Thinking of changing investment options?

For Accumulation Plan, Beneficiary Account and Income Stream members

1 July 2021

ESSSuper
Emergency Services & State Super

Changing your investment option(s)

Investment choice gives you the flexibility to change your investment option selections on a monthly basis. However, you should keep in mind that superannuation is generally considered to be a long term investment. Think carefully about making changes in response to short term fluctuations in the value of your investment.

When is the change effective?

Requests to change investment option(s) that are received by close of business on the 20th day of the month will take effect from the first day of the following month (e.g. forms received by 20 December will be processed to be effective from 1 January).

If the 20th day of the month is not a business day your request must be received by close of business on the last business day prior to the 20th.

Any change to the way your future contributions are invested will take effect from the day we received your request.

ESSSuper recommends you seek financial advice before making any decisions to change your investment choice.

Login to your Members Online account at **esssuper.com.au/login** to change your investment options online. Alternatively, you can download the appropriate form from our website at **esssuper.com.au/forms**, complete it and return to us.

Helping you decide which investment option(s) is right for you

When choosing how to invest your super you need to carefully consider how much risk you are prepared to accept to achieve your objectives.

Everyone has a different attitude to risk, for instance, people who have a long time until they can access their super benefit, may be willing to bear some negative returns along the way, for the possibility of a higher long term gain. Alternatively, those who have less time may be prepared to trade-off the potential gains for the relative safety of conservative investments.

The length of time you have until you retire is one consideration in determining your tolerance to risk. This is considered an important time horizon as after this point in time, most members will begin drawing down on their superannuation account.

The longer your time horizon, the more aggressively you may want to invest. As your time horizon shortens, you may want to invest in more stable asset classes that fluctuate less.

The length of time you have to invest may be one of your greatest assets.

Things to consider...

1. If super is a long term investment

Superannuation is designed to help you grow your retirement savings over your working life. And even in retirement you could have a further 20 to 30 years to invest. So, it's important to focus on the returns from your investments over the long term. Generally, your investment returns should be assessed over 5 or 10 years, or even longer.

2. Think carefully before making any investment decisions

Ups and downs in share markets are a normal part of the investment cycle. History shows that after periods of poor performance, markets often 'bounce back'. During these volatile times, the temptation is to change options. However, investors who move out of the market when shares fall run the risk of missing out on significant gains when markets recover. Experienced investors understand that it pays to stay focussed on their long term goals.

3. Don't chase higher returns

History shows that if you start switching investment options to chase higher returns, you may not end up any better off than if you had remained in the option you had. Studies show it is nearly impossible to pick the top or bottom of investment markets at any point in time. In attempting to do so, you could end up losing even more money.

4. Over the long term, on average, the share market outperforms cash

While it may seem like a good idea to switch to conservative asset classes like cash and fixed interest in a market downturn, this strategy is not without risk. One risk is that inflation will erode the purchasing power of your savings.

5. Don't underestimate the benefits of a well diversified investment strategy

Diversification allows you to reduce some of the levels of risk created by investment market movements. By spreading your investments across a number of asset classes, you can reduce the reliance on a single asset class performance. Diversification helps to balance a drop in the value of one asset class by a gain in another.

6. Get the right advice

If you're not sure what investment option(s) you should have your super in, you may want to consider seeking professional advice. ESSSuper has an arrangement with Link Advice Pty Ltd (AFSL No. 258145) to provide financial advice to ESSSuper members. Personal financial advice takes into consideration your personal financial circumstances and objectives. ESSSuper Financial Advisers will provide advice that is in your best interests whilst ESSSuper Member Education Consultants can provide information but not advice. To organise an appointment call 1300 650 161 (emergency services members) or 1300 655 476 (state super members).

Risk Profile Questionnaire

The following risk profile questionnaire can help you to understand the type of investor you are and the level of risk you are comfortable with. It only takes a few minutes and can help you to decide which investment option(s) to choose for your super.

Simply write the number corresponding to the answer you are most comfortable with in the space provided in the results section (page 4). This will give you a total score which corresponds to a Risk Profile Classification.

Question 1 - Keeping in mind your primary goals, what is your investment time frame, or how long do you expect this money will remain invested?

Score	Preferences
1	0 – 3 years
2	4 – 10 years
3	Longer than 10 years

Question 2 - Keeping in mind that the higher the return the higher the risk, what return do you reasonably expect to receive from your investments?

Score	Preferences
1	Less than 5%
2	5 – 8%
3	Above 8%

Question 3 - Assuming you have an amount of money to invest, how would you invest it?

Score	Preferences
1	The safety of my money is my primary objective. I would rather have a low rate of return than risk the loss of any part of my capital.
2	I want my investment capital to remain relatively stable.
3	I am willing to accept some short term fluctuations so as to achieve probable higher long term returns.
4	In order to receive the maximum return on my investment, I am willing to accept a higher degree of risk.

Question 4 - With regard to tax, what are you prepared to accept in order to meet your goals?

Score	Preferences
1	Security of capital is my primary concern - tax is a secondary issue to me.
2	Stable reliable capital value and returns with some tax savings if possible.
3	If I could achieve a tax effective income, I would accept some additional risk and the possibility of a small reduction in value from time to time.
4	My primary aim is to minimise tax and I am prepared to accept much higher risk to achieve this.

Question 5 - How concerned are you that the growth in the value of your assets exceeds the rate of inflation?

