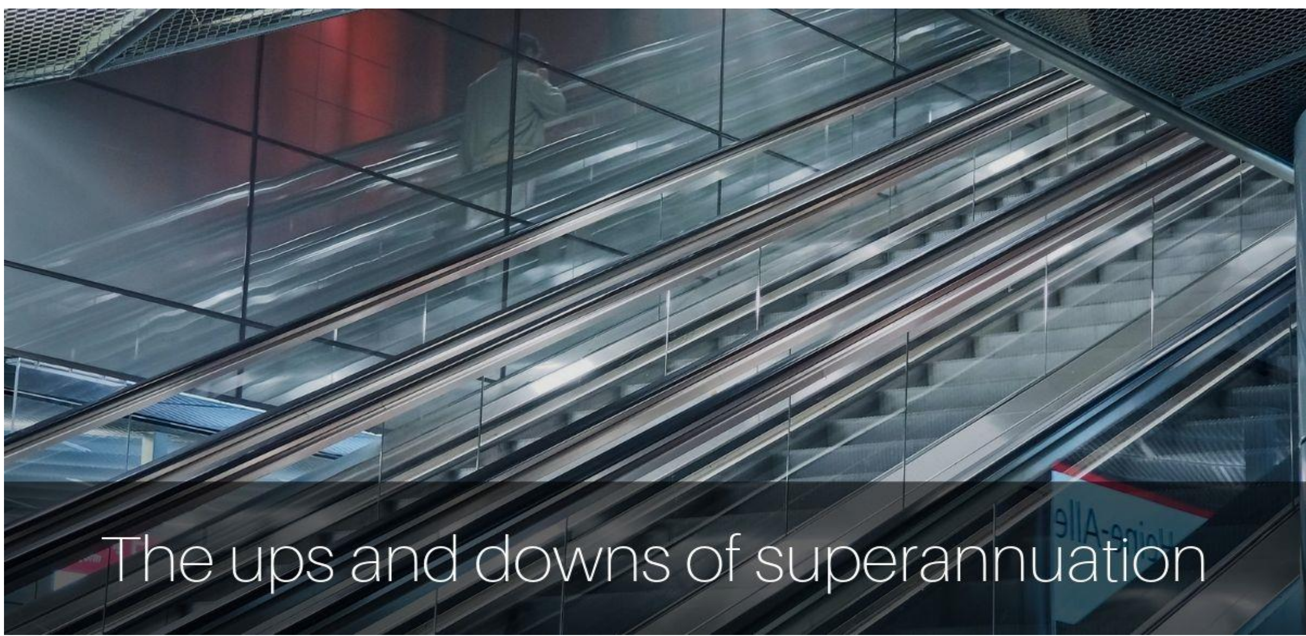

Many of us like to keep an eye on our superannuation balance. It's only natural, as we all want to retire in relative comfort, and for many people super is their second largest asset, after their family home.

If you've been checking your super over the last few months you might have noticed your balance going up and down. The first thing to know is this is quite normal. Share markets around the world naturally go through phases of volatility – where the value goes up and down. If your super is invested in growth assets, like Australian or international shares or property, there is going to be a bit more fluctuation in the short term than you would expect with defensive assets, like cash or bonds. But there could also be the reward of higher returns in the medium to long term.

The amount of fluctuation you experience depends on where your super is invested. In fact, your balance changes daily. How it changes depends on all kinds of things, like which option you're invested in and what asset classes the option invests in. Many things will impact your balance. The thing to keep in mind is that a dip in your superannuation balance is normal, as is a rise. You will also see the impact of your contributions going in and the fees for your fund coming out. It is not static!

What should I do?

Just remember your super is designed to be a long term investment – for when you retire. This means reacting over short term changes could see your retirement balance negatively impacted in the long term. Here's some quick tips you can consider:

- Keep calm
- Do you know where your money is invested?
- Decide how you'll invest in super
- How comfortable are you with risk?
- Have a plan
- Get help

- **Keep calm**

Super balances go up and down. Well, it is a long term investment after all and there will be fluctuations from time to time. Reacting to short term market changes before speaking to a financial adviser or understanding how it could impact you, could mean missing out if it goes back up down the track. Trying to pick the time to make a change is hard for many investors.

- **Do you know where your money is invested?**

Some options might be invested in riskier (more volatile) assets (such as shares and property) vs lower risk assets (such as cash and fixed interest). When you understand where your money is invested, you'll better understand fluctuations.

- **Decide how you'll invest your super**

Don't forget, you can take your super any direction you want. As our Head of Wealth, Cathy Duncan, suggests: "If you want to be a bit more hands on and are confident to make some of your own decisions, consider things like when you want to retire and your current financial situation, and ask your super fund about investing in things that mean something to you. Create your own portfolio but make sure you do your research first". By doing this you could create diversity in your portfolio, which may help reduce your risk. If you are not confident with these matters, you should get financial advice before making any changes to your portfolio.

- **How comfortable are you with risk?**

Generally speaking, the higher the risk, the greater the opportunity for high returns over time. If seeing your balance go up and down regularly concerns you, you may want to look at your investment options and your level of risk. Knowing this can help set your expectations. You also need to consider how long you are investing for – your retirement may be 25 or 30 years away so some short term ups and downs for a longer term reward might be something you can live with. You can also look to diversify your super investments further which may help reduce volatility.

- **Have a plan**

As we mentioned earlier, super is a long term investment so having a plan about how much you want to retire with, and what steps you need to take to get there, helps you track your superannuation balance over the long term.

Source: ING, May 2019