BRENTHURST GLOBAL WEALTH

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BUILDING WEALTH SINCE 2004

IN THIS ISSUE

Emotional investing can undermine long-term wealth, particularly when markets fall.

Rather than panic-selling, investors should stick to a sound plan, keep short-term money in appropriate defensive assets, and give long-term investments time to recover and grow.

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WHY YOUR EMOTIONS ARE THE BIGGEST RISK TO YOUR MONEY

MARIA SMIT | CERTIFIED FINANCIAL PLANNER®, BRENTHURST PRETORIA

LONG-TERM WEALTH IS BUILT BY STAYING INVESTED, NOT BY LETTING EMOTION DICTATE WHEN YOU BUY OR SELL.

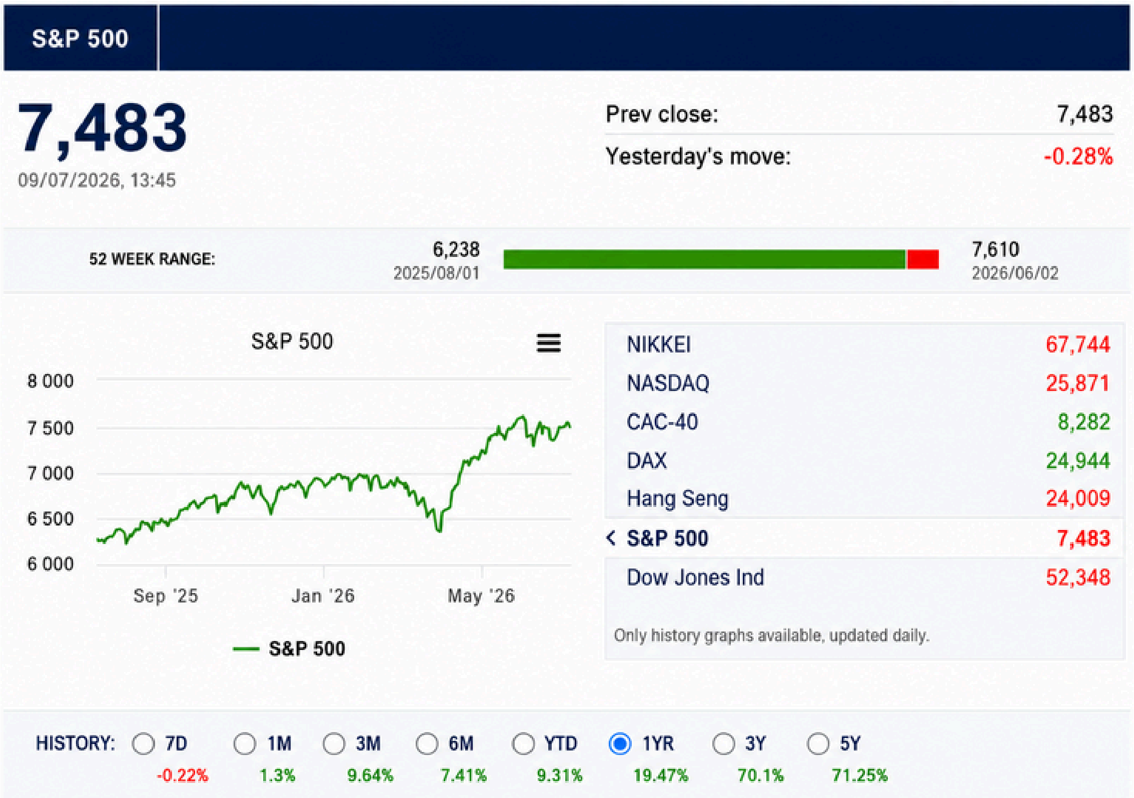
> ***Successful investing isn't about avoiding market corrections, but staying disciplined through them. A sound financial plan can help investors avoid emotional decisions that undermine long-term wealth.***

One of the biggest hurdles every investor faces is emotion. Because it's just as easy to feel invincible when markets rise as it is to sell in panic when markets fall.

However, I want to make the case for just riding it out: the highs, and the lows. Because it's been proven that you can only benefit from removing emotion from your investment decisions.

