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Investing for a
world of change

# Investment tips for my younger self

We explore the investment lessons many of us wish we had known when we were younger. Drawing on the wisdom of experienced professionals, we provide practical tips for those starting their careers and embarking on their investment journeys.

George Bernard Shaw said youth is wasted on the young. And who can blame them? It's difficult to picture your retirement years when you've got your whole exciting life ahead of you and – let's be honest – feel bulletproof.

When starting your career, it's easy to delay investing for your future. I hear my 22-year-old self saying, "I've got my whole career ahead of me. Retirement is a lifetime away, so I have oodles of time. Surely, I can put saving off for a year or two?"

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But a year can become a decade, and the longer you leave it, the harder it becomes to catch up, with potentially catastrophic results when you get to retirement age. So, these are the four investment rules I hope my daughter will adhere to when she earns her first pay cheque.

## 1 Time is your greatest asset – use it!

Day one in your job should be day one of your investment journey. The longer you have to invest, the more compound interest will work in your favour. Even modest investments can grow into substantial wealth over time. Don't wait.

## 2 15%

That's the one number every young person entering the workforce should keep top of mind. And hard as it may be when you're starting on a small salary, it's critically important to your long-term financial security to set 15% of earnings aside every month. Then let compound interest do the rest.

If you can't join a company retirement plan, set up a debit order so that this money is never considered disposable. A retirement annuity is a good option – it is a tax-efficient and convenient way to save for your retirement. To learn more about the various investment options, take a look here.

If you aren't used to the money in the first place, you won't miss it. Stick to the 15% rule for your entire working life, and the odds are stacked firmly in your favour that you're set for a comfortable retirement.

## 3 Risk – take some!

Don't make the mistake of stashing your cash in a bank account or money market fund if you're investing for retirement. Over the long term, this may be riskier because while you may not lose money in nominal terms, in real terms, your investment is not keeping pace with inflation, so you're actually getting poorer.

A benefit of having your adult life ahead of you is that you truly do have a long-term investment horizon and can therefore afford to ride out the short-term volatility that comes with riskier investments like equities. Markets go up and down, but over the long term, equities tend to provide the best growth.

## 4 Ask for help

Investing can be overwhelming. While you may feel like the amount you invest is too small to justify getting a financial advisor, this could be your best bet over the long term. Partner with someone who gets you and understands your goals and aspirations and who can help you achieve them.

**Kotie Basson**
Head of Marketing, Africa, at Ninety One

We also asked some of our investment colleagues for their best investment tips for their younger selves:

## 1 Establish a debit order for investing in a unit trust fund

Set up a regular debit order into a unit trust fund early on, starting from your first pay cheque. Consider an equity fund that aligns with your long-term financial goals. Schedule the debit order to coincide with your payroll date, ensuring the money is invested before you can spend it. It's prudent to adjust the contribution annually to account for inflation. Remember, that the amount should be reasonable and not overly burdensome, allowing you to enjoy your life while saving for the future. Over time, even a small percentage of your monthly salary, in addition to your pension contributions, can accumulate significant wealth.

## 2 Beware of lifestyle creep and track your expenses

Avoid falling victim to lifestyle creep, which occurs when small, recurring expenses add to your budget. Conduct a self-audit at least once a year (more frequently in your late 20s) to assess your spending habits. Download your card expenses and organise them in an Excel spreadsheet, categorising them by month. This detailed analysis will reveal the impact of seemingly insignificant purchases like takeaway coffee or indulging in unnecessary services. Excel spreadsheets are particularly effective for this task, providing a comprehensive overview of your spending patterns. By gaining insight into your financial personality and distinguishing between essential and non-essential expenses, you can make informed decisions about where to allocate your money. For example, if you love going to the cinema, include a budgeted amount for movie outings each month to ensure guilt-free enjoyment within your financial means.

## 3 Consider your parents' financial future

Recognise that many parents may not have saved adequately for their future, including essential expenses like medical care. Initiate a conversation with your parents about their financial situation and how you can work together to address any gaps. Approach the discussion with a sense of teamwork, emphasising that you want to find solutions together. For example, if your parents are not yet on a medical aid plan, consider helping them enrol in the most straightforward and affordable option without delay. Late joiner fees increase with age, so getting them on a plan as early as possible is crucial. This should save money in the long run, especially considering the rising healthcare costs associated with age.

**Samantha Hartard**
Portfolio Manager at Ninety One

## 1 Don't be lazy and leave money in the bank

Leaving your money idle in a bank account can have several drawbacks:

- **Tax:** Your savings in a bank account may be subject to taxes – depending on various factors. Explore tax-efficient investment options like tax-free savings accounts (TFSAs) to minimise tax liabilities.
- **Moving backward:** With inflation eroding the purchasing power of money over time, keeping it in a low-interest savings account can cause your wealth to stagnate or even decline. Consider investment opportunities with the potential for growth to stay ahead of inflation.
- **Missing out on growth opportunities:** By not investing your money wisely, you miss out on the potential for long-term growth and wealth accumulation. Research and explore investment options such as stocks, bonds, unit trusts, or real estate to put your money to work and generate returns over time. Diversify your investments to spread the risk and increase your chances of achieving financial success.

## 2 Seek help when you need it

While it's important to be proactive in managing your finances, seeking professional help can provide valuable guidance and expertise:

- **Paying for guidance:** It can be valuable to pay for the services of a financial advisor or investment professional. They can help you navigate complex financial decisions, create a personalised investment strategy, and provide insights you might not have considered.
- **Overcoming biases:** Being emotionally attached to your money can cloud your judgment and lead to irrational financial decisions. An objective advisor can help you overcome these biases and keep you focused on your long-term financial goals.
- **Accountability and motivation:** Having someone guide you in investing can provide the necessary accountability and motivation to stay on track. They can help you evaluate your progress, adjust when needed, and inform you about new investment opportunities.

## 3 Don't look at your portfolio value daily

Checking the value of your investments daily can lead to unnecessary anxiety and potentially deter you from taking calculated risks:

- **Focus on the long term:** Investing is a marathon, not a sprint. Short-term market fluctuations are normal and often insignificant in the grand scheme of long-term investment growth. Keep your focus on your long-term financial goals and avoid making impulsive decisions based on daily fluctuations.
- **Regular evaluation:** Instead of obsessing over daily changes, set periodic intervals to review and rebalance your portfolio. This allows you to make informed decisions based on your investment strategy and market conditions rather than short-term fluctuations.

**Siobhan Simpson**
Sales Manager at Ninety One

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## Investing in risk assets

I realised that for a long time, I limited myself to investing only in fixed-income assets, such as bonds or savings accounts. While these were considered less risky investments, I now understand the importance of diversifying into risk assets like stocks or equity funds. Investing in risk assets can potentially achieve higher returns and grow wealth over the long term.

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## Property investments are not all equal

Through my experience with property investments, I've learned that not all properties offer the same potential for success. It's important to thoroughly research and understand the dynamics of the chosen market area before making a purchase. Factors such as rental yields, market trends, location, and macroeconomic conditions significantly impact the profitability of property investments. Instead of relying solely on trial and error, I prioritise doing extensive homework and seeking expert advice when considering property investments. This approach helps minimise costly mistakes and increases the likelihood of successful property investment decisions.

Learning from past experiences and continuously expanding your knowledge about different investment options will contribute to your long-term financial success.

**Tsitsi Hatendi-Matika**
Client Director at Ninety One

We invite you to explore our Women and Investing hub, which we trust will empower you to take ownership of your financial future.

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