

Wary or wily?

We may not be able to predict how each asset class will perform in the coming months, but cash almost certainly won't be the best performer.

You want to make sure you're making the most of current investment opportunities, especially if you're relying on the return on your investments to provide you with a regular income stream.

Months of market volatility may have understandably made you wary of taking investment risks. You may have opted for safety and moved some or all of your investment into cash to protect your capital.

If you're a seasoned investor, you'll know that investment markets tend to be cyclical. Cash may have been king for the last year or so, but now it's possible that other asset classes will take their turn in the spotlight.

While there is still some uncertainty in investment markets, it could be time you took a step back from the turmoil to review the pros and cons of different asset classes with a clear mind.

Are you ready for risk?

It's increasingly unlikely that returns from cash will keep up with inflation in the short term, especially if you're a tax-paying investor. If you want to get back to growing your wealth, you may need to consider other investment options — and that may mean moving your money into more risky assets.

Before you consider any changes to your investment strategy, you should talk to your financial adviser. Your adviser can help you reassess your tolerance for risk and help you decide which investments are best suited to your investor risk profile, your investment timeframe and your other needs.

Time to review?

The old adage of 'don't put all your eggs in one basket' still holds true. No one can predict which asset class will be the next top performer, so investors who move out of cash will be looking to spread their investment across a range of assets.

So what are your options? When the cash rate falls, the opportunities presented by fixed interest investments come into their own. Well-managed bond funds are one option. In a difficult fund-raising environment, bond issuers must increase their yields to attract investors, so that quality government and corporate bonds such as Commonwealth Government bonds and 'triple A' rated products could provide sound returns.

It could also be time to consider getting back into the sharemarket. Equities have had a tough time, but there are likely to be opportunities for long-term investors who stay in the market.

Some industry sectors such as healthcare may hold opportunities for growth. And there are companies both locally and internationally that have made it through the tough economic conditions in one piece, strengthened by the collapse of their weaker competitors.

An alternative approach

If you're not ready to invest a lump sum in the more volatile assets, a regular investment plan could be the answer. Drip-feeding a regular amount into a share portfolio, for example, will help smooth out any short-term volatility because you'll be buying fewer shares when prices are high and more shares when prices drop. Over the long term, this approach has the potential to generate better returns than cash alone.

If you think it's time to review your investment strategy, talk to your financial adviser.