

YOU CAN'T KEEP A GOOD SHAREMARKET DOWN



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Australians are obsessed with property – this is one reason why the property market in Sydney and some parts of Melbourne are potentially overheating. But did you know that Australians are big share investors? In fact, 40% of Australians invest in shares. Our love of share investments is higher than our investments in residential property (22%). Why the appeal?

Here are some of the reasons why share investing is so compelling.

Shares generate real wealth over the long term

When we look at the historical performance of Australian shares against bonds and cash over the past thirty years, shares are the clear winner (average annual return).

This is true even for the period that includes the Global Financial Crisis.

CHART 1: AUSTRALIAN SHARES HAVE OUTPERFORMED OTHER ASSET CLASSES OVER THE PAST 30 YEARS

\$1,000 INVESTED OVER 30 YEARS: DEC 1984 - DEC 2014



You can receive a tax benefit on dividend income

While term deposits and bonds pay predictable income at regular intervals, the income they pay is fully taxable.

Thanks to Australia's dividend imputation system, there is a tax benefit on income from shares. An individual can potentially receive a tax benefit for dividends received by a company, if that company has already paid tax on its income. This makes share income highly tax-effective. If you depend on your investment income to pay for living expenses, the tax benefit can be particularly appealing.

You can earn income on your income – the beauty of compounding

You can boost your overall returns from shares by reinvesting your share income, for instance, through a dividend reinvestment plan. Reinvesting can deliver a major increase in returns, especially over the long-term.

“Australian shares are a compounding machine. Over a very long period there are very few mainstream investments that have rewarded investors so well.”

-Matt Sherwood, Head of Investment Strategy, Perpetual.

Perpetual has produced a booklet that looks at the many benefits of shares – how shares can provide a growing source of income, tax advantages and long-term performance. For your copy of *The Real Value of Investing in Shares*, [click here](#).