

# INVESTMENT REPORT



## TWENTY KEYS TO FINANCIAL SUCCESS

By Magnus Heystek—Investment Strategist

Fifteen years ago I was asked by the now-defunct Flying Springbok magazine to write an article on the twenty keys to personal financial success.

A couple of weeks ago I received a call from a member of the public to thank me for that article as her father had laminated the article and gave it to each of his four children. She has carried it around with her ever since.

I am extremely indebted to her, firstly for reminding me about this article and, secondly, for sending me a copy thereof.

Reading the article again for the first time since 1997, I was struck about how timeless the advice was. With the exception of one or two adjustments, which I have added in cursive, the original article is published as is.

I sincerely hope that our clients and friends will find the same value.



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- ⇒ **INVEST IN YOUR EDUCATION, YOUR HEALTH AND YOU RELATIONSHIP WITH FAMILY AND FRIENDS.** Having a lot of money isn't worth much if you don't have your health and people with whom to share your life. *(As you get older, and hopefully wiser, you learn the wisdom of this statement).*
- ⇒ **TAKE CHARGE OF YOUR FINANCES.** Procrastinating or postponing important financial decisions is detrimental to your long term financial health. Don't wait for a crisis or a major live event to get your act together.
- ⇒ **EITHER MANAGE YOUR FINANCES YOURSELF OR HIRE THE BEST INVESTMENT AND TAX CONSULTANTS YOU CAN AFFORD.** People who sell products and work on commission are salespeople, not advisors. Work in partnership with advisors but never abdicate control. *(Sadly, these lessons were not learnt once again by investors who poured and lost billions of rands into property syndications Sharemax and PIC. At Brenthurst we warned investors and our clients about the dangers of these high-commission schemes. An estimated R10 billion is now probably lost).*
- ⇒ **NEVER BUY ITEMS ON CREDIT THAT LOSE VALUE FROM DAY ONE.** These items include cars, clothing, furniture and household items that lose value from day one. Use debt only to acquire financial assets that are likely to appreciate in value such as residential property, an education or a business. *(Unfortunately, the whole world, including South Africa, embarked on one massive spending spree on all kinds of debt for most of the last decade, with the credit bubble bursting on the back of the bankruptcy of Lehman Bros. in 2008).*

