129
April 2010	\$62,000	\$653,231	July 2010	\$62,000	\$826,588
Average annual rate of return: 16.9%			Average annual rate of return: 18.0%		

² Total returns are for Perpetual WealthFocus Investments – Perpetual's Industrial Share Fund and have been calculated assuming no entry fee and using the exit prices after taking into account all of Perpetual's ongoing management costs and assuming re-investment of distributions. No allowance has been made for taxation. Returns for Perpetual's Industrial Share Fund, Asset Group or Investment Option, accessed through Perpetual's Wholesale Funds, Perpetual's Super and Pension Plans and Perpetual's Pooled Superannuation Trust will differ due to different fee structures and taxation treatment for superannuation. Past performance is not indicative of future performance.

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Further information

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