Standard Bank

Investment **strategies for beginners**

An introduction to understanding investments, making your money work for you, and growing your wealth with confidence

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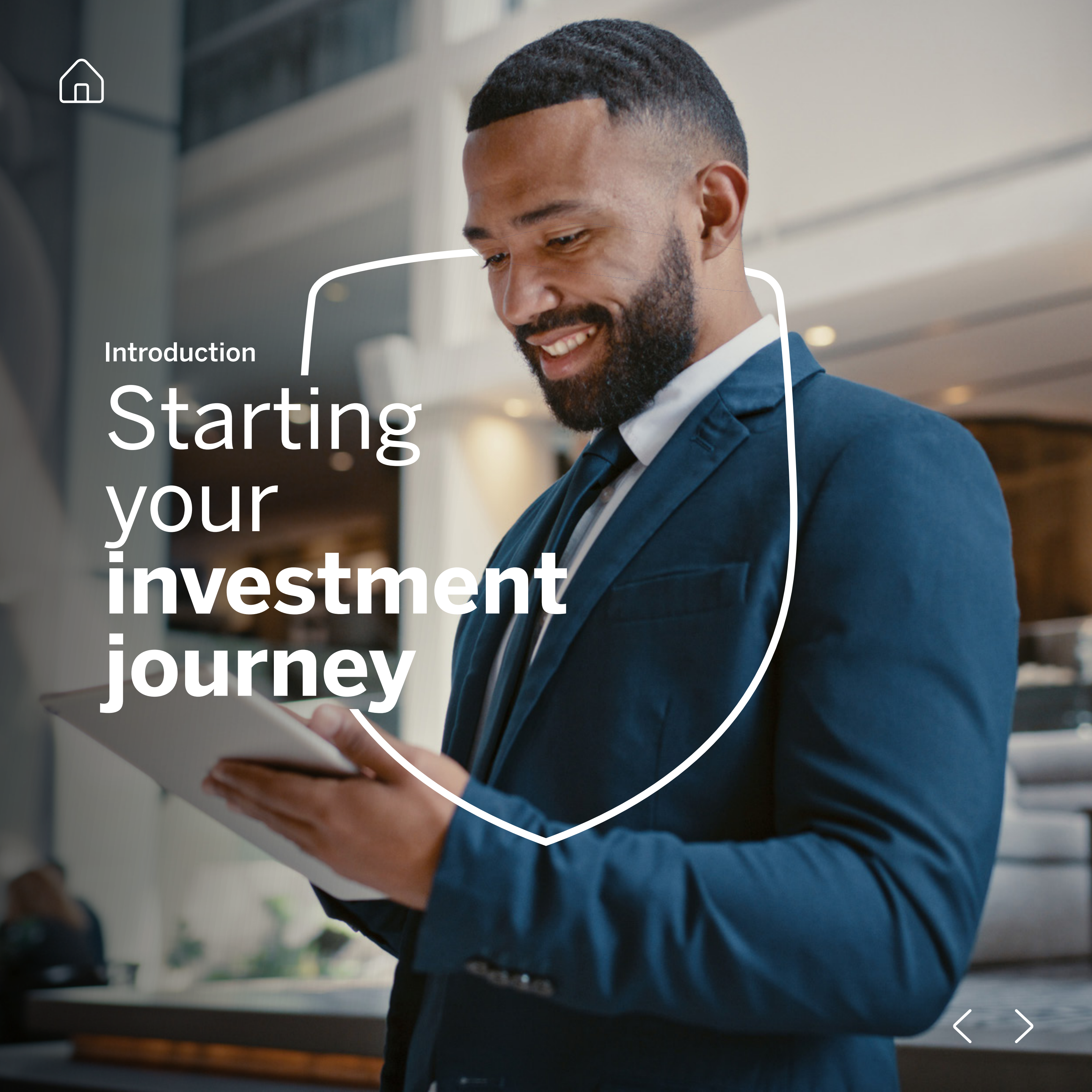
Introduction

Starting your **investment journey**



Welcome! By exploring the world of investing and downloading this e-book, you're laying the groundwork for building the financial future of your dreams. Whether you're brand new to investing or looking to refine your approach, this guide will provide you with the knowledge and confidence to grow your wealth.

In this easy-to-use guide, we'll do the following:

- Give you a clear understanding of investment fundamentals and essential principles
- Explore different investment types and strategies
- Unpack the practical skills for building an investment portfolio
- Navigate the complexities of investing to develop a long-term investment mindset and to help prevent common investment mistakes

Meet Aditi

Aditi is a 32-year-old detail-orientated, analytical accountant at an engineering firm who values stability and security. She enjoys understanding how things work and making sure everything balances.

She also values having personal balance. She earns a good salary, owns a small property and enjoys the finer things in life, such as travel, dining out and shopping. She's aware she should be investing more strategically, and even though she's comfortable with numbers, the world of investing feels like a different kind of math.

She's downloaded this e-book because she's ready to take control and build a financial future as solid as the structures her firm designs. She's tired of just tracking the money and wants to start making it grow.

Navigating the risk-reward balance in investing begins with a foundation of thorough research and a deep understanding of your own risk tolerance. Don't hesitate to seek guidance from a trusted financial professional; their expertise can be invaluable.

Given the ever-changing landscape of interest rates and market conditions, practice consistent investing by staying informed about economic shifts, repo rate movements, and inflation trends as this allows for informed decision-making.

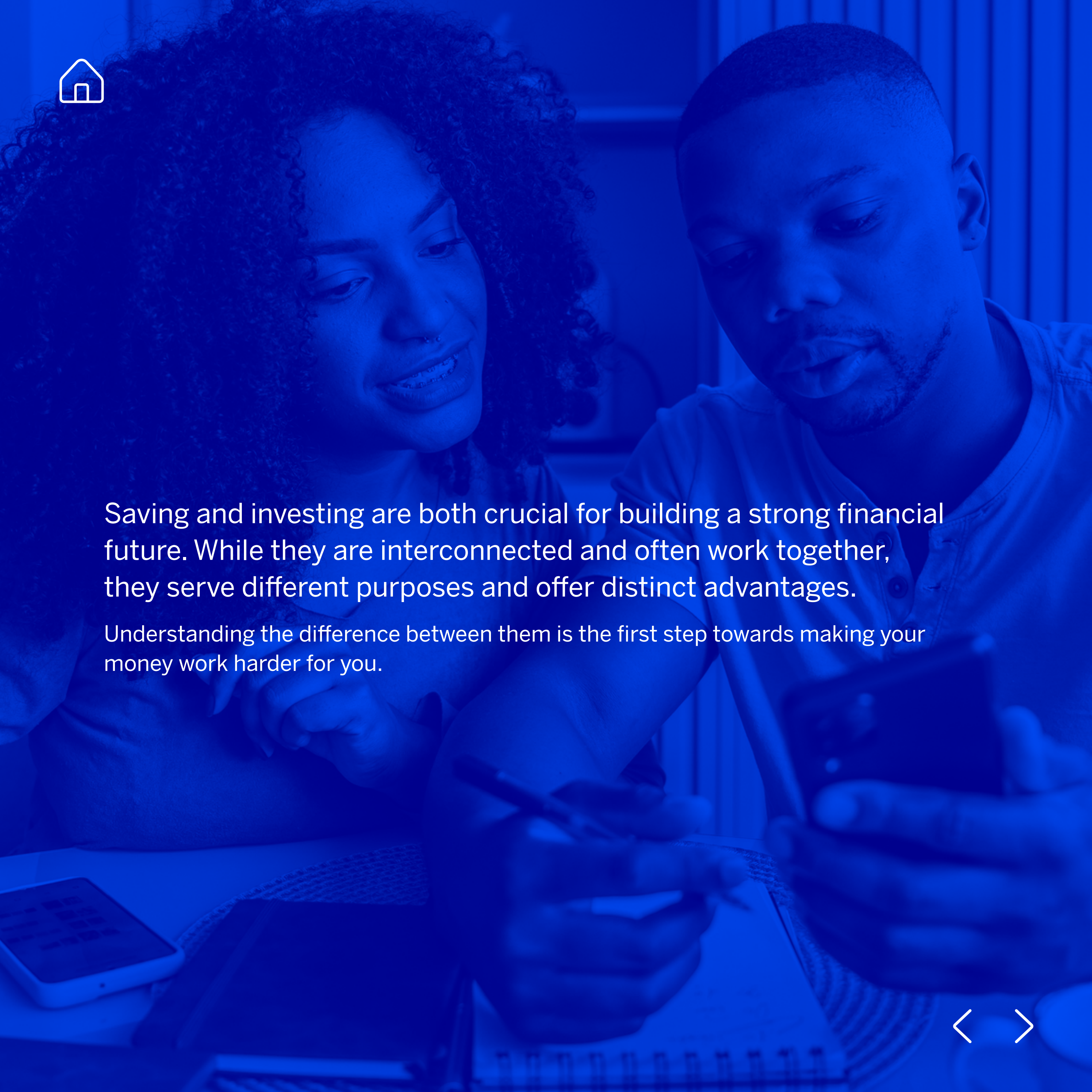
Above all, avoid emotional investing. Chasing short-term gains is a dangerous game that often leads to costly mistakes. My advice to beginners is simple: start small, define your investment goals clearly, and build steadily. Whether you're investing for short-term security, long-term wealth, or passive income, knowing your objectives is paramount.

