



THE POWER
OF INDEPENDENT ADVICE

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IN THIS ISSUE



By taking a long-term view and applying good investing principles you can reap the benefits of compounding returns that the market has to offer.

INVESTING WITH SA'S

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DON'T DELAY INVESTING

By Lloyd Uren, Paraplanner/Advisor, Brenthurst Wealth Stellenbosch

Fear of losing money in the markets makes people do peculiar things. Like sitting on a pile of cash while waiting for market conditions to improve. Given the incredible lows, then highs, since the beginning of 2020, it's no surprise that conservative investors are spooked.

THE TROUBLE IS THAT THE BIGGEST RISK OF ALL IS NOT TAKING ONE AT ALL.

Market volatility is one of the biggest causes of investors losing money. Not because of the volatility, but because they often sell their investments when they're at their lowest point.

Fear of even greater losses leads many investors to do exactly that when they withdraw from the markets, often not reinvesting in growth assets because of this experience.

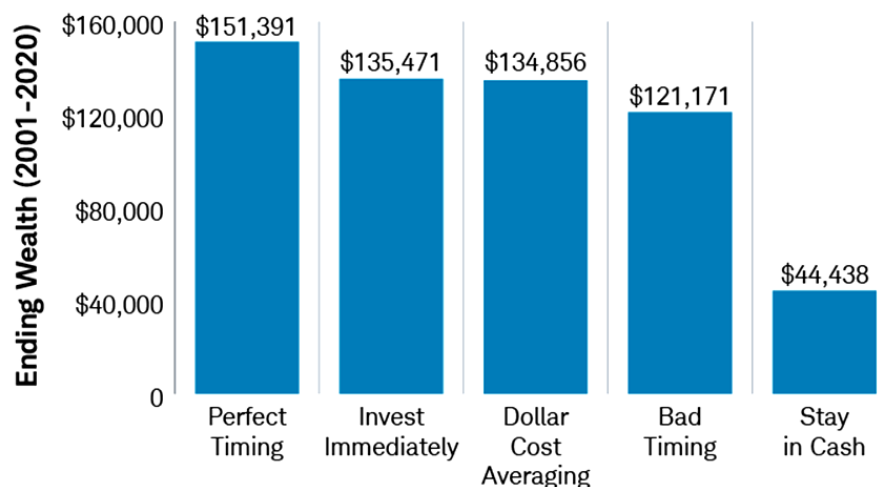
Trying to convince fearful investors that it pays to stay invested, even through the bad times, is never easy when emotions are involved. So much so that we tend to remember negative moments and events while glossing over the positives.

For instance, everyone remembers the market crash in 2008, but seldom is it mentioned that it was followed by the longest bull market in history which ran for more than 10 years.

The best way to overcome this kind of bias is to look at the numbers because the numbers don't lie!

WHY IT DOESN'T PAY TO TIME THE MARKETS

A recent study by [The Schwab Centre for Financial Research](#) tracked the outcomes of multiple investing scenarios over a 20-year period, with an annual investment amount of \$2,000 per year in the S&P 500 (see graph below).



Source:
Schwab Center for Financial Research.
Invested \$2,000 annually in a hypothetical portfolio that tracks the S&P 500® Index from 2001-2020.

There's no surprise that an investor with perfect timing would profit the most. It's also a scenario we can ignore because it's not realistic. However, investing the \$2,000 as a lump sum every year and not being concerned with where markets are, produced very credible growth. A very similar result was produced by investing the \$2,000 consistently over a 12-month period.

The biggest surprise is how much better you would be off even if your timing was bad compared to staying in cash.

All four investing scenarios yielded an annualised return of more than 10%, while cash in the bank grew at a measly 1.22%. And guess what, the period of the study includes the financial crisis. The numbers don't lie.



THE POWER OF COMPOUNDING INTEREST

We can take this example to the next level by looking at the returns if you invested your \$2,000 per year as a lump sum (of \$40,000). Invested for 20 years with an annualised return of 10%, would yield \$270,000!

You can read more about the value of this approach in the article by my colleague, Suzean Haumann: Lump sum vs phased in investing. [Lump sum vs phased in investing.](#)

The lesson really is that there's no time like the present to start investing your money and making it work for you.

By taking a long-term view and applying good investing principles you can reap the benefits of compounding returns that the market has to offer. If you're still uncertain about where to begin and how to decide what to invest your money in, then you can enlist the professional help of a financial advisor who is qualified to develop an investment that is tailored to your risk profile and financial goals.

It's often advised to never look back unless it is to see how far you've come. With that said, you can look back with greater satisfaction in 20, 30 or 40 years time and thank yourself that you trusted that the numbers don't lie.

ADVISOR PROFILE:

LLOYD UREN, PARAPLANNER/ADVISOR, BRENTHURST WEALTH STELLENBOSCH



Lloyd joined the Brenthurst Wealth Team in 2023 as a paraplanner/advisor and currently works under the direct supervision of Sonia du Plessis, Renee Eagar and Ruan Breed in our Stellenbosch office.

He obtained his BCom (Investment and Financial Management) degree from the University of Stellenbosch, as well as his Postgraduate Diploma in Financial Planning through the Stellenbosch Business School.

Lloyd previously worked in the IT Services industry as a data officer for Wyzetalk before beginning his career in financial services with Brenthurst. He is passionately driven to help individuals achieve their lifetime financial goals and, thus, is working towards earning his CFP® designation to enable him to provide advice on all financial matters.

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