Global  
 Markets  
 AND SA ECONOMY

- ⇒ **USE CREDIT CARDS RESPONSIBLY, ONLY FOR THE CONVENIENCE OF MAKING PURCHASES WITHOUT CASH OR CHEQUES AND THE 55 FREE DAYS OF CREDIT IT OFFERS YOU.** If you have a propensity to run up credit card debt, get rid of your cards and use only cash and debit cards.
- ⇒ **DON'T TRY AND KEEP UP WITH THE JONES'S BY LIVING BEYOND YOUR MEANS.** Many people who engage in conspicuous consumption are borrowing against their future and end up in bankruptcy.
- ⇒ **SAVE AND INVEST AT LEAST 5 TO 10% OF YOUR INCOME.** Preferably you should invest in tax-preferred retirement plans such as retirement annuities to reduce your taxes and be financially secure by the time you one day retire. *(It is advisable to save at least 10 - 15% p/m to build up sufficient provisions over time, and to start saving early & continuously.)*
- ⇒ **MAKE SURE YOU UNDERSTAND AND UTILIZE YOUR COMPANY-SPONSORED EMPLOYMENT BENEFITS SUCH AS A RETIREMENT FUND.** Many employees often only look at their company benefits when they are on the point of retiring or resigning and by then it is too late.
- ⇒ **NEVER PURCHASE A FINANCIAL PRODUCT OR INVESTMENT ON THE BASIS OF AN ADVERTISEMENT OR SALESPERSON'S SOLICITATIONS.** Companies that conduct aggressive advertising or sell their products by means of cold-calling generally have the worst financial products with the highest cost structures.
- ⇒ **AVOID FINANCIAL PRODUCTS THAT CARRY HIGH COMMISSIONS AND EXPENSES.** These costs are often hidden away in difficult-to-understand prospectuses but are revealed through your persistent questioning of insurance and other investment products. *(Legislation since 1997 has changed a lot but many layers of fees and costs are still opaque and difficult to understand).*
- ⇒ **DON'T BUY FINANCIAL PRODUCTS THAT YOU DO NOT UNDERSTAND.** If it's too complex or the marketing pitch is not objective and informative, gather more information before making a decision.
- ⇒ **INVEST THE MAJOR PART OF YOUR LONG-TERM MONEY IN OWNERSHIP VEHICLES THAT HAVE THE POTENTIAL TO APPRECIATE IN TIME SUCH AS SHARES, UNIT TRUSTS, ENDOWMENT POLICIES AND YOUR OWN BUSINESS.**
- ⇒ **AVOID MAKING EMOTIONALLY BASED FINANCIAL DECISIONS.** Investors who sold their stock holdings after the 1987 stock market crash missed a tremendous buying opportunity. Take your time making important financial decisions after a major life change such as divorce, job loss or death in your family. *(For 1987 one can insert 1991, 1998 and 2008. Stock market corrections are normally a great time to buy, as we advised our clients in May 2009).*
- ⇒ **MAKE INVESTING DECISIONS BASED UPON YOUR NEEDS AND THE LONG-TERM FUNDAMENTALS OF WHAT YOU ARE BUYING.** Ignore predictive advice offered by "financial experts". Never make investment decisions based on news headlines. Nobody has a crystal ball and information about today's and yesterday's events is already reflected in current investment prices. *(This advice is even more pertinent in today's world of instant news on the internet, twitter and Facebook).*
- ⇒ **UNLESS YOU HAVE A TERRIFIC RENT-DEAL OWN YOUR OWN HOUSE.** In the long run owning a house is more cost effective than renting. Don't buy unless you can put down roots for longer than five years.
- ⇒ **PURCHASE BROAD INSURANCE COVER TO PROTECT AGAINST FINANCIAL CATASTROPHE.** Eliminate insurance for small potential losses. Learn to look after your own goods.
- ⇒ **RESEARCH WELL BEFORE YOU BUY PRODUCTS, FINANCIAL OR OTHERWISE AND/OR MAKE FINANCIAL COMMITMENTS.**
- ⇒ **IF YOU ARE MARRIED OR HAVE A LONG-TERM PARTNER, TRY AND MANAGE YOUR FINANCES IN A COMPREHENSIVE JOINT FASHION.** Set aside time periodically to discuss financial goals and issues. Be accepting about your partner's money "personality".

- ⇒ **READ PUBLICATIONS THAT HAVE HIGH QUALITY STANDARDS AND AREN'T AFRAID TO TAKE A STAND AND RECOMMEND WHAT IS IN YOUR BEST INTERESTS.** (The explosive growth of the internet has put substantially more information at the disposal of investors and consumers. Be careful however of internet marketing masquerading as investment advice and wary of making investment decisions based purely on what you have read on the internet.
- ⇒ **BE PATIENT. PRIORITISE YOUR FINANCIAL GOALS AND START WORKING TOWARDS THEM.** Focus on your accomplishments and learn from your mistakes. (Everyone makes investment mistakes. Make sure you learn from them and try not to repeat them).

## NEW APPOINTMENT: PRETORIA OFFICE

IT IS WITH GREAT PLEASURE THAT WE ANNOUNCE THE APPOINTMENT OF YOLANDI BURGER TO OUR PTA OFFICE.



YOLANDI BURGER  
PRETORIA OFFICE

**YOLANDI BURGER** joined Brenthurst Wealth at the beginning of 2012. She assists Johan Burger our financial planner at the Pretoria branch in portfolio updates as well as financial administration. She has a BA Degree in Physical Education, an Honors Degree in Biokinetics as well as a Masters Degree in Human Movement Sciences.

Yolandi is a keen golfer and also loves to work out in the gym. She is a member at Waterkloof Golf Club and also recently won the ladies silver division during club championships. Yolandi also has a 7 year old daughter named Mignon.

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