Finally, stay disciplined. Resist the urge to panic-sell or make impulsive decisions. Remember, investment scams often prey on emotional responses. A structured, rational approach is the key to steady growth and long-term financial security.

- **Thopi Mhloli**
  Head of Savings and
  Investment, Standard Bank

Investing, diversification and decoding the lingo

Laying the **foundation for your financial future**



Saving and investing are both crucial for building a strong financial future. While they are interconnected and often work together, they serve different purposes and offer distinct advantages.

Understanding the difference between them is the first step towards making your money work harder for you.

Saving

Saving means setting money aside for short-term goals or emergencies. Savings are typically held in readily accessible accounts, such as savings or transactional accounts, with the primary purpose being to preserve capital, keeping your money secure while increasing it (through interest) and providing easy access to funds when needed.

Beyond that, saving can also create a financial base that facilitates investing, i.e. by giving you the financial breathing room to take on the calculated risks and responsibilities associated with investing without jeopardising your immediate financial security.

VS

Investing

If saving is the foundation, then investing is the growth engine. Investing involves putting your money to work to generate potentially higher returns and build long-term wealth. Investing can help the value of your money increase over time and, if you invest wisely, can help you meet your long-term goals, such as retirement.

While typically carrying a higher degree of risk than saving, it also offers the potential for significantly accelerated, and higher growth over time. Rather than simply preserving capital, investments aim to build your wealth over time.

Investing building blocks: What and how?

Think of investing like building a house. You need different materials (e.g. bricks, concrete and beams) to create a strong and stable structure. For investing, these 'materials' would be asset classes, which are the broad categories of investments.

Then, you need specific tools and methods to put those materials together (e.g. hammers, saws and blueprints). For investing, your 'tools' would be the investment types, which are specific vehicles you use to grow your money. They're the specific ways you invest in asset classes.

Therefore, asset classes are the what, and investment types are the how. Here's a simple breakdown:

Asset classes (what you invest in):

Shares (equity)

When you buy shares, you own a small piece of a company. If the company does well, your investment could grow, but there's also a chance it could lose value.

Bonds

Think of bonds as IOUs. You lend money to a government or company, and they promise to pay you back with interest. Bonds are generally less risky than shares but offer lower potential returns.

Real estate (property)

This includes houses, apartments, land and office buildings. You can make money from rent or by selling the property for more than you paid.

Cash (and cash equivalents)

This is money in your savings account, transactional account or short-term investments, such as money market accounts or notice deposit accounts. It's safe and easy to access, but how fast and how much it grows are limited.

Alternative investments (something different)

This is a broad category that includes hedge funds, private equity and cryptocurrency. These investments can be complex and are often less accessible to everyday investors.

Commodities (raw materials)

These are things such as gold, oil and agricultural products. Their prices go up and down based on supply and demand.

What is diversification, and why does it matter?

Diversification is a cornerstone of sound investing. It involves spreading your money across different types of investments and asset classes to reduce your overall risk. By not putting all your eggs in one basket, you reduce the impact of any single investment performing poorly.

For example, imagine investing all your money in a single company's stock. If that company faces financial difficulties or its industry experiences a downturn, your entire investment could be at risk. However, if you had diversified your investments across multiple companies, industries and asset classes, the negative impact of one poorly performing investment would be lessened.

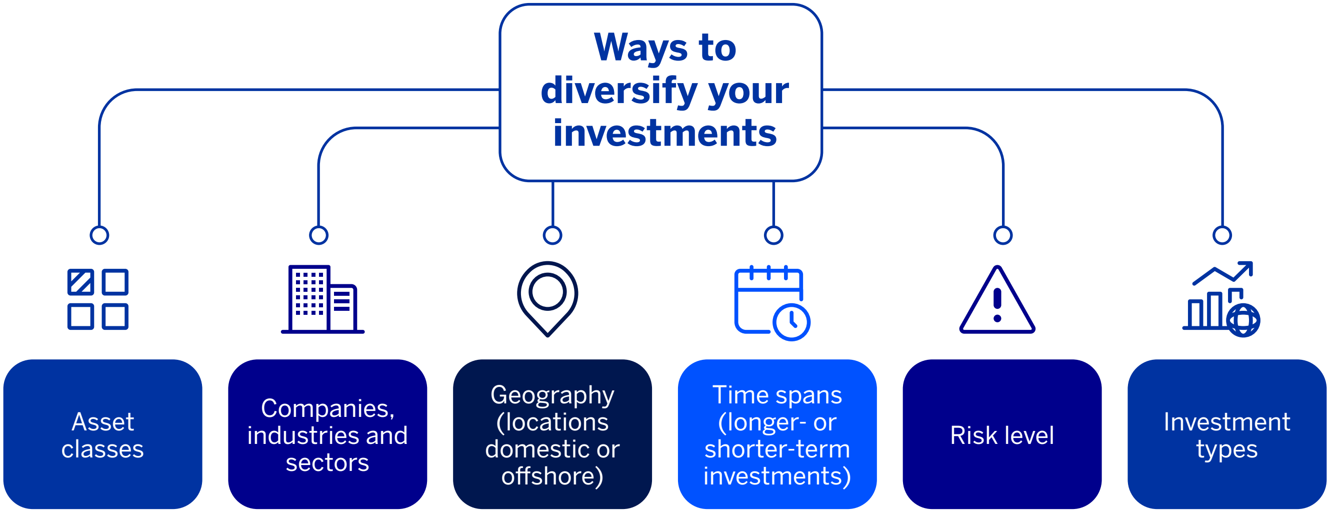
Diversification is crucial because it does the following:

Reduces volatility: Different asset classes react differently to market conditions. A diversified portfolio can help smooth out the ups and downs of the market.

Reduces the risk of loss: If one investment fails, the others can cushion the blow and potentially offset the losses.

Enhances growth potential: Diversification allows you to participate in the growth potential of various asset classes, maximising your overall returns over the long term.

Your diversification strategy will be based on your individual circumstances and financial goals. Consulting with a financial advisor can also be beneficial in developing a personalised diversification plan.



Note: Diversification does not eliminate risk entirely. Market downturns can affect multiple asset classes simultaneously. However, diversification significantly reduces the impact of any single investment's poor performance and improves the overall stability of a portfolio.

Risk with reward

Investing involves balancing potential gains with the possibility of losses; higher rewards typically come with higher risks. Understanding and managing risk are key as your comfort level with potential losses determines the right investments for you.

There's no one-size-fits-all approach to risk. Your risk appetite, tolerance and threshold will depend on the following:

Personality: Your inherent comfort level with uncertainty and caution

Timeframe: When do you need to cash out? Can you hold on for a few years?

Income: Will you be reliant on the returns?

Target: What specific financial goal are you aiming to achieve within your timeframe, and how critical is it that you reach that target?

Your investment risk profile

Risk appetite
(Willingness to take risk)

Your comfort level with uncertainty in gaining higher returns

Looking for high growth + comfortable with volatility = higher appetite

Risk tolerance
(Ability to handle loss)

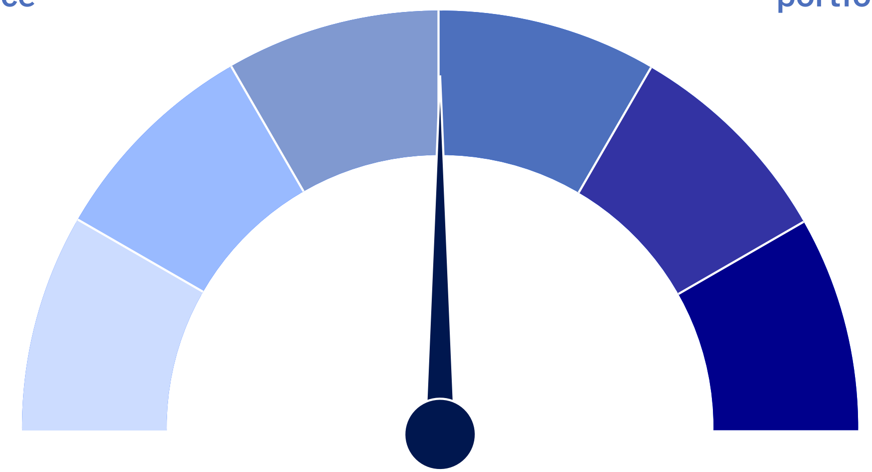
Your financial capacity and time horizon to recover from losses

Stable income + long-term investment = higher tolerance

Risk threshold
(Point of concern)

The level of loss that triggers a change in your investment strategy

A 10% loss would prompt me to re-evaluate my portfolio or position



Different types of risk

There are also different types of risk, which is also why diversifying is crucial when you're considering investing.

