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FOCUS ON WHAT YOU CAN CONTROL IN 2023

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After suffering through a brutal 2022, we are all hoping that global and local market conditions will be somewhat kinder this year. We don't know for sure what lies ahead, but another volatile year appears to be on the cards.

Last year was an outlier in many ways because of the outsize effects of geopolitics on the markets, as well as inflation and the aftereffects of the pandemic. We continue to be optimistic that the war in Ukraine will come to an end, but we also have to be realistic about the war and other factors beyond our control.

There are many other aspects to our investment journey, so it's crucial that you focus on things you can control. Here are three things which I believe are within your control and should guide your decision-making in 2023.

1. CLEAR THINKING IN UNCERTAIN TIMES

One of the best ways to avoid panicking about the happenings in the markets is to know what you're invested in, and why. **Building a diversified portfolio is one of your most potent weapons against short-term uncertainty.**

Consulting with a financial advisor helps you to achieve the balance needed to grow your savings, without taking unnecessary risks. While it's always a good idea to review and adjust your portfolio, doing so with your financial advisor can help minimise your risks.

For instance, the makeup of your portfolio depends on your risk profile, age and how long you have before retirement. Specialised advice on whether and how you can rebalance your portfolio will go a long way to preparing you for the future.

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2. STAY INFORMED ABOUT REGULATORY CHANGES

Over the past few years there have been several changes to the laws regulating retirement savings. Amongst these is the three-year lock-in on retirement annuities (RAs) upon financial emigration, which means that, on or after 1 March 2021, you must be a non-resident for tax purposes for three consecutive years before you are able to access your retirement annuity savings. Also, the increase in the allowed foreign exposure to 45% came into effect in February 2022.

Retirement products must comply with Regulation 28 of the Pension Funds Act. This rule regulates how much and what type of assets retirement funds can invest in.

Some of the final amendments that have come into effect since January 2023 are:

1. **The overall 45% limit for infrastructure investment across all asset classes was retained.**
   A point of importance is to understand that this amendment does not categorise infrastructure as separate or new asset class, but is incorporated into the existing asset classes.
2. **Retirement funds are prohibited from investing directly or indirectly in cryptocurrencies or crypto assets.**
3. **Private equity funds, hedge funds and excluded assets are classified individually rather than collectively.** The maximum exposure funds can have to these asset classes are 15%, 10% and 2,5%, respectively.
4. **Investment in hedge funds is restricted to those approved under the Collective Investment Schemes Control Act.**
5. **This rule previously had a 25% limitation on exposure to any one particular entity or company, applied only to certain sub-categories of asset classes**.

These may sound like boring and technical details that you'll never have to deal with, but it is purely through being informed – even if only on the broad-based changes – that you can make fully informed decisions.

3. ASSET ALLOCATION IS KEY

Creating and maintaining a diversified portfolio is all about getting your asset allocation right. You want to hold the right combination of growth and defensive assets to offer some protection against market volatility.

What not all investors realise is that this combination changes with time. I'm not suggesting that you make wholesale changes to your portfolio every year, but there are certain stages where you definitely need to assess the spread of your investments.

One of the best ways to avoid panicking about the happenings in the markets is to know what you're invested in, and why.

Building a diversified portfolio is one of your most potent weapons against short-term uncertainty.

If you're a member of a group pension fund, the chances are good that this rebalancing will automatically be done for you. The pension fund trustees typically incorporate an aggressive, a moderate and a conservative fund into the group pension fund. They then allocate each fund member's retirement savings to the available funds based on your age and life stage.

Younger employees will typically have a higher exposure to growth asset classes, while members closer to retirement age will be shifted to more conservative funds. This is done to reduce the volatility and fluctuations in retirement investment values, especially during market turmoil.

You should adopt a similar rebalancing of your portfolio from time to time to ensure your portfolio risk matches your personal risk profile and age.

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LESLIE joined Brenthurst Wealth Management in 2018 as a Risk and Investment Advisor.

Leslie obtained her National Certificate in Financial Services, Wealth Management, in 2014. She has 22 years' experience in the financial services industry, having served 15 of those years as an Independent Financial Advisor.

She is a REGISTERED FINANCIAL PLANNER™ and a member of the Financial Planning Institute of South Africa and is fully qualified to give advice on all aspects of investments, retirement planning and life cover, which includes personal and business assurance.

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