

Putting your goals first

A goals-based investment approach isn't focused on 'beating the market'. It's about tailoring your investments to meet your personal goals.

Performance comparisons are unavoidable in the investment world. Every day you see investment managers measuring their success by how much they've outperformed the market, or their peers, over a given time period.

However most people don't invest because they want to beat the market. Instead they simply want to make their money work harder so they can improve their lifestyle, educate their children or save for their retirement, in other words, a specific goal.

So why not start with the end goal and work backwards to find appropriate investments? That's essentially what a goals-based investment approach does.

Let's look at two investors who have very different circumstances:

- 1. Harriet is looking to save \$100,000 to put towards a house deposit in the next 2-3 years.**
- 2. Carla is retiring soon and looking for an income of \$60,000 every year for the next 20 years.**

These two women are likely to have very different investment profiles. For example:

- **Harriet** has a shorter timeframe, so she may not be able to take as many risks with her money (bearing in mind she may not have time to wait for markets to recover from an unexpected downturn). Harriet also needs to make sure she will be able to access her entire lump sum at once, possibly at short notice when she finds a home, so liquidity is important.
- **Carla** has a longer timeframe, so she can afford to invest in higher-risk assets knowing she has more time to recover any short-term losses. Because she needs income, her investments will be geared towards those that earn high levels of interest or dividends. Liquidity is less of an issue for Carla as she is likely to leave the bulk of her money invested for the long term.

These two investment strategies will look very different. But one thing both women have in common is that they have a specific goal that doesn't relate to any particular market benchmark or index.

This important change of mindset can help investors become less distracted by what the markets are doing in the short term. It also gives you something more personal and more meaningful to measure the performance of your investments against.

After all, you're investing to achieve goals, not returns. To learn more, speak with us.