



THE POWER
OF INDEPENDENT ADVICE

IN THIS ISSUE

STAY INVESTED WITH A
LONG-TERM INVESTMENT PLAN

“ *There’s no need
to be scared of
becoming an investor* ”

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INVESTING 101: HERE’S HOW TO START

By Suzean Haumann, Certified Financial Planner, Brenthurst Wealth Management

Does investing in the stock market scare you? If so, just know that you are not alone. Many people value cash-on-hand way more than saving for a rainy day.

A recent survey by global financial services giant Blackrock shows that 57% of people are not investing. Yet the survey found that when people do take a step to invest, they create a **greater sense of well-being**.

Unfortunately, not changing your attitude to investing will cost you dearly in future. If you want to start building wealth and become financially free, you need to stop relying on your cheque or savings accounts, or hoping you win the lotto. In order to obtain something greater, you must do something different.

Stop confusing saving with investing. Saving is typically for a short term need like a luxury holiday or a deposit for an asset. Investing is aimed at building wealth over a much longer term. Don’t let debt – such as student loans or credit cards – overwhelm you and delay you starting any kind of investment portfolio. And most importantly, forget the notion that investing is something only rich people do or that only top earners can manage it.

HERE'S HOW TO START

JUST START. Even if you don't have that much to spare. Investing even very small amounts can reap big rewards in the long-term. The longer the term, the better the results you will achieve. You can start with less than R500 a month, investing in, for instance, a unit trust, exchange-traded fund (ETF) or even a tax-free account.

The key to building wealth is developing good habits, such as putting money away every month. If you make investing a habit now, you will be in a much stronger financial position down the road. You won't miss the relatively small amounts you put away now, and you'll thank yourself later.

Once you get into the habit of creating wealth and no longer focus on the low-hanging fruit of everyday expenses, you can start formulating specific financial goals.

Start by making a list of all the things you need to make you feel secure and fulfilled. Is it to get out of debt, such as paying off a car? Is it to have enough money in your pension fund to be able to retire comfortably? Do you want to start saving for your child's education, or maybe have enough money to pay for a holiday home? Whatever you hope to accomplish, narrow the list down to approximately five goals.

Then rank those goals. Weigh up the pros and cons of each item, as well as the opportunity costs.

Not sure you can set aside enough money for a child's education *and* retirement? One or more of your goals might need to take priority over the others, especially if any of them could be problematic later if deferred.

Once you do this and have a plan in place towards your goal – then, if you have any high-interest bearing debts, make an effort to pay them off before increasing the contributions towards your longer-term savings.

When you pay off credit card debt that has an interest rate of 24%, you've automatically earned that return. It's going to be hard to find an investment that beats it.

Although setting priorities and getting the ball rolling does require some form of financial advice, investing is fairly personal in nature and requires you to make a choice and stick to it. The next three elements of the investment process might require a little more – invaluable – input from a financial advisor.



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DECIDE ON YOUR TASTE FOR RISK

AS A FIRST-TIME INVESTOR YOU WILL NEED HELP IN CLEARLY UNDERSTANDING AND DEFINING YOUR RISK TOLERANCE.

Determining risk tolerance is critical when customising an investment strategy that will meet the needs of an individual. Risk tolerance is a measure of willingness to accept higher risk or volatility in exchange for higher potential returns. It is not a factor that is permanently determined and needs to be re-evaluated as time passes. Risk tolerance is likely to change with age, income, marital status and other important life events, such as buying a home, paying for a tertiary education or retiring.

The volume of information readily available everywhere can be intimidating, and having a financial advisor by your side to sieve through all the white noise and translate the data applicable to your unique situation can prove invaluable. But self-education is also important.

There is an array of economic, markets and investment news for pretty much any region of the world available on a multitude of content platforms. The more you know, the better your chances of selecting an investment vehicle best-suited to your needs.

Consulting an advisor on the plethora of investment options is still the best option and the final and most important investment tip. The investment universe is huge and the range of options diverse.

Advisors know the difference between, for instance, unit trusts, ETFs, structured portfolios and direct share purchases as well as the technicalities surrounding these products and the costs involved.

BRENTHURST OFFERS A FULL FOREX SERVICE

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