Type of risk		How to mitigate the risk
The risk that the overall market declines, affecting even well-performing companies during economic downturns or global crises	**Market risk**	Diversify your investments across different asset classes to reduce the impact of market downturns
The risk that the purchasing power of your money decreases over time due to rising prices: If your investment doesn't grow at a rate higher than inflation, you're effectively losing money	**Inflation risk**	Invest in assets that historically outpace inflation, are likely to recover from downturns and appreciate in value, such as shares, real estate or inflation-protected securities
The risk that a specific company you invest in performs poorly due to bad management, competition or changing consumer preferences	**Business risk**	Thoroughly research companies before investing to understand their financial health, management and competitive landscape
The risk that you won't be able to sell your investment quickly and easily when you need to, potentially at a loss	**Liquidity risk**	Maintain a portion of your portfolio in readily accessible cash or cash equivalents to ensure you can easily buy, sell and access funds when needed

4 Tips for balancing risk and reward

1

Your time horizon matters: If you're investing for a long-term goal such as retirement (10+ years away), you can generally handle more risk as you have time to recover from any dips in the market.

Younger investors often lean towards higher-risk investments for this reason. If you need the money sooner, you'll likely want to stick with lower-risk options.

2

Your comfort level is key: How much risk (of losing money) are you truly comfortable with? Choose investments that align with your level of tolerance, that is, comfort, even if they offer lower potential returns. Peace of mind is valuable, and it will keep you from making impulsive decisions.

3

Diversification is your friend: Don't put all your eggs in one basket. Spreading your investments across different types of assets (shares, bonds, cash, real estate etc.) helps reduce your overall risk. If one investment performs poorly, others might do well, balancing things and giving you the opportunity to maximise potential.

4

Do your homework and get the right help: Understanding what you're investing in is crucial. Research companies, learn about different investment strategies or consult with a financial advisor. Knowledge is power when it comes to managing risk.

Aditi's story

After learning that investing involved more than just saving money, Aditi took a closer look at her own finances.

She thought about the different asset classes and started thinking about which ones would suit her needs. She'd also never considered diversification before, but now she knows to spread her risk across different investments. It was like finally learning the language of investing, and she felt like she had a better handle on the basics to start with her investment journey.

Key takeaway

Investing is your engine for long-term growth, involving calculated risks to potentially earn higher returns. Understanding different asset classes, investment vehicles and diversification is key to managing risk and building wealth. The right approach depends on your risk comfort, goals and timeline.

Next steps

- ✓ **Define your financial timeline:** List your goals and when you want to achieve them.
- ✓ **Explore your interests:** Identify which asset classes appeal to you and why.
- ✓ **Understand investment risks:** Research the risk levels of different asset classes.

One of the biggest mistakes beginner investors make is not understanding their risk tolerance and blindly chasing high returns. Many get caught up in market hype, investing aggressively in high-risk assets without considering their financial goals or ability to withstand losses. This often leads to panic-selling when markets dip, locking in losses instead of allowing investments time to recover.

To avoid this, my advice is that beginners should:

- **Define clear investment goals –** Are you saving for short-term security or long-term growth?
- **Diversify –** Don't put all your money in one basket.
- **Start with safer options –** Invest in fixed deposits and low-risk money market funds before exploring higher-risk investments.
- **Stay disciplined –** Avoid emotional decisions and stick to a structured, long-term plan.
- **Stay alert –** If it sounds too good to be true, then it probably is. Don't fall for scams because you are looking to grow your money quickly.

\- **Thopi Mhloli**
Head of Savings and
Investment, Standard Bank

Building your investment portfolio

Tailoring **your investment**

The next crucial step in your investment journey is building the foundation for your investment portfolio. Everyone's financial goals, personal circumstances and preferences differ; therefore, no two portfolios are the same.

A tailored investment portfolio is like a custom-made suit: it's designed to fit the individual perfectly, which increases the likelihood of achieving their financial goals and provides a more comfortable and confident investment experience.

Let's dive in to how you create one.

Step 1

Define your financal goals

Be specific about what you are saving for and when you want to achieve it, for example, retiring at age 65 with R2 million in savings or saving R200 000 for a down payment on a house in 3 years.

Prioritise these goals by importance and urgency as they'll guide your investment strategy and risk tolerance.

Step 2

Assess your risk tolerance

Honestly assess your comfort with potential investment losses by considering how you'd react to market downturns and whether maximising returns or minimising risk is more important to you:

- **Conservative:** Low risk tolerance prioritises capital preservation.
- **Moderate:** Medium risk tolerance looks for a balance between growth and income.
- **Aggressive:** High risk tolerance prioritises growth.

Note: Use the questionnaire at the end of this chapter to help you determine your risk profile.

Step 3

Determine your investment time horizon

How long do you have until you need to access the money you're investing? Time is your ally, and the longer the time frame, the more breathing room you have for risk as there is more time to recover.

Categorise your goals by time horizon:

- **Short term:** Less than 3 years (e.g. emergency fund and short-term savings goals)
- **Medium term:** 3–10 years (e.g. down payment on a house and car purchase)
- **Long term:** 10+ years (e.g. retirement and long-term wealth building)

Step 4

Choose your asset location

Based on your risk tolerance and time horizon, select which assets you would like to put your investments into, and remember to diversify.

Asset class	Risk level	Time horizon	Potential return
Shares (equities)	High	Long term	High
Bonds (fixed income)	Low	Short to medium term	Low
Cash	Low	Short term	Low
Alternatives (real estate and commodities)	Varies	Long term	Varies

Example asset allocations

- **Conservative:** 20% shares / 60% bonds / 20% cash
- **Moderate:** 50% shares / 40% bonds / 10% cash
- **Aggressive:** 80% shares / 20% bonds / 0% cash

Step 5

Select specific investments

Ensure the investments you pick (e.g. shares or bonds) match the plan you have for your money (how much you want in shares vs bonds). Understand the risks and potential and how they will align to achieve your financial goals to make an informed decision.

Step 6

Implement your plan

Set up an investment account with a broker, fund your account and purchase investments that align to your financial goals and follow your asset allocation strategy.

Step 7

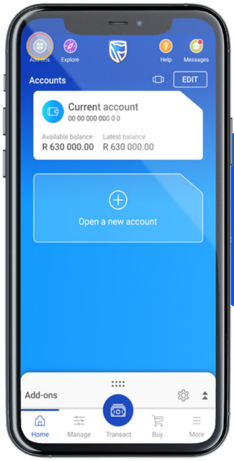
Review and rebalance

Regularly review your portfolio (at least annually) to ensure you're still on track and that it remains aligned with your goals, risk tolerance and time horizon.

Rebalance your portfolio as needed to maintain your target asset allocation. This involves selling some assets and buying others to bring your portfolio back into balance.

Investing and tracking made easy

Use the **Save & Invest** add-on feature on the Standard Bank App to create and keep track of your money goals and investments.



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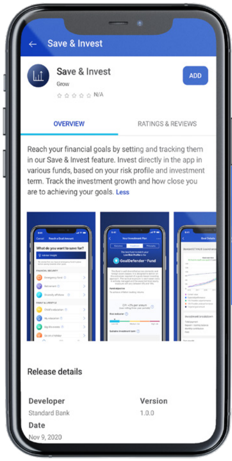
Sign into our Banking App and select the **Add-on Store icon** (in the top left-hand corner).



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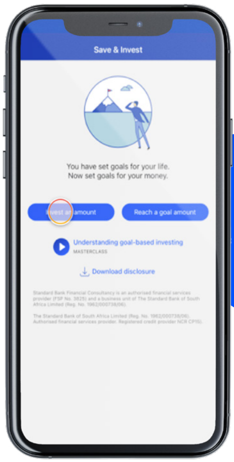
Click on search and type **'Save & Invest'** into the search bar. Then select **ADD**.



