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Share market Falls: What investors need to consider

Being more engaged with your super investments could help you make the most of the time you have to grow your wealth for retirement – and navigate share market falls.

Depending on your life stage, it can be helpful to remember that you'll likely have time to ride out changeable market conditions to generate investment returns over the long term.

Markets regularly experience volatility for various reasons as we've already seen this year, with inflation climbing and expectations rising that the RBA will lift interest rates in Australia and that the Federal Reserve will start to increase interest rates in the US. History shows us that markets do recover from disruptive influences – for example, the Global Financial Crisis. In the decade following the crisis, global share markets recovered and delivered returns of roughly 10% per annum to investors.

Last year, markets also experienced volatility due to the Coronavirus, concerns about interest rates and geopolitics. However, investors in share markets were rewarded over the year as markets recovered from the steep declines experienced in early 2020 – with Australian and global shares delivering exceptionally strong returns of 17.5% and 25.8% respectively in 2021.

Market volatility can present investors with investment opportunities when maintaining a long-term view of investing. For example, buying into share markets when they're down (and cheaper) could mean the value of those investments rises when markets recover over time.

But this doesn't mean you should buy anything and everything that's on sale. A company's share price may be falling because of other factors (such as a management change) that could erode its long-term potential. It's important to consider these factors and to be confident that a company's value will rise in the future.

At the same time, it can still be sensible to continue budgeting and saving for a rainy day – particularly in the current environment, where regular day-to-day life may be disrupted. Having a separate savings fund can offer some peace of mind in uncertain times, especially when our day-to-day lives can be impacted at short notice and as we have seen over the last two years.

It's generally recommended that super fund members stick with their long-term strategy and ride out short-term volatility in financial markets. But while investing for super can often require a long-term view, it isn't a set-and-forget scheme. Retirement may feel like a long time away if you're navigating and building your finances. Being more engaged with your fund now – even in simple ways – could be helpful later on in life when you do reach retirement. Things you can do include:

- regularly reading fund updates
- staying up-to-date on the latest market developments
- regularly reviewing your super fund to ensure it aligns with your unique risk profile and financial objectives as your personal circumstances change.

Source: Colonial First State

If you need a hand better understanding your investment strategy, please give Shaun or Vicky a call on 4927 4588 or 4939 1766 to see how they can help you.

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