STARTING OUT IN SHARES THE ASX WAY
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These days more people than ever before have an interest in the sharemarket. It is easier and cheaper to buy and sell shares, there is more information about the market and most of us have a stake in the performance of the market through our superannuation funds.

So, if you are reading this introduction, you too have probably decided that you want to know more about investing.

But where to start?

*Starting Out in Shares the ASX Way* is a good place to start because for more than 30 years the Australian Securities Exchange (ASX) has been educating people starting out in the world of investing.

You may not know:

- what a share is
- how the sharemarket operates
- how to buy and sell
- what you need to have ready before you get in touch with a stockbroker.

We will walk you through all this and a lot more as well.

People often get a bit overwhelmed about investing in the sharemarket because, for many, it is unfamiliar territory with unfamiliar language. We will try to avoid jargon as much as possible, but we will explain terms to you that you are likely to encounter when you step into the world of investing.
Part I of the book intends to get you thinking about why you want to invest, what your objectives are and the various choices you have. We go into detail about how to buy and sell shares and how the market operates. In Part II we get into the nitty-gritty of having a balanced portfolio and how to set up an investment strategy.

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By the end of the book we hope you have a good overview of the basics of investing and can confidently take your next steps in your investment journey.
PART I
The basics of the sharemarket

Starting Out in Shares the ASX Way aims to explain what shares are and how to buy and sell them. The book is targeted at people who are new to share investment. Part I of the book compares the benefits of shares over other investments, how the sharemarket works and how to set yourself up for share investment.
When you turn your mind to the prospect of investing in the sharemarket there are a lot of different aspects to consider. Why do you want to invest in the market? What are your investment goals? Consider whether your objectives are sound and realistic and how you are going to achieve them. This leads to thinking about mapping out your investment strategy. Then there are the practicalities of actually investing—that is, of doing it.

**Saving versus investing**

Saving involves setting money aside in a safe place in the hope that you will accumulate an amount sufficient to cover your future financial requirements. You can improve your chances of success by reducing your living expenses and lowering your lifestyle expectations. People with a strong savings mentality are good at this. Following this strategy means that your money may be safe as there is little chance of losing it. However,
there is little you can do to protect its buying power from the debilitating effect of inflation.

Investing, on the other hand, makes your money work for you. Investors look for opportunities to put their money to use so that it may grow and create greater wealth for them. They assess alternative investment opportunities in terms of the potential risk involved, weighing them against the potential return to be made from the investment.

Strategies that take both inflation and taxation into account will improve your success as an investor, as will diversifying your risk across a range of investments.

What is your current life situation?

Your own personal circumstances, responsibilities and obligations will be major factors in determining your ability to invest and what you hope to achieve. You should consider the following:

- **Age and expected time remaining before retirement** — how much time do you have to achieve your goals?
- **Occupation and employment status** — do you have job security and a reliable income, or are you self-employed or a pensioner?
- **Spouse’s age, occupation and retirement plans** — have you included your spouse’s or partner’s situation in your planning?
- **Family and dependants** — do you want to provide for your children’s education, for example, or other needs?
- **Plans for your family home** — do you own your family home and will you sell it when you retire? Will you buy another home?
- **Standard of living** — what are your standard of living expectations, including holidays, entertainment and luxury items?
- **Estate planning** — have you planned for any future distribution of your wealth?
- **Personal control** — how much control do you like to have in managing your financial situation?
Insurance—are you adequately protected against risks to your property, possessions, income and wellbeing? It is important to insure your assets against loss. If you are earning an income, you are your most valuable asset and it is important to consider insuring your income against loss through illness, accidents or disability.

**Current financial position**

It is important to take stock of your current financial position, as it will affect your ability to raise funds for immediate investment. Also, your stockbroker or adviser will require information about your current position in order to provide you with suitable investment advice.

There are some excellent online calculators on the MoneySmart website (www.moneysmart.gov.au). MoneySmart is an initiative of the Australian Securities and Investments Commission (ASIC), which provides a wealth of general financial resources beyond investing in the sharemarket.

**Goals**

Take a moment to reflect on your goals:

- How much money should I invest?
- Where should I invest—the sharemarket, cash or property?

Goal setting means thinking about what is important in the medium to long term, how much those goals will cost and how you plan to afford them.

**How much money do you have to invest?**

The amount of capital you have available for immediate investment will include the value of your current investments, any surplus after-tax income and, potentially, the value of some of your general assets if you are prepared to sell or borrow against them.