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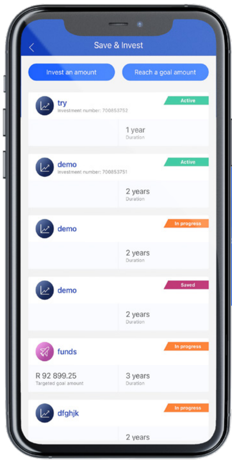
Once your **Save & Invest** add-on is loaded, you can **set goals** for your money, **invest an amount** to get started or **watch our masterclass** to help you better understand goal-based investing. Follow the prompts to continue.



4

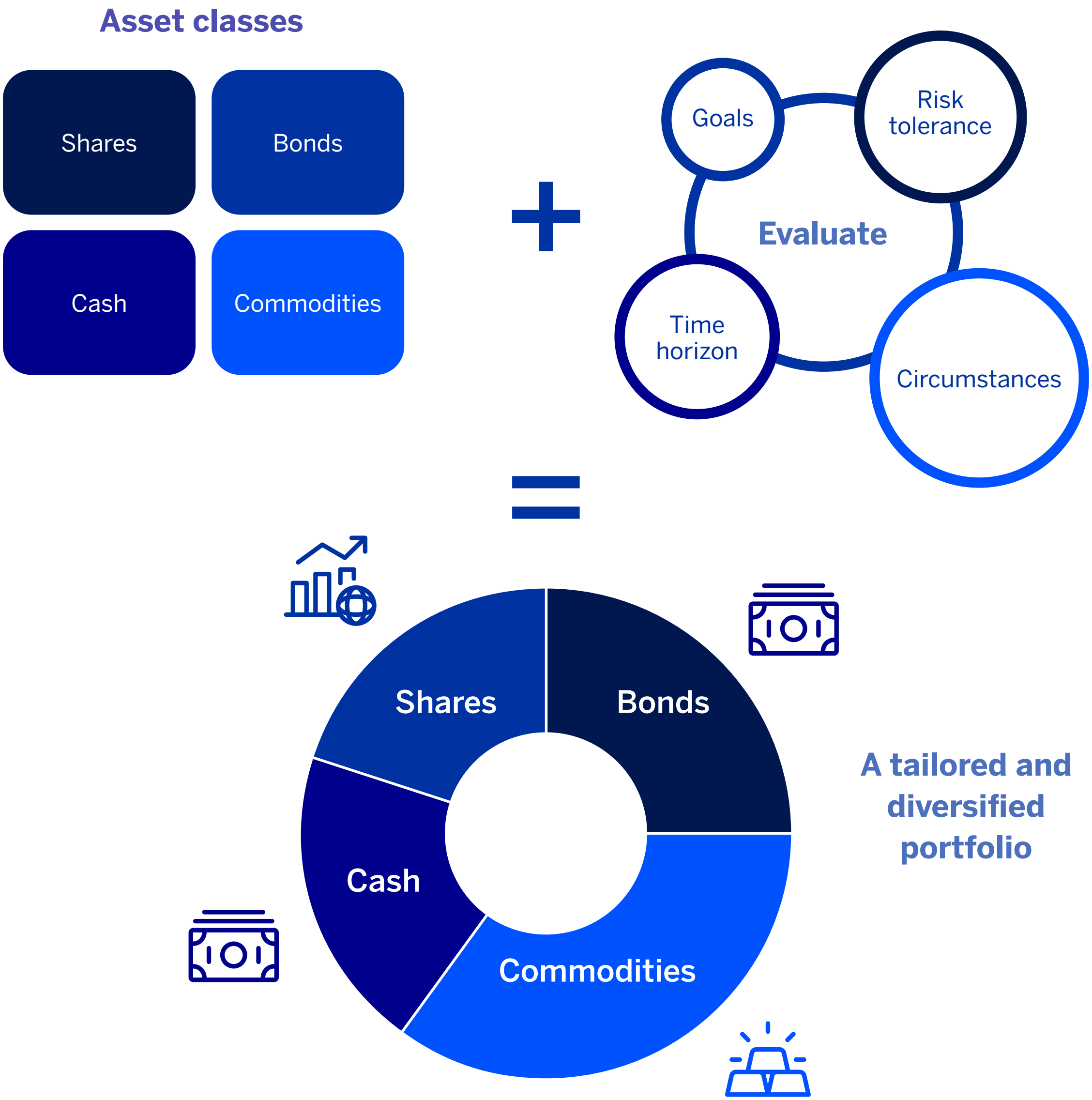
On your **Save & Invest** dashboard, you'll see all your investment goals and track your investment growth.

Download on the App Store

GET IT ON Google Play

EXPLORE IT ON AppGallery

Putting asset allocation and diversification into practice



Risk tolerance questionnaire

Evaluate your risk comfort level by considering the following questions and choosing the answer that best describes you.

1. When you think about investing, how do you feel?

- a. Anxious
- b. Cautious
- c. Optimistic

2. How comfortable are you with the possibility of losing money?

- a. Not at all
- b. Somewhat
- c. Very

3. Which statement best describes you?

- a. I'm careful and avoid risks
- b. I'm willing to take some risks
- c. I'm comfortable with high risks

4. How long will you invest this money?

- a. Less than 5 years
- b. 5–10 years
- c. More than 10 years

5. When do you plan to start withdrawing money from your investments?

- a. Within the next few years
- b. In 5–10 years
- c. More than 10 years from now

6. If your investments lost 10% in a month, what would you do?

- a. Sell everything
- b. Do nothing
- c. Buy more

7. If you had extra money, what would you do?

- a. Save it
- b. Invest it cautiously
- c. Invest it aggressively

8. What's more important to you?

- a. Avoiding losses
- b. Steady growth
- c. High growth

9. What's your main reason for investing?

- a. Safety
- b. Income
- c. Growth

10. How much investment experience do you have?

- a. None
- b. Some
- c. A lot

Scoring

- Count how many a, b and c answers you have in total.
- The category with the most answers indicates your general risk profile.

Mostly a
Conservative: You prefer low-risk investments.

Mostly b
Moderate: You're comfortable with some risk for moderate growth.

Mostly c
Aggressive: You're comfortable with higher risk for potentially higher growth.

Note:
This questionnaire is intended for informational purposes only and should not be considered financial advice. Always consult with a qualified financial professional for personalised risk assessment and guidance tailored to your specific circumstances.

Aditi's story

Aditi was intrigued by the thought of designing a financial blueprint for herself and started to define her financial goals. She realised she needed to dig deeper to truly understand her risk tolerance as maybe she was more conservative than she thought.

She'd also never considered her time horizon before, but now she knew it was crucial for determining her investment strategy. She felt like she now knew where to start tailoring a plan to create her own unique financial future.

Key takeaway

Building a successful investment portfolio is a personalised process that requires a clear understanding of your goals, risk tolerance and time horizon.

By following a structured plan and regularly reviewing your progress, you can create a portfolio that aligns with your unique needs and helps you achieve your financial aspirations.

Applying what you've learned

- **Assess your risk:** Take the risk tolerance questionnaire to understand your comfort level with potential investment losses.
- **Choose your allocation:** Based on your goals, timeline and risk profile, select an asset allocation that aligns with your needs.
- **Explore a sample portfolio:** Review the example asset allocations to get a sense of how different risk profiles translate into investment choices.

For beginners looking to invest, the most accessible and beginner-friendly options include:

1. Fixed Deposits – A low-risk option where you deposit money for a fixed period and earn guaranteed interest. Ideal for capital preservation and stable returns.
2. Notice Deposits – Offers flexibility while earning interest; you withdraw funds with prior notice (e.g., 32-day notice). Great for short-term savings.
3. MoneyMarket Select – Provides higher interest than traditional savings, while keeping funds accessible. Suitable for building liquidity.
4. Tax-Free Savings Accounts (TFSA) – Enables growth without tax on interest or capital gains, making it a great long-term wealth-building tool.

These products provide a solid foundation while ensuring security, accessibility, and gradual growth.

- **Thopi Mhloli**
  Head of Savings and
  Investment, Standard Bank

Jumping into the market

Levelling up **your finances**

We've talked about what you invest in (asset classes) and how creating a personalised portfolio is key to aligning your investments with your goals and risk tolerance. Now, let's dive into how you invest and the specific tools you'll use to build that portfolio.

Investment vehicles

Investing in asset classes can be direct, by owning the asset itself, or indirect, through funds. Direct investing offers control and potentially lower fees while indirect investing provides diversification and professional management.

Think of these vehicles as containers for your investments: choose them based on your goals, risk appetite and the asset class you're targeting. Understanding whether they provide direct or indirect access is crucial for making informed decisions and confidently jumping into the market.

Shares

You can buy a share of individual companies, giving you direct control over your investments, or you can invest in a mutual fund, unit trust or exchange-traded fund (ETF), which are professionally managed collections of shares designed to provide diversification and convenience.

