Financial
SAFEGUARD

INVESTMENTS:
UNDERSTANDING INVESTMENT

FSCA
MyMoney
Learning Series

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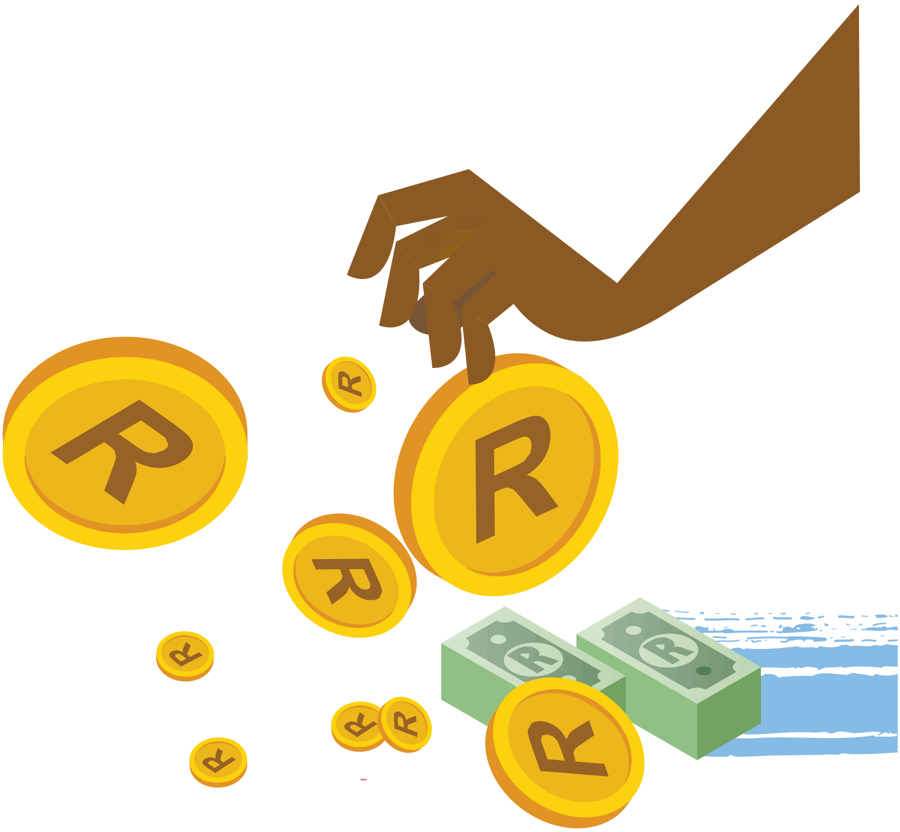
Financial Sector
Conduct Authority

Content

Words and meanings

Investment

When you put money into an investment product for a specific time period. You do so in order to make more money than you originally invested. Investment products include shares, property or unit trusts.



Capital

The money you invest.

Return

The amount of money you make or lose on an investment.

Profit

Positive return on investment.

