Example of report on investment decision

Business, Marketing

In order for her to make the right financial decision, she needs to understand what it means to invest in shares from ABC supermarket, or save her money in a bank. Deciding whether to save or invest lies with the financial goals that you have. This is also determined by the financial position that the client is in (McAllister, Dowrick & Hassan, 2003). If your financial goals are more immediate e. g. going for a holiday, buying a car or even setting a deposit for a new house, it would be better to opt for a high interest savings account, which is easily accessed. On the other hand, if you are looking into the future, by saving money for your child’s college or your retirement, then investments would be the better option, as they may take a long time to mature (Lewis & National Association of Investors Corporation, 2005). The main advantage of this being that the cash yield would be greater but so is the risk. The option that I would encourage the client is to save her money in a bank account instead of investing in the volatile supermarket industry that is monopolized by Coles and Woolworths which control more than 65 percent of the market share. If you still desire to invest, you can put 35 percent of your money in a mutual fund. This is usually the best way to introduce a person to the stock market, enabling her to understand how it works. The fund has lower risks, as the portfolio is large. Thus I would advise her to put 65 per cent of her money in a savings account, and 35 percent in a mutual fund, which may even invest in ABC supermarket, but with the added advantage of lower risks.

Even though the interest rates from banks are low, the decision to save always has to come first. The main reason for this is that it is the only source of enough capital that you could gain which will feed your future investments. Thus savings becomes the basic foundation for future financial choices. As a general rule, if a person wants to gain access to a lot of money over a short period of time, i. e. less than or equal to five years, it would be wise to consider savings over investments. The investment market is very volatile; it is not uncommon to see shares loose up to 50 per cent of their value within a year, resulting to great loss on investment. Since you are interested in going for a holiday, which requires a lot of money, considering putting a large percentage of your money in the bank's saving account is a wise decision

In order to make an informed decision, you will have to understand the merits and demerits that are present when you decide to invest or save. The decision which may drive people to save may be influenced by;

- Low interest rates on borrowed money – Sometimes you may decide you want extra money for a certain project. If you already have a savings plan at a certain bank, you will be able to be offered a deal that will greatly reduce the amount of money you will have to pay as interest.
- Safety net in case of an emergency - Keeping money in an accessible having account enables you to cater for emergencies, such as suddenly losing your job. This money will enable you to remain comfortable while you are looking for an alternate job. It's a good safety net.
- Saving helps open options to other things – if you have saved money, it will be easier to invest as you already have a safety net in case things go sour.
- The convenience in getting your money – With a bank's saving account, you will be able to easily gain access to your account via an ATM, the internet or even visiting a branch office.

- There are low risk factors – Even if the bank files for bankruptcy, and it had your savings, you will be able to receive your money up to a certain percentage, as every bank is insured.

The decision to invest is driven by the following factors:

- Objective – The main factor determining whether you invest is the time frame you want to receive returns. A good investment is able to allow you to get regular income , that appreciates with capital invested, it takes a lot of time, with the set rule saying that all goals above 5 years should depend on investment, while those under five years, should depend on savings. Joining a mutual fund and investing part of your money on the shares of ABC supermarket (Chorafas, 2005).
- Profits – There are various types of returns gained on investments. These include; dividends, capital gains or even interest. Thus the client is able to both get money from dividends and also capital gains. Usually the dividends are paid on a regular basis i. e. quarterly to shareholders. However the payout that mainly interests investors is the capital gain, which defines the difference in the value of a stock from when it was sold to when it was purchased. The advantage of the gains is that saving is restricted to the maximum value of retention, by overcoming inflation (Kirchner, 2012). Investments are not bound by this, and can continue to increase throughout. Thus, money works for you. If your desire is to have higher interest rate, which is not as restricted like the one in banks, you can decide to Invest in the supermarket (Dorsey & Mansueto, 2004).

After understanding all the general factors that may influence the decision to either invest in the popular retail store, or save money in the bank, you need to understand the particular business environment in the area that would help you make the right financial decision. If you want more money over a period of less than five years, it would be more convenient to save. Save about 65 per cent of your money in a bank like Westpac, whose interest rates on deposits are high. The following are some of the factors that would influence you to consider saving in any Australian banks:

- Setting up a savings account is free of charge, with no minimum balance required, money retrieval services such as ATM’s are also offered free with unlimited number of withdrawals.
- Government guarantee – Saving in a bank is a secure way of ensuring financial success. This is because even of the bank becomes bankrupt; the government has offered a complete guarantee for all savings made. Thus even if another financial crisis occurs, you would not lose your money. The banks also provide personal securities (Covick, 2002).
- There is a tax waiver for all deposits made on all saving accounts offered by the Australian government, ensuring that the money steadily appreciates (Eagleson, 2010).
- The interest rates offered for savings accounts in Australian banks can go as high as 3. 5 to 5 per cent. You also retain the privilege of determining when you will be paid. I. e. quarterly, annually or biannually.
- After the completion term of a savings account has reached, a client is able to compare the different savings accounts and change to the one that most suits their needs.