Bonds

You can invest in bonds directly by purchasing individual bonds, which means you lend money directly to a company or government by buying their individual bonds, or you can invest in a bond fund, which is like lending money to a group of borrowers all at once, spreading your risk.

Real estate

You can invest in real estate directly by buying a property yourself, which requires a significant investment and hands-on management and can be less liquid than other investments.

Alternatively, you can invest in real estate investment trusts (REIT), which offer a more accessible and liquid way to invest in real estate, allowing you to buy and sell shares and participate in the real estate market without the hassle of being a landlord.

Cash

When you hold cash in a savings account, cheque account or money market account, you are directly holding the underlying asset: currency.

You have direct access to and control over that cash. While banks and other institutions manage these accounts, you are not investing in a fund or other entity that holds the cash on your behalf. You are simply storing the cash in a secure and accessible location.

Commodities

Commodities are raw materials or primary agricultural products, such as oil, gold or corn, that are traded on exchanges. Investing in commodities can be a way to profit from changes in supply and demand for these essential resources. Most people gain exposure to commodities indirectly through commodity ETFs.

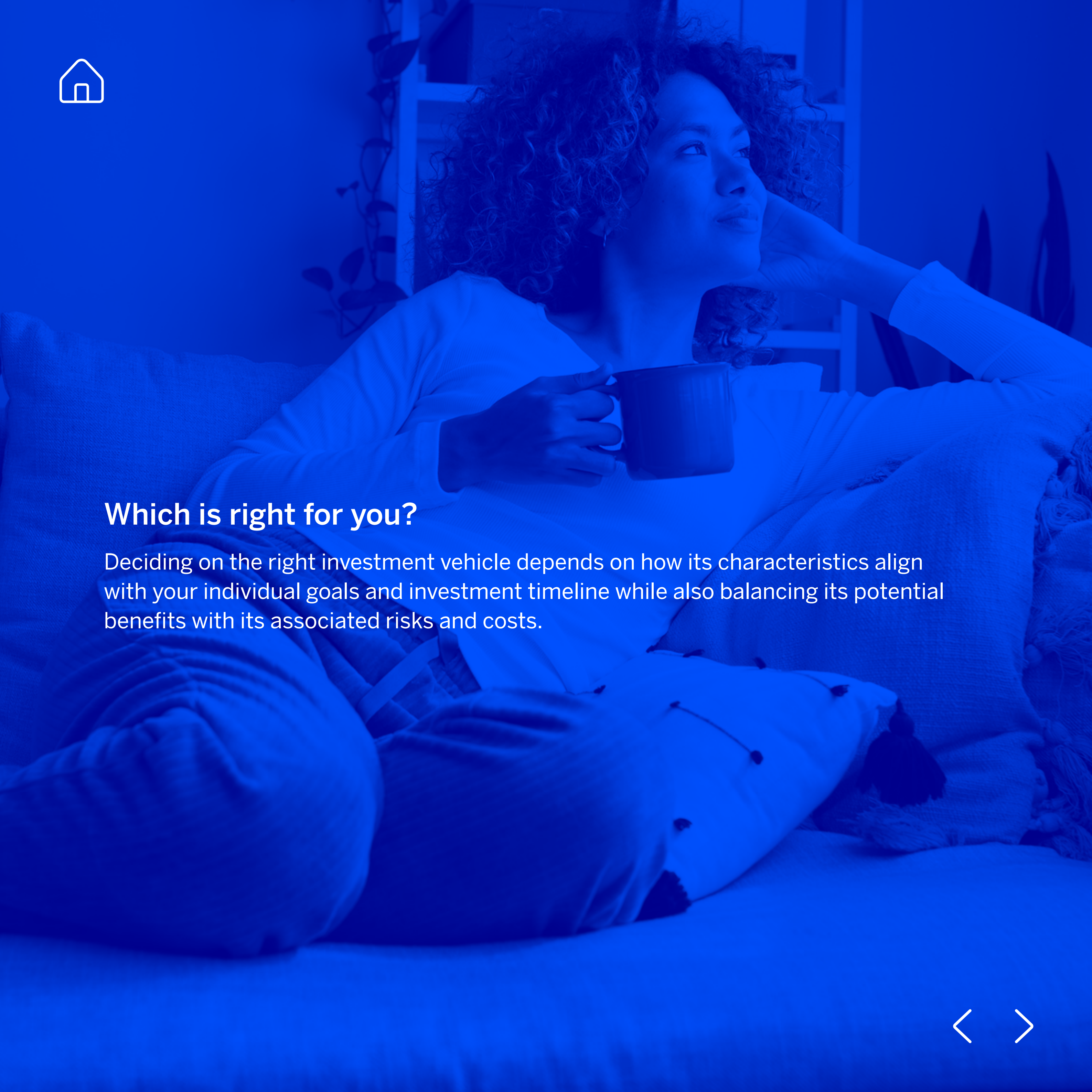
Alternative investments

These are typically accessed through specialised funds. While hedge funds use a variety of strategies to generate returns, private equity invests in companies not publicly traded and cryptocurrency funds can offer diversification and potentially higher returns, they also come with increased complexity. For this reason, most individual investors access these asset classes indirectly through specialised funds.

Structured products (specialised investment vehicle and tool)

These complex investment instruments combine different asset classes (typically bonds) with derivatives (options and futures) to create a specific payoff profile. They are designed to achieve a particular investment outcome, such as capital protection, specific or enhanced returns, fixed growth rate or downside risk.

Note: It's crucial to fully understand the terms and conditions of any investment vehicle before investing.



Which is right for you?

Deciding on the right investment vehicle depends on how its characteristics align with your individual goals and investment timeline while also balancing its potential benefits with its associated risks and costs.

Investment vehicle characteristics

Expected return
The potential profit or loss an investment is expected to generate over a specific period

Risk
The possibility of losing some or all the invested capital due to market fluctuations or other factors

Liquidity
How easily and quickly an investment can be converted into cash without significant loss of value

Pricing
How the value of the investment is determined (by market forces, appraisal or a predetermined formula)

Structure
The legal and organisational framework of the investment vehicle, which can impact its tax implications and regulatory oversight

Cost
The expenses associated with owning and managing an investment, including fees, commissions and taxes

Many investors use a combination of both direct and indirect investing to create a well-rounded portfolio.

Tax-efficient investing

Tax-efficient investing is a strategy focused on minimising the impact of taxes on your investment returns, allowing you to keep more of what you earn. This involves making conscious decisions about where you hold your investments.

Taxes can significantly erode your investment gains over time, especially with compounding returns, making tax efficiency crucial for long-term wealth building. The type of investment you choose and the time of accessing your investment are important factors for tax efficiency as they can help boost your long-term investment performance and reach your goals faster.

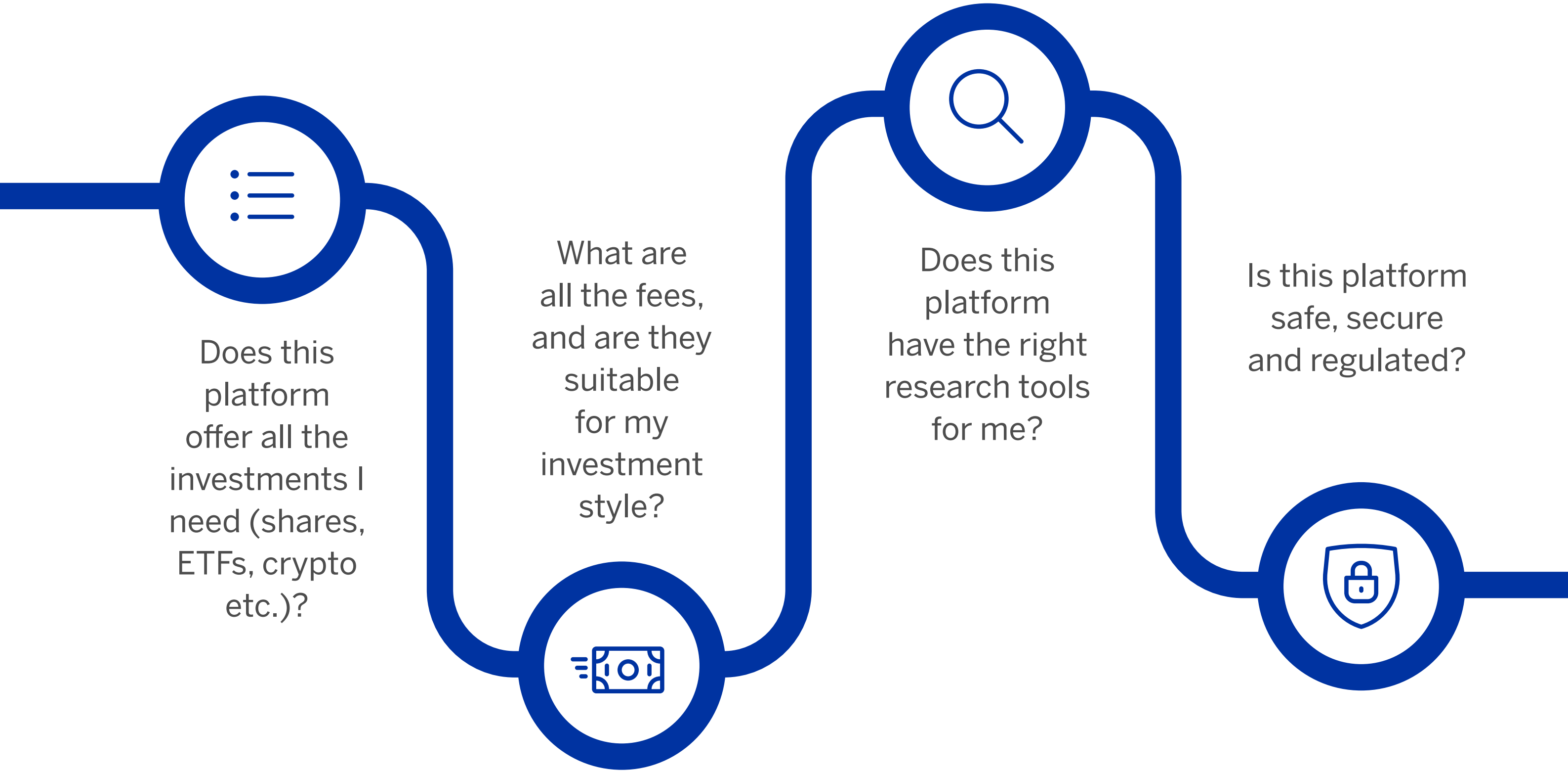
Tax-free savings accounts (TFSA) and retirement annuities (RA) are both designed to be tax-efficient investments, but in different ways. **You can also hold both direct and indirect investments in them:**