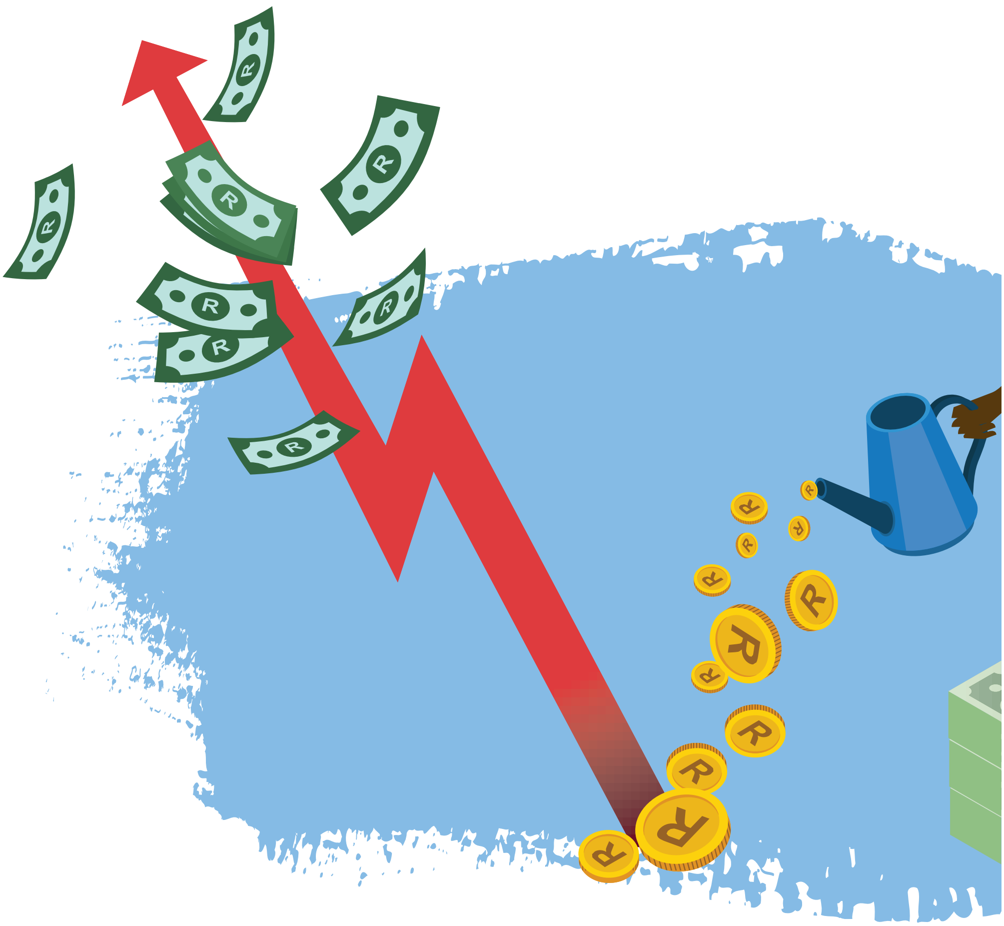
Loss

Negative return on investment.

What is an investment?

An investment is:

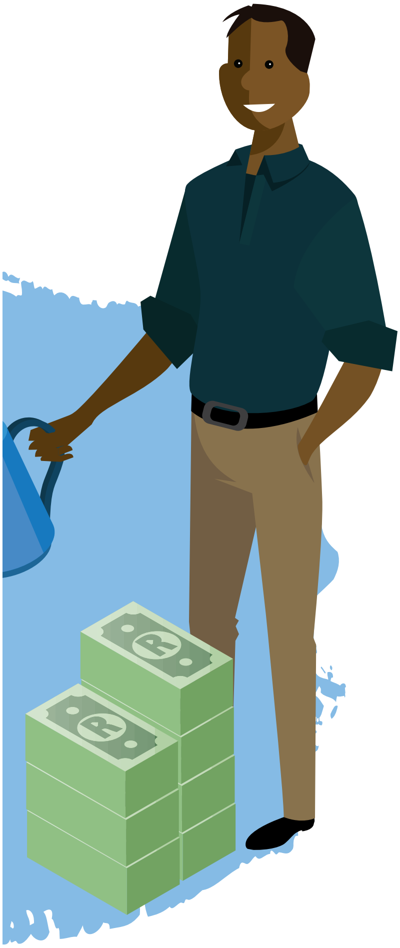
- Saving money to make more money (profit)
- Buying an item that will be worth more money in a few years
- An act of purchasing assets that can generate an income or earn you interest over a period of time
- Something you buy now that you can sell for a higher price in the future

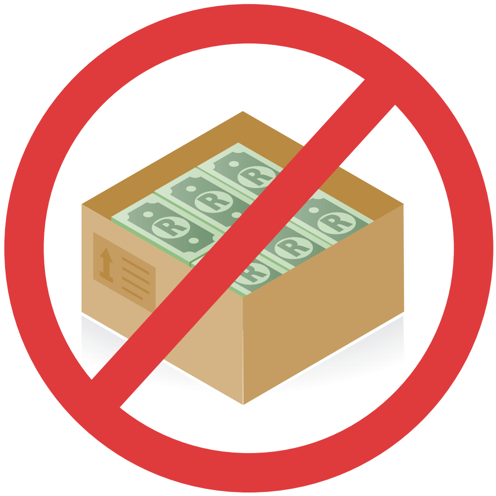


What is an investment?

An investment is not:

- A funeral cover
- Insuring your car
- Paying into a stokvel
- Putting money in a box under your bed





Risk and return on investment?

