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Supplement your savings with investments

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The world appears to have descended into chaos. Amid a pandemic which has engulfed the globe, lawlessness took on a new meaning in SA when looters left a trail of destruction behind them as local law enforcement looked on helplessly.

As the domestic economy appears to teeter on the edge of a precipice, it is perhaps no wonder that people are starting to think more carefully about the future with regard to their investments and savings as they take stock of just how to ensure they can provide for their family.

My suggestion? Investing.

There is a difference between savings and investments.

Saving is putting money away that you do not need right now, usually into a bank account.

There is minimal to no risk.

Though profits are often smaller, the benefit is your money may be accessed immediately.

Investing, on the other hand, is the process of buying assets such as stocks, unit trusts or real estate with the intention of accumulating profit.

Investments are designed to help you achieve your long-term financial goals.

They can help you generate and maintain wealth by putting your money to work for you.

Why should you invest?

● **Long-term reward potential:**

Investments provide more opportunities for your money to grow.

A financial adviser who can provide advice on where to invest and watch over your investments is a good idea.

The stock market is volatile, which means it may fluctuate rapidly over time.

This is beneficial for long-term investing as your financial adviser will keep a close watch on the market and keep track of trends.

They'll be able to direct you to an investment that not only fits your risk tolerance, but also helps you obtain the most return on your investment.

All you need to do is accept or decline their advice.

● **Outperform inflation:**

To grow in real terms over time, savings must generate a rate of return after taxes that is higher than the rate of inflation.

This can be tricky to achieve with a savings account as they normally generate very low interest.

Consider, for example, that you want to buy bread, milk and eggs.

Combined, this will cost you around R80 right now.

If you put R80 into your savings account, in a year's time there will be little more than R80 in your account.

However, due to inflation rates, the same goods will now cost you R89.

So, you have essentially lost money.

In comparison, if you had invested the R80 in either property or unit trusts you would have accumulated growth.

That means that depending on the given growth rate of your investment, you will have more than R80 in your account.

● **Possible regular income:**

If you are retired or approaching retirement, you are probably concerned about your day-to-day expenditure.

There are a number of investments which can provide you with a steady and consistent source of income that is often higher than inflation to pay your day-to-day expenses, including stocks, bonds and property.

Speak to your financial adviser about these forms of investment and take the first step towards securing your future.

● **Investing can be tailored to your needs:**

Together with your financial adviser you can build your investment portfolio to meet various goals through different life stages.

For example, as you get older, you may want to choose less risky options.

You could then adjust your portfolio to suit your shifting objectives and priorities with proper planning.

If you want to invest over a long period, you could consider funds with strong growth potential, riskier areas like emerging markets, or private equity, where your money can withstand short-term market fluctuations.

If you are nearing retirement, you might want to put your money into more income-oriented investments.

Investing should not be a source of anxiety.

With the help of educated and willing financial advisers, you can rest easy at night knowing that your money is working for you.

Not only can investing secure your future in the long-term but it could also allow you to start planning that dream holiday you have wanted to go on forever but just didn't think you could afford, or pay off your car or home loan sooner.

Or start putting money away to pay for university tuition for your child's education.

It's never too early — or too late — to take that first step.

Speak to your financial adviser, and start investing today.

● *Anthony Godwin is group CEO at NVest Financial Holdings Limited and executive director at NFB Private Wealth Management*