INVESTMENT REPORT

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IN THIS ISSUE

Successful investing often requires careful analysis, diversification and a long-term perspective to mitigate risks and maximise potential gains.

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FIVE PILLARS FOR INVESTMENT SUCCESS IN TROUBLED TIMES

By Sonia du Plessis, CFP®, Head of Brenthurst Wealth Stellenbosch

Another interest rate hike hit already nervous investors at the end of May. Added to that, the economy continues to worsen as power issues continue and the beleaguered currency takes strain, making investment decisions difficult and stressful. However, it's in times like these that you need to pay extra-special attention to your financial plan.

When the odds seem stacked against attaining that dream retirement you envisioned, it's always worth going back to basics. My suggestion to investors is that all you need for a chance at securing a happy retirement or being a successful investor is to build the following five key pillars into your financial plan.

PILLAR 1: INVESTMENTS

The first pillar of financial planning is investing in such a way that the wealth you've accumulated is put to work over the long term. It is never a bad time to invest, regardless of what equity markets are doing. Although it is not easy to invest your hard-earned cash when markets have done so poorly, remember that it is historic data you are looking at and you are buying in at market lows.

As part of this process, the most important consideration is where you invest your money. **Diversification is all about spreading your money in different baskets so that your risk is not too concentrated**.

How much you put in each basket depends on many factors; the state of the economy, inflation, interest rates, your risk profile, your investment goals or how close or far you are from retirement.

PILLAR 2: INCOME PLANNING

This is the process of creating a detailed strategy to determine how much income you'll need to afford the retirement lifestyle you desire.

Your circumstances are unique and will differ from those of others, and that determines how much you need, how much you have and how much you can safely draw every month.

It's important to understand what your sources of income will be during retirement: company pension, investment returns, rental or other forms of passive income. All these need to be understood and accounted for in your income planning.

Currently, with interest rates and bond yields being at all-time highs, investors can expect a juicy yield of between 9%-11% p.a. from income funds.

PILLAR 3: INSURANCE

Often seen as a grudge purchase, insurance is simply the intelligent way to better manage your risks. By doing so, you limit the damage to your savings pool in the event that something unplanned happens.

An emergency could have dire consequences on your financial position if you're not sufficiently prepared for these eventualities. The key is to remember that short-term insurance covers you against loss, while long-term insurance, such as life cover, protects your loved ones.

In addition, it is important to review your short-term and long-term insurance on a regular basis. It doesn't make sense to be overinsured and waste money that could otherwise be put to good use.

PILLAR 4: TAX PLANNING

Planning your taxes might not be considered as much fun as planning your investments, but it is an equally important pillar to include in your financial plan.

This is a source that could drain your savings quicker than planned if you don't take the right actions to reduce your tax obligations in line with your reduced earning potential. Falling foul to SARS is unpleasant and a costly exercise that you can avoid by discussing these matters with a tax and financial advisor.

Simple planning and clarity with regards to your obligations can keep your financial plan on track and prevent the tax man from knocking on your front door.

PILLAR 5: ESTATE PLANNING

A good estate plan should include staples such as a last will and testament, a power of attorney, a living will and a healthcare power of attorney.

Although a trust isn't appropriate for everyone, there are very clear cases in which your family can benefit from using this structure to house your assets. This is especially true if you have a substantial estate that your family will rely on to continue your legacy.

No matter your personal circumstances, you can help to avert a future financial crisis by taking action today and start building on these five pillars. There is no ideal or preferred order in which to build on them, but by doing so in a consistent manner you can help to shore up your retirement finances.

CONCLUSION

It is not always easy to follow through on doing the right thing. It is human nature to procrastinate. Even though we know what the right thing is to do, we often leave it for tomorrow, or the next day. We always have some or other reason to justify why we should not invest now... let's wait for equity markets to correct, or wait for interest rates to be lowered, or even for the rand to strengthen**.**

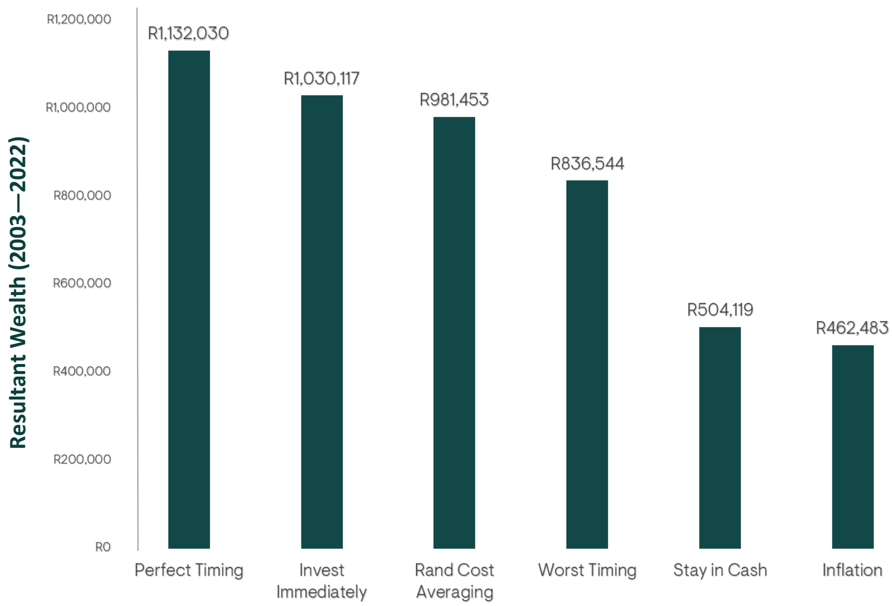
THE FIVE PILLARS FOR INVESTMENT SUCCESS IN TROUBLED TIMES CAN HELP YOU GET STARTED.

The below graph illustrates the growth of a R20 000 p.a. investment over 20 years, from 2003 - 2022, in various scenarios. The strategy with the best outcome is where an investor sells at market highs and buys in at market lows, which we all know is impossible to do.

The next best outcome is where an investor invests immediately (without trying to time the market) and rides out the market ups and downs. This confirms the importance of staying invested.

Furthermore, when investing abroad, it is important to note that 75% of the time it is better to invest your lump sum immediately rather than follow a rand-cost average over 12 months.

Lastly, the graph also illustrates that investing in the market at the worst possible time, i.e., making your annual contribution when the market is at an all-time high, still delivers a better result than when remaining in cash.



Certified financial advisors are in the best position to help you plan a path to building these pillars.

They have the resources to make informed projections on what might be expected, and they have the knowledge to plot a path to success, unlike the ZAR which has headed over the cliff.

ADVISOR PROFILE| SONIA DU PLESSIS, CERTIFIED FINANCIAL PLANNER ®

Sonia heads up the Stellenbosch office and has been in the financial services industry since 2001. She won the inaugural title of Top Financial Advisor in SA at the 2019 Intellidex Top Private Banks and Wealth Manager Awards and placed second in the 2022 awards.

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