- **TFSA:** Tax-free growth and withdrawals but no upfront tax deduction
- **RA:** Tax-deductible contributions and tax-deferred growth but withdrawals taxed as income in retirement

Choosing the right investment platform

An investment platform is a place (online) where you can buy and sell investments. It acts as an intermediary between you and the financial markets, providing the tools and resources you need to build and manage your investment portfolio.

Since there are many platforms available, it can be tricky to pick one, so start with what you want to invest in, which will guide you about what platform to choose. Then ask yourself:



Popular types of investment platforms

Full-service brokers

Full-service brokers offer comprehensive financial services beyond just trading, including personalised advice, in-depth research and retirement planning, along with a wide range of investments. This expertise comes at a higher cost, with commissions and advisory fees.

Discount brokers

Discount brokers offer low-cost trading for experienced, self-directed investors. They provide a wide range of investments but fewer research tools, focusing on lower fees, often with commission-free trading.

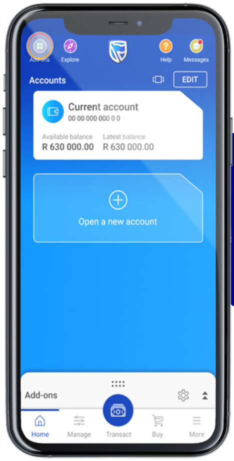
Robo-advisors

Robo-advisors offer low-cost, automated investment management, creating diversified portfolios based on your goals and risk tolerance. They rebalance automatically and may offer tax-loss harvesting, providing a hands-off approach for beginners or passive investors, though without personalised human advice.

Note: This is not an endorsement of any platform. It's important to do your own research and choose a platform that meets your individual needs and preferences.

View all your investments in one place

Use the **My360 add-on** on the Standard Bank App to track your all your assets in addition to enjoying a 360˚ view of your net wealth, liabilities and risk.



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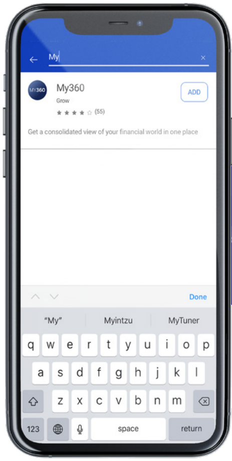
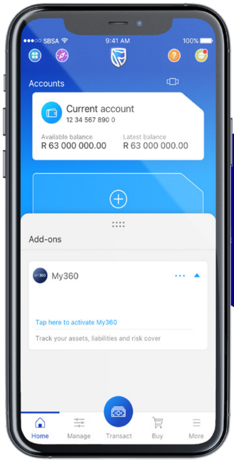


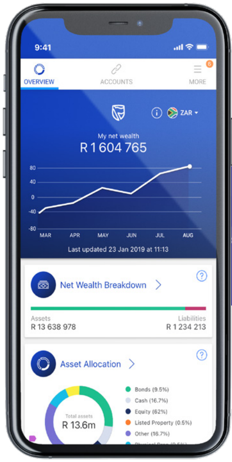
2

Click on search and type **'My360'** into the search bar. Then select ADD.



3

Once your My360 add-on is loaded, return to the home screen and tap to activate My360. Note: If you're a first-time user, you'll require a valid SA ID/passport number to go through a quick authentication process.



4

From your My360 dashboard you can get a view of your net wealth value at a selected day, a breakdown of your net wealth, as well as your assets, accounts and more.

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Before you jump: Tips for making smart investment choices

Do your research

Make informed investment decisions based on thorough research, analysis and where it fits in your portfolio and financial plan. Don’t make decisions based on rumours or hot tips.

Start small

You don’t need to invest a large sum of money to begin. Start with an amount that can allow you to learn and gain experience without significant financial loss.

Diversify your portfolio

Spread your investments across different asset classes, sectors and geographic regions to reduce your overall risk but also to maximise your opportunity exposure.

Rebalance and review

Rebalance your portfolio periodically to bring it back into alignment and review at least annually to ensure it’s still aligned with your goals, risk tolerance and time horizon.

Get professional advice

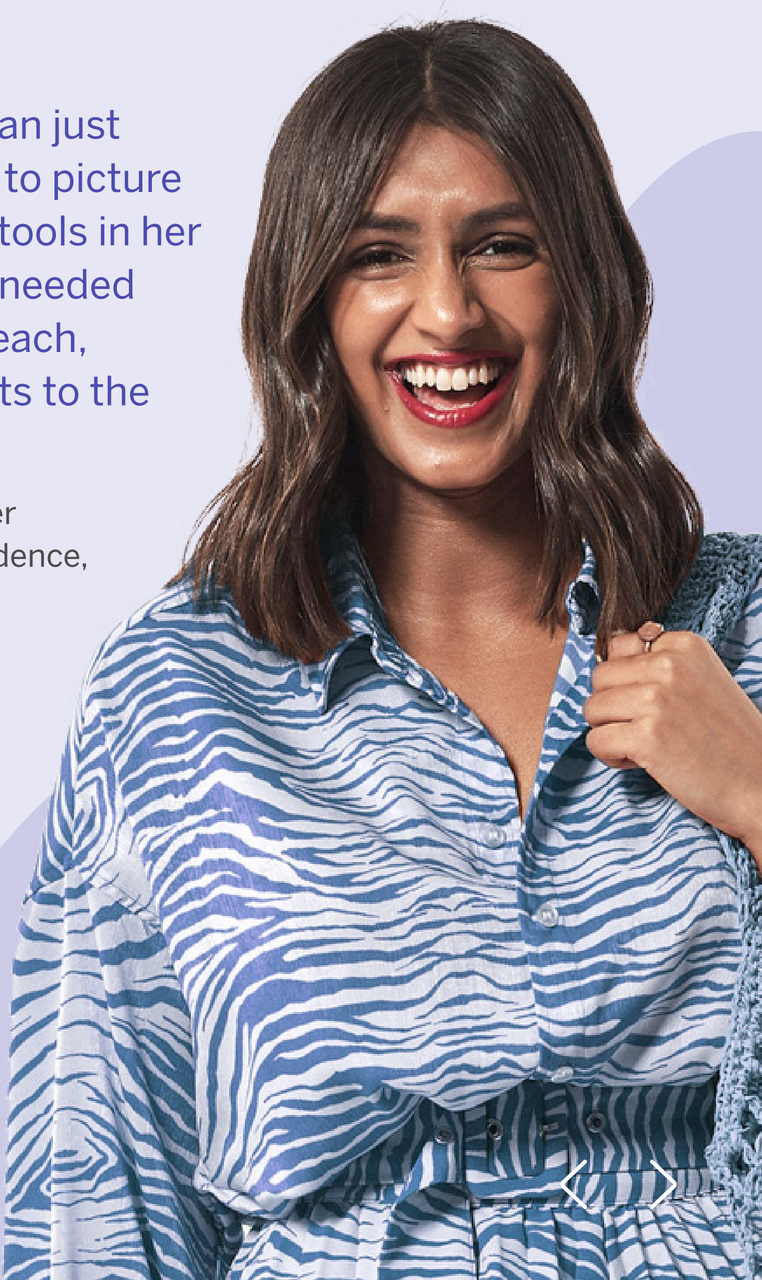
If you’re feeling overwhelmed or unsure about where to start, consider consulting with a qualified financial advisor or broker who can steer you in the right direction and save you from costly mistakes.

