CASE STUDY - REGULAR CONTRIBUTIONS

CommSec

A proven technique to help grow your investment faster is to make regular contributions using an investment plan. Many funds have a regular savings or investment facility that makes it easy to build an investment with regular contributions starting from as little as $100 a month.

Joe and Christine have a newborn son, Tom. They would like Tom to attend a private high school and estimate the fees will be around $13,000 a year(1), so they will need six years of fees, or approximately $78,000(1). Joe and Christine know that if they start early and stick to a regular savings plan, this is achievable.

They start by investing $5,000 into a managed fund and decide to contribute $350 a month. If their managed fund were to grow by 7% a year(2), allowing for inflation of 2.5% a year, by the time Tom starts private school in 11 years they will have around $78,000(3) – more than enough to pay for the first four years of fees! Their savings plan will continue after Tom starts high school, adding a further 6 years of savings.

By investing regularly and resisting the temptation to make withdrawals, Joe and Christine can benefit from compound returns – earning further investment returns on their re-investments.

[1] In today's dollars.

[2] Before fees and taxes. Please remember fees and taxes have an impact on long-term returns.

[3] No allowance has been made for taxation, including capital gains tax on investment earnings.

Note: This example is for illustration purposes only and does not represent actual or expected returns. A change to one or more of the variables and assumptions listed will produce different results.