Staying invested for longer is simply the best way to grow your wealth over time. Just have a look at the returns of the S&P 500 over the past five years. By early July this year, the index was up more than 70%.

Over one year, that growth was still an impressive 19%.



Source: Moneyweb

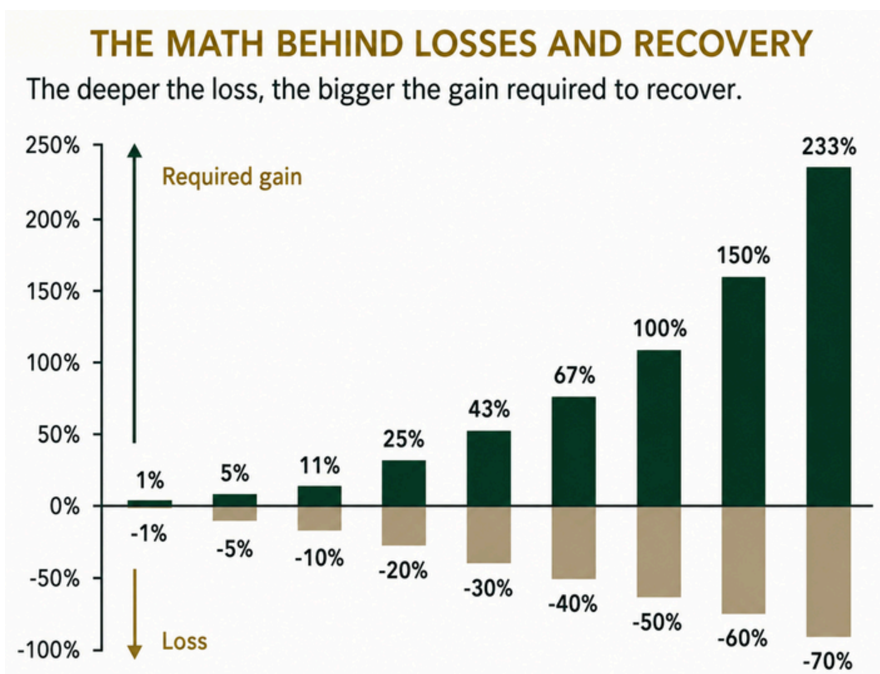
What this shows is that the longer you stay invested, the better the chances of higher returns. More importantly, this equation does not consider the growth you would need for the recovery of losses, had you sold when the market fell.

THE COST OF RECOVERING LOSSES

It's important to accept that markets climb, and they fall. It's what you do when this happens which is most important, because selling when markets fall locks in your losses.

This graph shows how this impacts your ability to recover, because the greater the loss, the greater the gain you need in order to recover that loss.

A 10% loss doesn't need a 10% gain to break even; it needs 11%. A 20% loss needs 25%. A 50% loss needs 100%.



Source: LinkedIn

THE DANGER OF SWITCHING TO MONEY MARKET AFTER A FALL

One of the biggest mistakes you can make is switching to cash after the market has already fallen. It feels safe, but it usually isn't.