Aditi's story

Realising that investing was more than just picking shares, she was encouraged to picture the different investment vehicles as tools in her accounting toolkit. She realised she needed to understand the pros and cons of each, from the control of direct investments to the convenience of ETFs.

It was like finally understanding the *how* to her investment plan, and she felt a surge of confidence, ready to start experimenting with these new tools, even if it meant starting small.

She also felt that she'd be more comfortable with the guidance of a professional and asked her financial advisor to put her in touch with a broker.



Key takeaway

Jumping into the market confidently means understanding your investment options (direct vs indirect), choosing the right investment vehicles based on your goals and risk tolerance, and selecting a suitable investment platform. Remember to prioritise research and diversification and think about how to be tax efficient.

What's next?

- **Explore investment platforms:** Research different platforms with the investment vehicles you need and ensure they align with your investment style and are safe and regulated.
- **Consider diversification strategies:** Explore different ways to diversify your investments across various asset classes.
- **Do your research:** Understand the risks, rewards and how they fit into your portfolio before investing in anything.

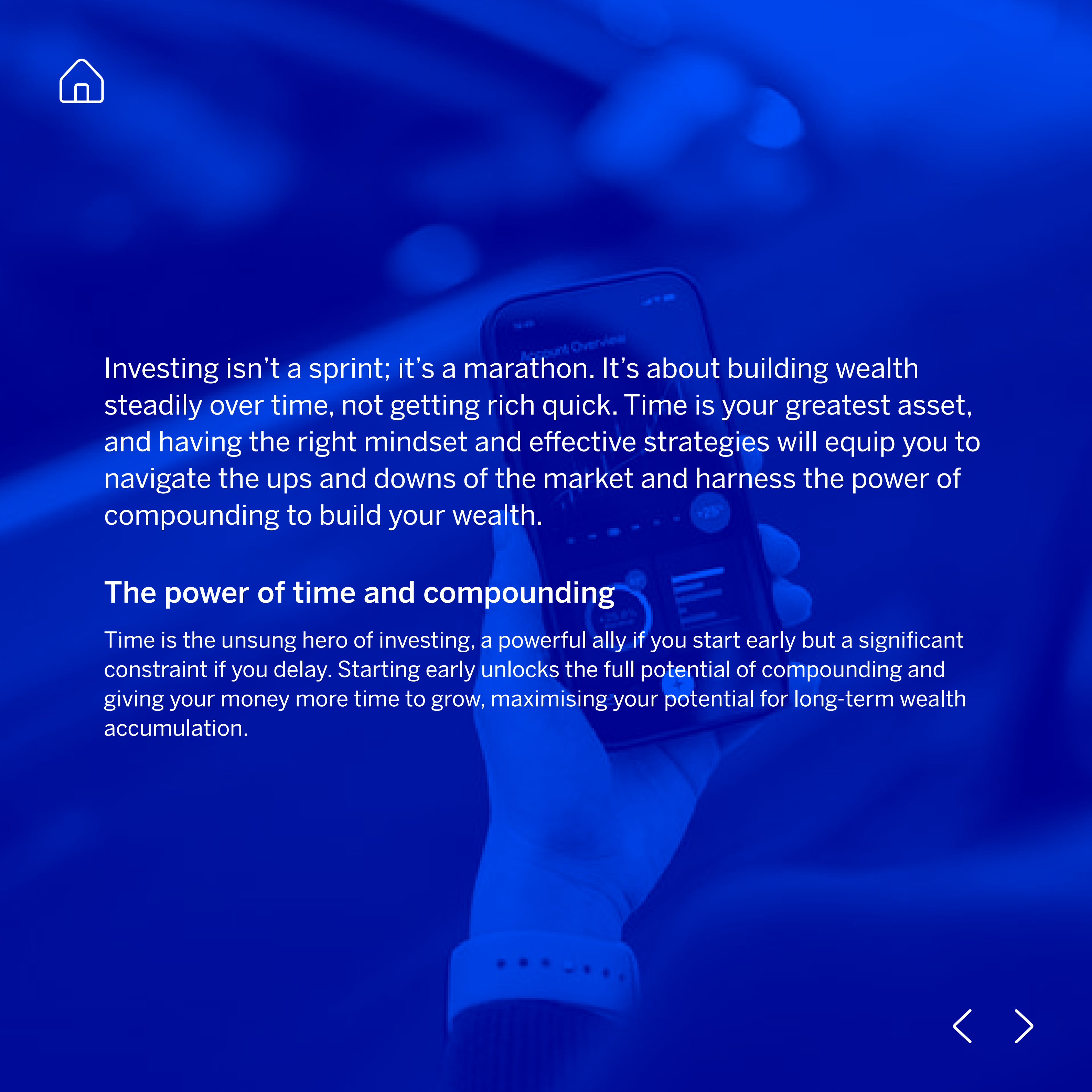
Stay focused on long-term financial goals by maintaining a disciplined approach to investing, ensuring that market noise and short-term volatility don't distract you from the bigger picture.

Prioritise strategy over emotion, knowing that fluctuations are a natural part of any financial cycle. To remain grounded, focus on consistent investing, ensuring that your savings journey is automated.

Most importantly, remind yourself that wealth-building is a marathon, not a sprint - making decisions based on short-term headlines can lead to reactive choices, which often do more harm than good.

\- **Thopi Mhloli**
Head of Savings and
Investment, Standard Bank


Playing the long game
The patient investor



Investing isn’t a sprint; it’s a marathon. It’s about building wealth steadily over time, not getting rich quick. Time is your greatest asset, and having the right mindset and effective strategies will equip you to navigate the ups and downs of the market and harness the power of compounding to build your wealth.

The power of time and compounding

Time is the unsung hero of investing, a powerful ally if you start early but a significant constraint if you delay. Starting early unlocks the full potential of compounding and giving your money more time to grow, maximising your potential for long-term wealth accumulation.

While compounding interest is a significant benefit of long-term investing, it's just one piece of the puzzle. For the investor, time also offers several other crucial advantages, including the following:

Time to recover from market downturns: The market will inevitably experience downturns. It's not a matter of if, but when. If you're investing for the long term, time allows you to ride out these downturns and recover your losses instead of panic selling and locking in your losses.

Market crashes feel scary, but history shows they're temporary and the markets bounce back. Having a longer time horizon means you have the time to wait for the market to rebound.

Reduced volatility over time: While the market can be volatile in the short term, its long-term trend is generally upward. The longer you invest, the less impact short-term volatility will have on your overall returns. Think of it like smoothing out a bumpy road: the longer the road, the less noticeable the bumps become.

Opportunity to learn and adapt: Having a longer time horizon gives you the opportunity to learn from your mistakes, adapt your strategy and become a more knowledgeable investor. You can experiment with different investment vehicles, refine your asset allocation and develop a deeper understanding of the market.

Flexibility to achieve goals: As your life and lifestyle changes, you may need to adjust your financial goals or priorities along the way. Having a longer time horizon gives you the flexibility to make these adjustments as needed without derailing your entire investment plan.

Staying the course: Avoiding common mistakes

No investment plan: Investing without a clear plan is like sailing without a map. Without defined goals, risk tolerance and a strategy to achieve them, you're likely to drift aimlessly and make poor decisions.

Market timing: Trying to predict when the market will go up or down is a losing game. It's impossible to consistently time the market, and you're more likely to miss out on gains than to avoid losses. Instead, focus on investing consistently over time, regardless of market conditions and remaining disciplined in your investment plan.

Emotional investing: Making investment decisions based on fear or greed can lead to disastrous results. When the market is down, it's tempting to sell everything, but this can lock in your losses. When the market is up, it's tempting to chase hot shares, but this can lead to overpaying for assets. Stick to your investment plan and avoid making emotional decisions.

Chasing performance: Investing in assets that have recently performed well is a common mistake. Past performance is not an indicator of future results, and chasing performance can lead to buying high and selling low. Instead, focus on investing in a diversified portfolio of assets that align with your risk tolerance and long-term goals.

Ignoring fees: Fees can silently erode your investment returns over time. Be aware of all fees associated with your investments and negotiate them where possible.

