

Are you Playing the Lottery with your Nest Egg?

Let's face it, Australians love a flutter. That's fine if you want to bet some spare cash on horses, Lotto, scratchies, or pokies – but it's another matter if you play with your investing dollars in the same way.

The reason that swindlers get so far with their scams lies in the human frailties of greed and fear. Good swindlers will play on both these emotions to the extreme. For instance, they tell you this investment could earn 20 to 100% over 6 months, without mentioning the downside risk. Downside risk is industry parlance for what you have to lose. In the case of CFDs – a trendy trading instrument similar to options, the risk of losses are tripled, along with the chance of profits. (I am not suggesting that CFD trading educators and brokers are shady, but the risk is there that people may not look into, e.g. on a CFD provider's advertisement the fine print says "losses could exceed your initial deposit".)

Fear may be played on by spruikers saying you could miss out on growth, or you could have a miserable retirement.

A common practice that goes on in Australia is the marketing of overpriced property developments to the unsuspecting investor. There is a notion that 'bricks and mortar' is generally safe, but retirees that lost their money in unsecured mortgage debentures will have learned the hard way. Others have lost ground in their investments by being sold a new property above cost.

You simply have to look at it this way: if a company is spending a lot on marketing and salespeople, where is that money coming from? These days there is not as much profit in the sales of outer city house and land packages due to Government duties, so the profit is made from selling at a higher price to the unsuspecting public. Often the investors targeted live nowhere near the suburb in development, so they do not have a fair idea of market price. In the 1990s thousands of Sydney and Melbourne investors were duped into buying new units well above correct valuation by shonky marketeers that would fly them up to the Gold Coast and control the situation. These 'couriers' were paid \$10,000 or more per signature by the developer/vendor. Half of all Gold Coast apartments were over-priced in this way, which is where the term 'two-tier property market' originally came from.

Remember, the best way to make a sure-fire profit in property is to buy a quality house in a sought-after area below market value (this is easier in a market slump).

Thousands of Australians have lost money, or opportunity, simply by not doing their own research. There are many low risk places to put your hard-earned cash, and I cover these asset classes in my book. Find out what the investment will cost you, and what the investment will most likely return to you. I also remind everyone to check *who* they are investing in, and *what* they are investing in, since these are the two most critical factors affecting the safety of your capital.

Start planning your financial independence today: read ***Sack Your Financial Planner.***