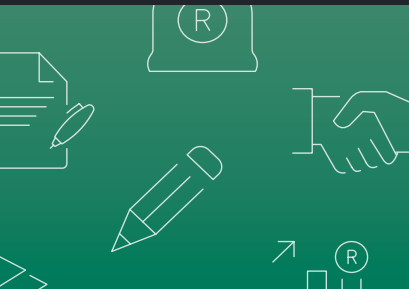


INVESTMENT MISTAKES

AND HOW TO AVOID THEM

PART 2



Investment mistakes are common, and they cost you money - that's why they must be avoided. We give you some more tips that will help you minimise investment mistakes and avoid losses, so that you will stay on the path to financial security.

HAVING UNREALISTIC EXPECTATIONS OF INVESTMENT RETURNS

The most important benchmark for investment returns is your own financial plan. Your financial plan is unique to your circumstances. The investment return you are looking for is based on your needs, risk profile, disposable cash and time to retirement, among other things.

You also need to consider what's happening in the wider economy. The investment returns you can expect in a recession are considerably different to what you can expect, when share prices rise.

Interest rates also play an important role. Typically, when interest rates rise, the performance of the stock market comes under pressure and vice versa. Often the most important measure of a reasonable investment return is whether your investment is keeping up with inflation. Regardless of your risk profile, your investment should keep pace with inflation to protect the real value of your money.

WITHDRAWING YOUR INVESTMENT AT THE WRONG TIME

Investors cash in their savings and investments for two main reasons:

They need money or they are reacting to market movements. Withdrawing your savings and investments because you need money ties back to effective financial planning. With a well-structured financial plan, you have contingency money to fall back on, which means that you aren't forced to exit your investments when it may not be a good time to do so.

Reacting to market movements is a common investment mistake with investors typically selling when the market is at its lowest point and they have not recouped their investment losses. It's difficult to hold your nerve when markets are down and your investment is decreasing in value. But it's important to remain focused on the long term. Markets move in cycles and will recover. Having a close relationship with your financial adviser will help you understand the markets and what to expect in times of volatility.

WAITING TOO LONG TO INVEST

Perhaps the worst mistake people make when it comes to investing is waiting too long to start. The younger you are when you start investing, the better off you'll be. Start now. And if you immediately come up with a list of excuses like, "it's a bad time to invest", or "money is tight at the moment," ignore them. Invest whatever you can, even if it's a small amount.

Investing early has four significant benefits:

- **It allows you to take risks**
With time on your side, you are able to recover from losses, if they occur. You can afford to take more risks, which may give you higher returns.
- **It builds discipline**
By getting into the habit of saving, you learn to 'pay yourself first'. This results in disciplined spending habits as you focus on your budget and cut unnecessary expenses.
- **You earn compound interest**
Compounding is the effect of earning interest on top of interest. The longer you save, the higher your returns.
- **It gives you a stable financial future**
By starting early, you're investing in your future. You'll have peace of mind knowing that you have that extra funding to depend on after you have stopped working.

NOT MONITORING YOUR PORTFOLIO

Many people start an investment, but don't monitor it regularly. Your investment profile changes over time, which means your needs in your 20s differ greatly from those in your 40s. Review your investments regularly to make sure they are performing well, continually aligning your attitude to risk with your financial goals. Your financial adviser should also be monitoring your investments and giving you regular updates and options to consider as your life needs change. Your financial adviser should recommend investments that are suitable for you as your risk profile changes.

NOT RECOGNISING THAT TIME AFFECTS THE VALUE OF MONEY

Did you know that an item bought for R1 in 1960 will now cost about R87? This is known as the "real" value of money because it changes over time as a result of inflation. This means the money you invest today is worth more than money you invest in one or two years' time.

The main principle of investing is to make a real return in order to increase the buying power of your investments over time. But many savers keep their money in accounts that pay them rates below the rate of inflation and they lose the real value of their money. This is why it is best to invest your money while also making sure that your investment keeps up with inflation.

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