Not rebalancing: Rebalancing your portfolio is like a regular checkup, ensuring your investments stay aligned with your goals and risk tolerance. Over time, your asset allocation can drift, and rebalancing brings it back into line, managing risk and protecting returns.

Panicking during downturns: Market downturns are a normal part of investing. Don't panic and sell your investments when the market goes down. Instead, view downturns as opportunities to buy more assets at lower prices.

Staying focused on your goals

Investing is a journey, and it's easy to get sidetracked by market noise or short-term temptations. Keeping your financial goals front and centre is crucial for staying disciplined, navigating the ups and downs of the market and making smart investment decisions.

Review your goals: Take the time to review your financial goals annually and see whether you are still on track to achieve them, or they have changed, and you need to adjust your investment strategy.

Track your progress: Download the Standard Bank App and use the Save & Invest add-on to keep track of your investments and your progress towards your money goals. Review your progress monthly or quarterly but avoid checking your portfolio daily as this can lead to emotional decision-making.

Automate your investments: Setting up automatic contributions to your investment accounts can help you stay disciplined and avoid the temptation to skip investments.

Celebrate milestones: Acknowledge and celebrate your progress, whether it's reaching a savings goal, paying off debt or simply sticking to your investment plan for a year. This can help you stay engaged and committed to your investment plan.

Learn and grow: Stay informed and continually educate yourself. The more you understand about the market and different investment strategies, the more confident you'll be in your plan and the less likely you'll be to get sidetracked by noise.

Aditi's story

Knowing the power of compounding firsthand, Aditi understood that investing was truly a long-term game. She thought about the common mistakes investors make, such as chasing quick wins and letting emotions dictate decisions, and resolved to apply her accounting discipline to her investment strategy.

She also decided to be patient with herself, committing to educating herself as much as possible along the way. It was like finally seeing the bigger picture: not just balancing the books and covering your bases but securing her future and creating opportunities.

And with that realisation, she felt a renewed sense of purpose, ready to stay the course and build wealth strategically, one calculated step at a time.

Key takeaway

Long-term investing is about harnessing the power of time. By starting early, staying disciplined, avoiding common pitfalls, such as market timing and emotional investing, and focusing on your goals, you can build wealth steadily and weather market storms.

Applying your knowledge

- **Cultivate a long-term mindset:** Practise patience and resist the urge to react to short-term market fluctuations.
- **Reflect on investment mistakes:** See which one you're most susceptible to and create a strategy to avoid it.
- **Keep calm and carry on:** Don't panic during market downturns, stick to your financial plan, don't make emotional decisions and adjust your strategy if needed.

Next steps

Now that you've built on your financial knowledge and learned how to take control of your investment journey, it's time to protect your financial future and ensure you're prepared for whatever life throws your way.

Download the next e-book in our series: *Insurance Essentials for Under-34s*, and learn how to safeguard your investments, proactively manage risk and build a secure financial foundation.

Learn more

A

- **Alternative investments:** A broad category of investments that includes assets such as hedge funds, private equity and cryptocurrency, these investments can be complex and are often less accessible to everyday investors.
- **Asset:** Something of value that an individual or organisation owns, such as cash, investments, property or equipment, assets can be used to generate income or appreciate over time.
- **Asset allocation:** The process of dividing your investment portfolio among different asset classes, such as stocks, bonds and cash, based on your risk tolerance, time horizon and financial goals.
- **Asset class:** A broad category of investments that share similar characteristics and behave similarly in the marketplace. Common asset classes include stocks (equity), bonds, real estate, cash, commodities and alternative investments.

B

- **Bonds:** A type of debt security where you lend money to a government or corporation and they promise to pay you back with interest over a specified period, bonds are generally considered less risky than stocks.
- **Brokers:** Companies or individuals that provide access to financial markets, allowing you to buy and sell investments, brokers act as intermediaries, executing investment orders on behalf of clients and providing a platform and tools for trading. Brokers can range from full-service firms offering advice to discount brokers with lower fees.

- **Business risk:** The risk that a specific company you invest in will perform poorly due to factors such as bad management, competition or changing consumer preferences.

C

- **Capital:** Financial assets, such as funds or property.
- **Cash (and cash equivalents):** Money held in savings accounts, cheque accounts or short-term investments such as money market accounts. It's safe and easily accessible but offers limited growth potential.
- **Commodities:** Raw materials or primary agricultural products, such as gold, oil and agricultural products, that are traded on exchanges.
- **Compounding:** The process by which an investment generates earnings, which are then reinvested to generate further earnings. Over time, compounding can significantly increase the value of an investment.

D

- **Direct investment:** An investment where you own the underlying asset directly, such as buying individual stocks or real estate.
- **Diversification:** Spreading your investments across different asset classes, industries, sectors, geographies and investment types to reduce overall risk.

E

- **Exchange-traded funds (ETF):** Investment funds that trade on stock exchanges, similar to individual stocks, ETFs typically track a specific index, sector or asset class, providing diversification at a low cost.

F

- **Funds:** A pool of money collected from many investors to invest in securities such as stocks, bonds or other assets, funds are operated by professional money managers.

H

- **Hedge funds:** Investment funds that use a variety of strategies, including leverage and short selling, to generate returns, hedge funds are typically only available to accredited investors.
- **Holding:** An asset that is owned by an individual or organisation.

I

- **Indirect investment:** An investment where you own a share of a fund or other entity that holds the underlying asset, such as investing in a mutual fund or ETF.
- **Inflation:** The rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.
- **Inflation risk:** The risk that the purchasing power of your money decreases over time due to rising prices.

- **Investment:** The act of allocating money or capital with the expectation of receiving future income or profits.
- **Investment platform:** An online platform or brokerage account where you can buy and sell investments.

L

- **Liquidity:** The ease and speed with which an investment can be converted into cash without significant loss of value.
- **Liquidity risk:** The risk that you won't be able to sell your investment quickly and easily when you need to, potentially at a loss.
- **Loss:** A decrease in the value of an asset or investment, resulting in a financial disadvantage.

M

- **Market downturn:** A period of decline in the overall stock market or a specific sector, often characterised by falling prices and increased volatility.
- **Market risk:** The risk that the overall market declines, affecting even well-performing companies during economic downturns or global crises.
- **Market timing:** Attempting to predict when the market will go up or down to buy or sell investments.
- **Mutual fund:** A type of investment fund that pools money from many investors to invest in a diversified portfolio of stocks, bonds or other assets, mutual funds are professionally managed.

P

- **Performance:** The rate of return or overall financial result of an investment over a specific period, often expressed as a percentage.
- **Portfolio:** A collection of investments held by an individual or institution, which may include stocks, bonds, cash, real estate and other assets, a portfolio is designed to meet specific financial goals and risk tolerance.
- **Private equity:** Investments in companies that are not publicly traded on stock exchanges.

R

- **Real estate:** Physical property, such as houses, apartments, land and office buildings.
- **Real estate investment trusts (REIT):** Companies that own or finance income-producing real estate, REITs allow investors to participate in the real estate market without directly owning property.
- **Rebalancing:** Periodically adjusting your asset allocation to maintain your target percentages. rebalancing involves selling some assets and buying others to bring your portfolio back into balance.
- **Retirement annuities (RA):** A retirement savings plan that offers tax-deductible contributions and tax-deferred growth. Withdrawals are taxed as income in retirement.
- **Risk appetite:** Your willingness to take risks with your investments in pursuit of higher returns.

- **Risk threshold:** The level of loss that triggers a change in your investment strategy.
- **Risk tolerance:** Your ability to handle potential investment losses.
- **Robo-advisor:** An online platform that provides automated investment management services, creating diversified portfolios based on your goals and risk tolerance.

S

- **Saving:** Setting money aside for short-term goals or emergencies, typically held in readily accessible accounts.
- **Securities:** A tradable financial asset, such as a stock, bond or option.
- **Stocks (equity):** Shares of ownership in a company. When you buy stock, you own a small piece of the company.
- **Structured products:** Complex investment instruments that combine different asset classes (typically bonds) with derivatives (options and futures) to create a specific payoff profile.

T

- **Tax-efficient investing:** Strategies focused on minimising the impact of taxes on your investment returns.
- **Tax-free savings account (TFSA):** A savings account that offers tax-free growth and withdrawals but no upfront tax deduction.

- **Time horizon:** The period between when you invest and when you'll need the money, this could be short term (less than 3 years), medium term (3–10 years) or long term (10+ years).

U

- **Unit trusts:** Similar to mutual funds, unit trusts pool money from many investors to invest in a diversified portfolio of assets. They are typically managed by a fund manager.

V

- **Volatility:** The degree to which the price of an investment fluctuates over time.

Learn more