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LUMP-SUM INVESTING VS PHASED-IN APPROACH

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For many years investors have contemplated whether to invest a lump-sum amount as a once-off or phase it in over a period of time, especially during difficult and volatile market conditions such as those experienced during 2022, when it becomes more vital to make the correct decision.

A lump-sum investment is when you invest a large sum of money all at once. This is done in a single transaction. A phased-in investment is when you invest the lump-sum in multiple instalments over a period of time, e.g., over three or six months. There are several advantages to phased-in investing.

PHASING INVESTMENT

Phasing in your investment allows you to take advantage of rand-cost averaging. A strategy of investing a fixed amount of money on a regular basis, regardless of the market price. This helps to smooth out your investment costs and reduce the risk of buying high and selling low.

Secondly, a phasing investment can be less expensive than lump-sum investing. If you invest through a broker, you may be able to get discounts on commissions if you invest a smaller amount of money each month.

However, there are also some disadvantages to a phasing investment. Firstly, it can take longer to reach your investment goals. This is because you are investing less money each month. Secondly, phasing an investment can be more complicated than lump-sum investing. You need to keep track of how much money you are investing and when you are investing it.

IN THIS ISSUE

If you are comfortable with risk and want to potentially get a higher return on your investment, then lump-sum investing may be the best option for you. However, if you are risk-averse and want to reduce your risk, then a phasing investment may be the best option.

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LUMP-SUM INVESTMENT

On the flip side, a once-off lump-sum investment can give you a better return on your investment. This is because you are investing your money when the market is down, with immediate entrance into the market. When the market is down, stocks are typically cheaper, so you can buy more shares for your money. This can lead to higher returns in the long run.

A disadvantage to lump-sum investing is that it can be riskier. You could lose money if the market drops after you invest your money. Furthermore, lump-sum investing can be expensive. If you invest through a broker, you may have to pay commissions.

WHICH OPTION IS BEST?

So, which option is best for you? It depends on your individual circumstances and risk tolerance. If you are comfortable with risk and want to potentially get a higher return on your investment, then lump-sum investing may be the best option for you. However, if you are risk-averse and want to reduce your risk, then a phasing investment may be the best option.

Ultimately, the best way to decide which option is best for you is to talk to a financial advisor. They can help you assess your individual circumstances and risk tolerance and make a recommendation that best suits you.

Here are additional factors to consider when making your decision:

⇒ **Your investment goals:** What are you hoping to achieve with your investment? Are you saving for retirement, a down payment on a house, or something else?

⇒ **Your time horizon:** How long do you have until you need to access your money? If you need the money in the short term, then you may want to avoid lump-sum investing as well as a high allocation to the equity market.

⇒ **Your risk tolerance:** How comfortable are you with risk? If you are risk-averse, then you may want to consider gradually investing your lump sum.

⇒ **Your financial situation:** How much money do you have to invest? If you have a large amount of money to invest, lump-sum investing may be the best option. However, a phasing investment may be a better option if you only have a small amount of money to invest.

If you are comfortable with risk and want to potentially get a higher return on your investment, then **lump-sum investing** may be the best option for you.

However, if you are risk-averse and want to reduce your risk, then a **phasing investment** may be the best option.

ADVISOR PROFILE: Suzean Haumann, Certified Financial Planner® and Foreign Exchange Consultant

SUZEAN is head of the Tyger Valley office as well as one of the company's key individuals. She is a CERTIFIED FINANCIAL PLANNER® and a registered member of the Financial Planning Institute of South Africa.

She has experience in various aspects of financial planning, focusing on investment and retirement planning. Suzean is also a qualified Foreign Exchange Consultant for the company, with a wealth of knowledge in offshore investments.

Suzean joined Brenthurst Wealth in 2010 and is fully qualified to give advice on all investment matters.

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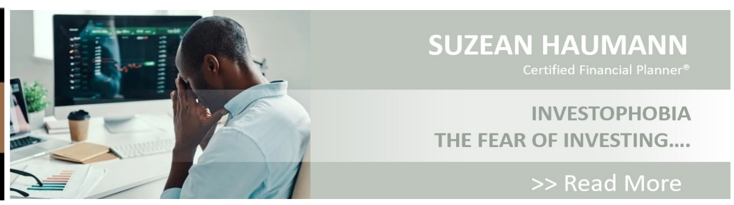

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