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INVEST BETTER *with* BRENTHURST

IN THIS ISSUE

Many investors let fear, impulse, or short-term noise derail their long-term goals - whether by hoarding cash, panic selling, or chasing past performance.

Renee explores how a disciplined, diversified approach, rooted in sound advice, can help avoid these costly mistakes.

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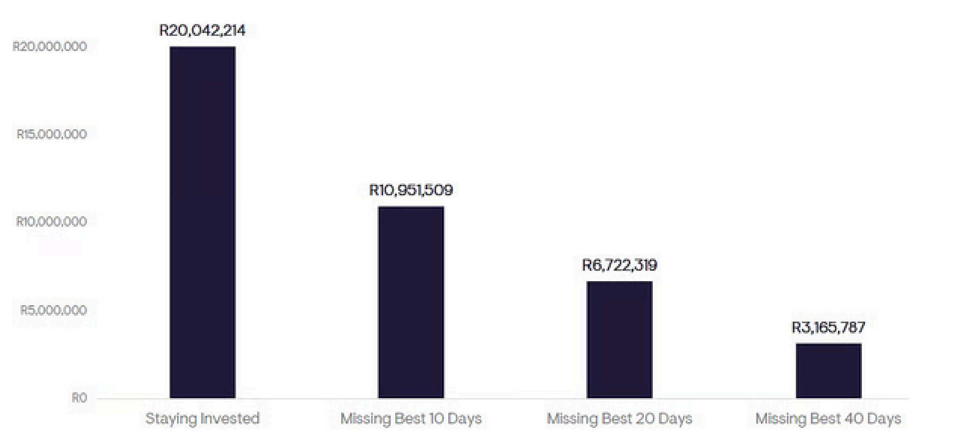
THE MOST COMMON INVESTMENT MISTAKES AND HOW TO AVOID THEM

RENEE EAGAR | CERTIFIED FINANCIAL PLANNER®, HEAD OF BWM CLAREMONT

Have you ever asked yourself, "Am I doing the right thing with my money?" Maybe you've kept cash in the bank because it feels safer and somewhat more accessible. Or you've thought about selling your investments because of something you saw in the news.

These are normal reactions. However, they're also the kinds of decisions that can quietly hold you back, consciously or maybe even unconsciously, and make a big difference over time. Most people don't lose money because they picked the wrong fund; they lose money because they let fear or emotion drive their decisions. The graph below shows how easy it is to destroy your wealth based purely on reacting during periods of volatility.

TIME *IN* THE MARKET MATTERS MORE THAN TIMING THE MARKET



Source: Morningstar, 31 December 2024. ALSI from 1 March 2001 to 31 December 2024.

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THE GOOD NEWS? THESE MISTAKES ARE EASY TO AVOID, ONCE YOU KNOW WHAT TO LOOK OUT FOR.

For years investors have been making emotional decisions when it comes to their finances. Some can't help it because money is emotional – it is personal, tied to our hopes, fears, family and future plans.

THE EMOTIONAL TRAPS WE FALL INTO

The problem is, that which feels right in the moment can often be the wrong move for the long term. That is why it helps to know the difference between emotional reactions and smart, practical choices.

One of the biggest traps is being sold something which sounds incredible, without being shown how it fits into a real plan. You might walk away having invested in a new product, but with no strategy behind it. Good advice starts with understanding your full situation and objectives and building a holistic plan that works for you.

Another common mistake is holding too much cash. It feels safe, especially during uncertain times, but over time inflation eats away at its value. Cash is useful for emergencies, but if you want to grow your money, it needs to be working harder. It makes little sense to hold cash for long periods of time especially when your tax rate is high, as this reduces your money, after tax yields, and most definitely won't outperform inflation over the longer term. This becomes a problem, especially when Interest rates are on a downward-cutting cycle. There are better alternatives for cash, which remain conservative.

Panic selling is another big trap. When the market drops, people often feel they should do something, anything, to protect themselves. But acting out of fear often locks in losses which are almost impossible to recover. It is difficult not to react, especially nowadays when it feels like a 'big event' happens every other day, and it happens instantly and far too quickly. But unless it is a life changing event such as death, divorce or even a risk profile reassessment (as an example), the best thing to do is to stay calm and wait it out.

COMMON TRAPS YOU CAN EASILY AVOID

Many people invest in whatever did well last year. However, just because something recently performed well, doesn't mean it will necessarily persist. A long-term track record and understanding where you are invested, for example, is way more fundamental to a successful investment result.

A lack of variety and different fund manager views can make your portfolio more fragile. Therefore, diversify your portfolio. Spreading your investments reduces risk and helps protect you, should something go wrong.

If your money isn't growing faster than the cost of living, you're slowly falling behind. These days, even retirees often need to take on a bit more risk to stay ahead of the curve.

And while it is important to understand fees, fees are only a part of the picture. Do not let a fear of costs stop you from investing. A 1% growth differential over a 30-year period can mean millions of extra rands towards your savings and/or retirement plan.

So, if it results in better investment growth, less tax or even a fee saving within an investment product or saving the time it takes you to invest, then it is worth your while to seek out good advice. It is bound to help you achieve that extra growth.

It's easy to wait until things "feel right", but waiting often turns into months or even years of sitting on the sidelines. And the longer your money remains dormant, the less time it has to grow.

DON'T LEAVE IT TO CHANCE

Getting started, even in a small way, is often better than doing nothing at all.

If you are not sure what to do next, or if you are worried your money isn't working hard enough, talking to a financial advisor can help. A good advisor won't just sell you a product, they'll help you build a plan that is in line with your life.

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Renee is head of the Claremont office. She is a CERTIFIED FINANCIAL PLANNER® professional and a member of the Financial Planning Institute of South Africa. Renee received the prestigious SA Top Wealth Manager Award at the 2024 Krutham Top Private Banks and Wealth Manager Awards. Additionally, she was also recognised as one of SA's top three financial advisors at the 2022 Intellidex Awards. Renee has been in the financial services industry since 1998 and has worked for institutions such as TMA and Investec Asset Management. She obtained her Higher Certificate in Financial Markets in 2004 and attained her CERTIFIED FINANCIAL PLANNER® designation in 2006. Renee is fully qualified to give advice on all investment matters.

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