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Investing for a world of change

10 steps to owning your financial future

Nazmeera Moola (Chief Sustainability Officer at Ninety One), Maya Fisher-French (award-winning financial journalist), Kim Potgieter (Financial planner & Director of Chartered Wealth) and Gugu Sidaki (Wealth Manager & Director of Wealth Creed) recently shared their views on the steps women can take to maximise their wealth and own their financial future. These are the key take-outs from their discussions.

1 Get started!

There's an old adage that goes: "The best time to invest was yesterday. The second best time is today." If you start investing at a young age, it becomes a habit. If you start later in life, it can be daunting, but do it in small steps. Be realistic and remember that it's like dieting: if you aim too high – eg, losing 20kg – and then don't, you'll just give up. Many people also don't start investing because they think everything must first be perfect. They're waiting for the day when they get 'that job', or for when they're married, and think that's when they'll start. But 'one day' never comes.

Those small steps start compounding and ultimately yield good results. It's common for women to feel overwhelmed in their early 30s. They want to buy property and need investments as well as a retirement fund. But you can't get there overnight. Just make a start and build on it incrementally.

People also tend to change jobs in their 30s and cash in on their pensions. The reason is that R100,000 sitting in a pension fund doesn't feel like a lot when you need to pay off your home loan or credit card debt. But if you don't leave that R100,000 to grow, it will never be a million. It takes time to build wealth, so be patient.

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2 Don't be afraid to ask for help

Investing can seem overwhelming, so if you're unsure, rather leave it up to a professional. Your best bet is a financial planner who can take you on a journey – someone who gets you, understands you, and is prepared to challenge your thinking as well as support your thinking. Women are very good at taking advice – and following it. They tend not to be ego-driven and have a sound idea of why they're investing. There's a purpose behind it – often for their families and for experiences they want to have.

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3 Don't confuse saving and investing

There's a fundamental difference between saving and investing. Saving is the act of preservation. So, if you're going to need your money in the short term – anything up to two years – you don't have to invest that money and it should rather be kept in a cash-type product, where the capital or integrity of the capital will be maintained. But as soon as you don't need that money, or don't need it for a protracted time – you'll start losing value if it's held in a savings account. Then, you'll be better off investing that money or committing it to an investment product. That's when you'll get the compounding effect.

4 Beware of putting all your eggs in one basket

It's important to have a diversified set of investments rather than betting on a single asset. By allocating your investment across different asset classes (i.e. equities, bonds, cash, property and credit) and geographies you reduce your risk and are more likely to maximize returns as these asset classes react differently to changes in market conditions. A multi-asset unit trust is a good place to start, as a professional fund manager makes the decisions on allocating between the various asset classes. These funds can also hold up to 45% in foreign assets, so there is offshore exposure included too.

5 Debunking the myth of playing it safe – take on enough risk

Don't make the mistake of thinking bank accounts or money market accounts are the safest options. Over the long term, they're 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. Remember too that most people have a long investment horizon and can afford to ride out the short-term volatility that comes with riskier investments like equities. Markets go up and down, and it may sometimes feel scary, but over the long term, equities tend to provide the best growth.

6 Embrace the magic of compounding

Not for nothing is compound interest called the eighth wonder of the world, and the sooner you start investing, the longer compounding has to work in your favour. Essentially, the money you invest earns interest. Then you earn interest on the money you originally saved, plus on the interest you've accumulated. As your savings grow, you earn interest on a bigger and bigger pool of money. Here's a simple illustration. Say you invest R100 and the annual interest rate you earn is 10%. In the first year, you'll earn R10. If you didn't have compounding, you'd also earn R10 in the second year, and in the third, and so forth. So after 10 years, you'd have R200 (your initial R100 plus the R100 interest earned). However, with compounding, you'll earn the 10% interest on the R110 (R11,00) in the second year, and in the third year, you'll earn interest on the R121. So, by the end of the 10 years, instead of having earned R100 in interest, you'll have earned almost R160, bringing your total investment to R260.

7 Keep track of how much you should invest

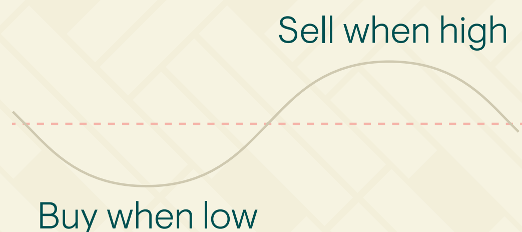
The rule of thumb is to invest 15-20% of your income, but ultimately, it's a personal decision that depends on various factors. If you start investing in your 20s, you can work on approximately 15%. But if you start a little later, in your 30s, it needs to increase to around 20%. The older you are and the later you leave it, the bigger the number should be. While 20% is a safe bet, it's just a guideline, and it would serve you to exceed it.

8 Analyse your spending habits

It's easy for experts to say you should invest, but where does one find the money when everything is important? Think of your money in three separate buckets:

Often the trick lies in having a closer look at your spending habits to understand where your money's going. When you go through it with a fine-tooth comb, it may not be that hard to find a couple of hundred here and there, and you can start your investment journey. You won't start with a million rand – the whole point is to make a little grow to be a lot.

9 Keep your emotions in check



It's often emotions that sabotage investments most in the beginning, which is why it's important to examine your relationship with money and share your experiences with your financial planner, if you have one. In the end, your ability to ride the rollercoaster will be crucial. In the investment world, the difference between what investors see as a return over time and what the market gives them is called 'the behaviour gap'. When markets do well, they want to invest, and when markets crash, they pull out. This can have a major impact on returns, as investors mostly get it the wrong way around – you're supposed to buy when it's low and sell when it's high.

10 Women are risk-aware, not risk-averse – embrace it!

Women and men approach money and investing differently. A panel discussion in the US showed that when men talk about investments, they want to know what the returns will be. Women will state their goals and ask how to achieve them – which means they want to know about the entire process behind the investment planning. Furthermore, women in particular gain a lot by talking through things and analysing and processing concerns. So, empowering conversations – with daughters, friends and more – go a long way to learn from each other and share advice. Money doesn't have to be daunting; and investing doesn't have to be complicated and scary.

We invite you to explore our Women and Investing hub, with which we hope to empower you to take ownership of your finances.

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