Score	Preferences
1	Not concerned – do not see inflation as a problem for me.
2	Concerned – assets must grow at a minimum, in line with inflation.
3	Highly concerned – asset growth must exceed the inflation rate so that my real purchasing power is maintained.

Question 6 - Have you ever invested in shares, Government bonds or managed funds?

Score	Preferences
1	No, but if I had, the fluctuations would make me uncomfortable.
2	Yes, I have, but I was uncomfortable with the fluctuations despite the potential for higher returns.
3	No, but if I had, I would be comfortable with the fluctuations in order to receive the potential for higher returns.
4	Yes, I have and I felt comfortable with the fluctuations in order to receive the potential for higher returns.

Question 7 - How would you react if your long term investments declined by 10% in one year?

Score	Preferences
1	I can't accept any declines in the value of my investments.
2	I generally invest for the long term but would be concerned with this decline.
3	If the income I received didn't change I would not be too concerned about my capital declining in the short term.
4	I invest for the long term and would accept these fluctuations due to short term market influences.

Question 8 - Which of the following statements describe your feelings towards a chosen investment?

Score	Preferences
2	My preference is for investments that are very low risk.
4	I prefer to invest mostly in low risk investments with 20% - 40% of my portfolio in higher risk investments.
6	I prefer to invest in a balanced portfolio (e.g. between 40% - 60% in growth or defensive assets).
8	I prefer to invest for higher returns but retain 20% - 40% in low risk investments.
10	I can accept fluctuations in capital value to achieve higher long term returns.

Risk Profile Questionnaire Results

Question	1	2	3	4	5	6	7	8	Your Total
Write your scores here									

If your score range is….	Then your Risk Classification is…
9 to 12	Low Risk
13 to 17	Cautious
18 to 22	Moderate
23 to 27	Balanced
28 to 32	Growth
33+	Highly Aggressive

Definition of risk classifications

The answers you have provided mean you can be broadly grouped into one of the six risk classifications outlined above. A definition of each of these classifications is shown below. It should help to assist you in the development of an investment strategy that will help in meeting your financial and lifestyle objectives.

Low Risk

Low Risk investors do not wish to take any investment risk. Their priorities are the safeguarding of their investment capital. They are prepared to sacrifice higher returns for peace of mind. If this is your risk profile, your investment strategy could be 100% exposure to defensive assets e.g. cash and defensive fixed income (credit, property, multi-asset strategies and infrastructure also partially defensive).

You may like to consider our Cash option.

Cautious

Cautious investors are prepared to accept a small amount of risk. Their priority remains the preservation of capital over the medium to long term. They may have some understanding of investment markets; however they cannot afford to take any chances with their capital. If this is your risk profile, your investment strategy could be 15% growth assets (e.g. shares, property and alternative strategies) and 85% defensive assets (cash and defensive fixed income).

You may like to consider our Defensive option.

Moderate

Moderate investors have some understanding of investment market behaviour and can accept some short term risk to their capital. They do not wish to see all of their capital eaten away by tax and inflation and are prepared to take a small short term risk in order to gain longer term capital growth. The most appropriate investment strategy is 35% growth assets (e.g. shares, property and alternative strategies) and 65% defensive assets (cash and defensive fixed income).

You may like to consider our Conservative option.

Balanced

Balanced investors are seeking a greater growth component in their investments to protect their capital. They remain cautious towards taking high levels of risk; however their general understanding of investment markets enables them to feel comfortable with some short term risk. Their priority is consistent capital growth with some income to smooth returns. The most appropriate investment strategy is to balance the exposure to growth and defensive assets with 60% growth assets (shares and property alternative (group 2), and 40% defensive assets (cash and defensive fixed income).

You may like to consider our Balanced option.

Growth

Aggressive investors understand the movement of investment markets. They are most interested in maximising long term capital growth, although they do not wish to make unbalanced investment decisions. They are happy to sacrifice short term safety in order to maximise long term capital growth. The most appropriate investment strategy is a higher allocation to growth assets (approximately 80%) growth assets (e.g. shares, property and alternative strategies) and 20% defensive assets (cash and defensive fixed income).

You may like to consider our Growth option.

Highly aggressive

Highly aggressive investors may be prepared to experience levels of high market volatility in pursuit of the highest long term capital growth investment. They are most interested in reducing their taxable income and have an understanding of the behaviour of investment markets. The most appropriate investment is up to 100% growth assets (e.g. shares).

You may like to consider our High Growth option which has 95% growth assets.

If you consider that it is more important to have lower fees than the active management of your portfolio option to reduce risk,

You may like to consider our Basic Growth option.

If you consider that investment in ethical companies is more important than strategic investment across a range of investment sectors,

You may like to consider our Ethically Minded option.

If your risk classification is lower than Highly Aggressive, you may consider other investment options

Should your risk classification be lower than Highly Aggressive, and you believe lower fees to be more important than the active management of your portfolio option, other investment options may be considered. Talk to one of our Member Education Consultants or refer to the *Investment Guide (AP.3)*, *Investment Guide (BA.1)* or the Investment choice section of the *ESSSuper Income Streams Product Disclosure Statement* depending on which product you are in, available on our website at **esssuper.com.au/pds**. If you have a Retirement Income Stream, you will have access to our AssistMe tool through Members Online where you can compare other strategies.

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