The recommendation I would give you is to save at least 65 per cent of your money in a bank account. This is because problems in the family and natural disasters are unpredictable and thus may occur at any time. If you invest all your money on ABC supermarket, you will not have a safety net that will support you in case of an emergency and may even fail to get dividends due to the prevailing market conditions. Furthermore, the long term maturity of the investment would thus become a challenge in this situation.

Investing in the supermarket industry in Australia is a very risky affair, considering that Woolworths and Coles, the largest chain of supermarkets in the country, control about 75 per cent of the market (Shlesinger, 2012). Thus the return on investment even after five years would be small, considering that all the other super markets in the country would be competing to control the remaining 25 per cent market share. The two top supermarket conglomerates, Coles and Woolworths have even taken it upon themselves to sell some of their shopping centers for $700 million and $1. 4 billion respectively with the sole purpose of concentrating on retail (Schlesinger, 2012). It is evident that this monetary reserve they have is more than they need to fund their price wars (Round, 2006). Although it benefits the customers, investors rake in fewer dividends due to lower sales volume caused by the bid wars between the supermarket giants (Burch, & Lawrence, 2007). At this juncture, it would be ill advised to invest into the supermarket industry, ABC supermarket in particular.

The first way of ensuring financial success is to look at the facts in a pragmatic way, distancing one’s self from any attachment whatsoever towards any organization that may lead to bias. If the correct facts are followed to the latter, the right decision would be made. It is a known fact that investing in up and coming supermarkets, such as ABC supermarket would not guarantee a steady supply of income. This is because it is still in its growth and development stage, of its life cycle, where most of its earnings are re - invested back to the business, in order to expand and survive the market. If you are interested in investments, the best option would be to opt for a mutual fund instead, instead of the highly risk, with low return investment on ABC supermarket.

Saving and investing are some of the ways that people use in their search for financial freedom. As we have seen above, all things have their merits and demerits. Banks are secure and easily accessible but offer a low interest rate. Investments may rake in a lot of profit, via both dividends and capital gains, but they are risky. The only possible way of ensuring that a person does not lose all their money, Is by saving a large portion of it in a bank, which would act as a foundation for future investment and starting slowly from mutual funds, with colleagues who know the stock market, before gaining enough information on where to really invest.

References

Burch, D., & Lawrence, G. (2007). Supermarkets and agri-food supply chains: Transformations

in the production and consumption of foods. Cheltenham, UK: Edward Elgar

Chorafas, D. N. (2005). The management of equity investments: Capital markets, equity

research, investment decisions and risk management with case studies. Amsterdam: Elsevier.

Covick, O. (2002). Policies to boost Australian saving: How? and why?. Kent Town, S. Aust:

Wakefield Press.

Dorsey, P., & Mansueto, J. (2004). The Five Rules for Successful Stock Investing: Morningstar's
Guide to Building Wealth and Winning in the Market. Hoboken: John Wiley & Sons.

Eagleson, J. G. (2010). Law and practice of banking in australia and new zealand. S. l.: Nabu
Press.

Lewis, E., & National Association of Investors Corporation. (2005). Investing in your future.
New York: Thomson Texere.

Kirchner, S. (2012), Foreign Direct Investment in Australia Following the Australia–US Free
Trade Agreement. Australian Economic Review, 45: 410–421. doi: 10. 1111/j. 1467-8462. 2012. 00686. x

McAllister, I., Dowrick, S., & Hassan, R. (2003). The Cambridge handbook of the social
sciences in Australia. Cambridge: Cambridge University Press.

Round, D. K. (2006), The power of two: squaring off with Australia's large supermarket chains.
Australian Journal of Agricultural and Resource Economics, 50: 51–64.
doi: 10. 1111/j. 1467-8489. 2006. 00319. x

Shlesinger, L. (2012) Wesfarmers considering selling off Coles freehold supermarkets to
institutional investors . The property observer 14(3), 3. http://www.

propertyobserver. com. au/retail/wesfarmers-considering-selling-off-coles-freehold-supermarkets-to-institutional-investors/2012101557181

Strumeyer, G. (2005). Investing in Fixed Income Securities: Understanding the Bond Market.

New York: John Wiley & Sons.