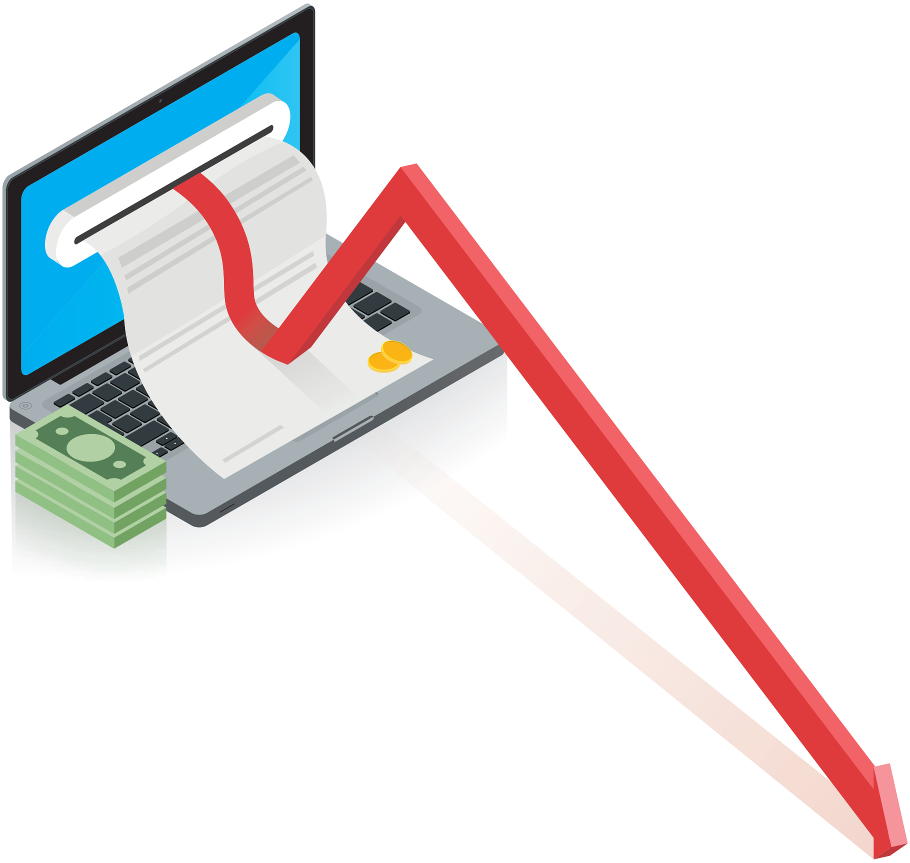
Risk

This is the possibility of making a lot of money or losing a lot of money on an investment.

Low risk – You have a lower probability of losing your capital investing in a low risk investment.

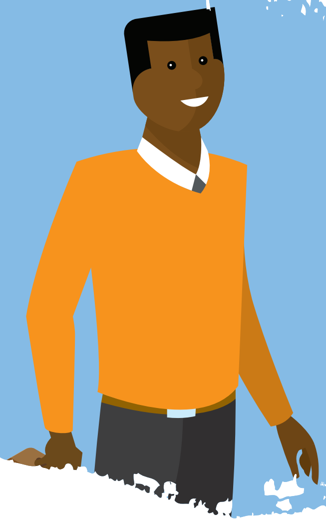
Medium risk – Investments offer higher gains than with low-risk investments.

High risk – Investments offer higher returns, but with a high probability of capital loss.



Return on Investment

Return on Investment is the amount of money you make or lose on your investment.



Nofoto

Nofoto invests R100 for 12 months and he gets R110 at the end of the 12 months. Nofoto has a positive Return on Investment of R10.

Langa

Langa invest R100 for 12 months and he gets R90 at the end of the 12 months. Langa has a negative Return on Investment of R10.

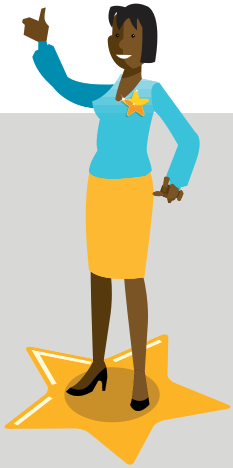
Why should I invest?

Why should I invest?

- It is an opportunity to grow your money and make you more money
- To make a set amount of return on your investment
- Opportunity for your investment to improve over time
- So that I do not need anyones help to pay my bills in the future
- Savings are meant for emergencies

Overall investing is for generating wealth.

Why should I invest?



Golden Rules of Investment

- Try and invest when you are young
- Do research before you invest
- Consult an authorised financial advisor
- Invest regularly
- Invest for the long-term
- Vary your investment options to prevent "placing all your eggs in one basket"

What should I think about when I am going to invest?

- What is your debt situation? You should not be investing money if your debt exceeds your household income
- What is your savings situation? Have you made provision for emergency fund savings, retirement and medium-term savings?
- Are you insured for eventualities? Do you have short and long-term insurance cover?
- How well are you preparing yourself for your retirement?

It is important that you pay off your debt before looking to invest money.

Remember that the interest payable on your debt is more than you will get back on your investment.

Setting investment goals

Setting goals

It is easy to set goals. Here is one way of setting goals.

You may find an easier way for you!

The investment timeframe used to set your goals can be:

- **Short-term** – It will take about 1 year to reach the goal
- **Medium-term** – It will take about 2 to 3 years to reach the goal
- **Long-term** – This goal is longer than 5 years

How to set goals

1

Write down your goals

2

Frame your goals using the SMART format

- Specific: Make each goal clear and specific
- Measurable: Set a rand value for each goal so that you will know when you have achieved it
- Achievable: You must set goals that you are able to reach
- Realistic: A goal must be relevant and realistic
- Time-based: Attach a timeframe to your goals so that you can track your progress and achievements

3

Action plan

Write an action list of the things you need to do to reach your goals

4

Regularly review your goals and progress

My goals

Now write down your own financial goals

Goals for 1 month – e.g. Identify all income and expenditure for the month by 10th May

Goals for 6 months – e.g. Pay off clothing account by 27th April

Goals for 1 year – e.g. Save to go home by 23rd Feb

Goals for 5 years – e.g. Start my retirement plan by 25th Aug

Goal	Action steps	Review date	Progress
Example: Save R30,000 to attend the soccer world cup in 2022 by saving R625 per month	Reduce spending by R100	1st July	
	Take lunch to work		
	Make calls after 8pm		
	Socialise at home		

Goal	Action steps	Review date	Progress

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Understanding Investment

"The purpose of this booklet is to help you understand what investment is and is not. It will provide you with reasons as to why you should invest."

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