

Advertorial

Money market investment alert

Sonia du Plessis

Don't channel all your savings into money market investments.

Statistics from the Association for Savings and Investment South Africa (ASISA) show South Africans are currently channelling an alarming amount of their money into fixed deposits, and are staying away from equity markets. Some 20-30% of all new funds went to money market instruments over the last few months, and there is an existing R1 trillion in retail bank deposits.

This confirms that investors are generally feeling very nervous about the state of stock markets and do not want to risk exposing their funds to these.

The last three years have not been easy for investors in the South African market and many investors are growing increasingly impatient. Research, however, has shown that the long-term average of return of SA equities is 14% (over a 20-year period), compared to cash, which achieved an annual average return of 7%. Therefore, to get inflation beating returns, investors must have equity exposure in their portfolios.

More importantly, this equity exposure has to stay in the portfolio, regardless of the ups and down of markets.

Markets work in cycles, and the flat period experienced over the last three years will turn around again, so stay invested for the best long-term returns.

Follow a diversified approach with your assets, look at your finances as having

different "buckets". You should have a bucket to house at least two to three years' income as an emergency fund. Then you should have a bucket of funds for your medium-term money, and then lastly, you should have a long-term bucket of funds where the horizon is 10 years or more.

The long-term bucket should be 100% equity-based, and in this bucket you should have a balance between local and offshore equity. This bucket of money you should leave and not switch to cash. There will be a movement of funds between the "buckets" as your risk profile changes.

► *Sonia du Plessis is a Certified Financial Planning® professional based at the Stellenbosch office of Brenthurst Wealth. www.bwm.co.za or 021 822 8706.*



Sonia du Plessis: "To get inflation beating returns, investors must have equity exposure in their portfolio." Photo: Jeremy Glyn