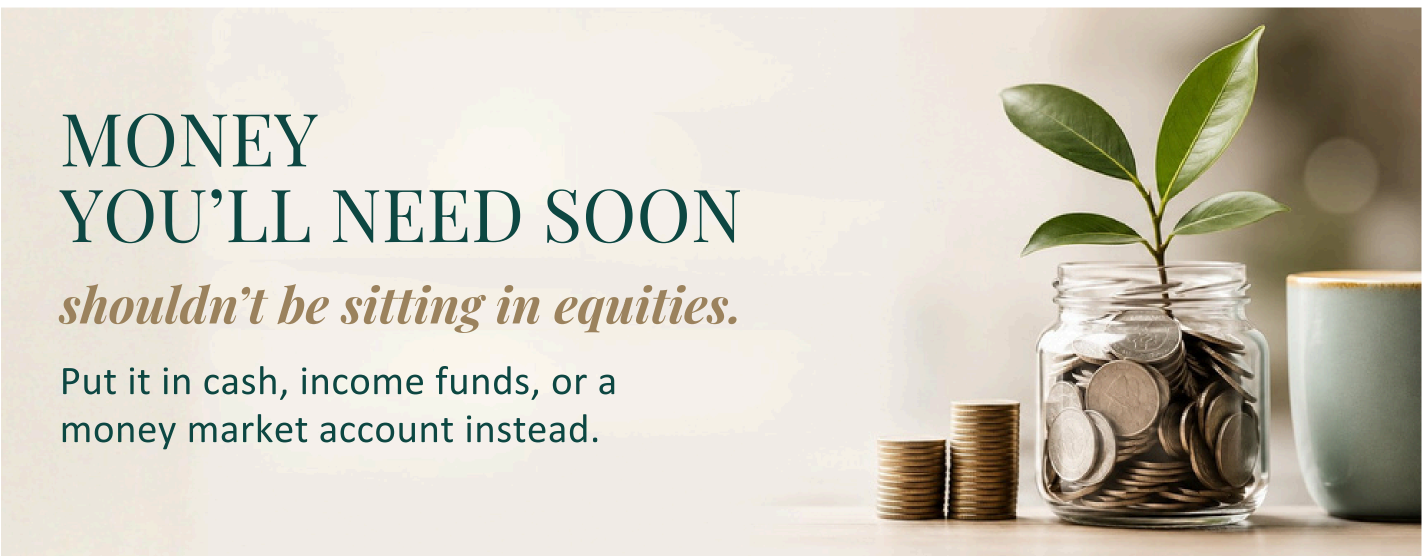
As shown in the graph, you need exceptional returns to recover your capital if you sold at a low point. Let's say your R1 000 000 investment falls 20%, to R800 000. If you stay invested, a 25% recovery would take you back to R1 000 000. However, if you switch that R800 000 to a money market fund you might be earning interest, but you'll also possibly miss the recovery entirely.

Even a steady money market return can leave you sitting well below your original value while the market has already turned. That's the quiet danger of cash: it feels stable, but it gets expensive quickly if it keeps you out of the recovery.

STAYING INVESTED DOESN'T MEAN DOING NOTHING

Staying the course doesn't mean sitting on your hands. It means having a strategy in place before the market falls, not scrambling for one once it has.

Here's the practical part.



Your long-term money is different: give it time, and it grows. Equities will bounce around in the short term, but over the long term they're still one of the best wealth builders you've got.

A good plan does three things:

1. It spreads your risk
2. It gets reviewed regularly
3. It gives every rand a job to do

YOUR SHORT-TERM MONEY KEEPS YOU STABLE. YOUR LONG-TERM MONEY BUILDS YOUR WEALTH. MIX THE TWO UP WHEN MARKETS GET SCARY, AND THAT'S WHEN THE REAL DAMAGE HAPPENS.

THE REAL LESSON

The graph makes one thing clear: **losses require patience during the recovery period. The bigger the loss, the greater the cost of making an emotional decision at the wrong time.**

Switching to a money market after a fall may feel safe, but it can lock in your loss and leave you watching from the sidelines when the recovery kicks off. In most cases, the better move is to review your plan, rebalance where needed, and give your long-term investments the time they need.

Successful investing was never about avoiding every correction. It's about being positioned to survive them, recover from them, and be there for the growth that follows.

Markets reward discipline more often than drama, and, unfortunately, drama does not compound. For investors, the trick is to recognise the risk you pose to your own financial future by making knee-jerk decisions.

You don't beat fear with willpower. You beat it with confidence, knowing your plan is right. That's exactly what a good financial adviser gives you: an outside view, without the emotion attached.

MARIA SMIT | CERTIFIED FINANCIAL PLANNER®, BRENTHURST WEALTH PRETORIA

Maria Smit is a Certified Financial Planner® with over 10 years of experience in the financial planning industry.

She has been part of Brenthurst Wealth for the past 6 years, where she plays a key role in providing independent, client-focused financial advice. Maria holds both the RE1 and RE5 regulatory certificates, authorising her to give professional advice and to serve as the Key Individual for Brenthurst Wealth's Pretoria office. Her expertise spans investment planning, retirement strategies and estate planning, where she is committed to delivering tailored solutions that align with her clients' long-term financial goals.

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