Investing

Good day, my name is Reinhardt I am currently a first year psychology masters student and today I am going to talk a bit about investing.

I would like to point out that everyone invests in some way, shape or form. From the savvy stockbroker to the person who is forced to skip a meal here and there because they run out of money before their next paycheck, everyone invests their time, effort and attention into the things they find important (Tycho Press, 2013). The individuals who spend hours upon hours training for their next marathon are investing in their health. You attending classes in the hopes that your university degree will assist you in getting a better job is you investing in your career. Numerous other examples can be made of the different forms of investing for different goals, but all of them share a common purpose: to provide for the future (Tycho Press, 2013).

But what is investing really? Investing is the process of buying assets that increase in value over time and provide returns in the form of payments or capital gains. Taken a step further, investing can also encompass spending time or money to improve your own life or the lives of others (Laopodis, 2021; Tycho Press, 2013). Right now, by pursuing a degree, you are investing time, money and effort into your future. The idea with earning a degree is to increase your earning potential. If we took your current educational activities into the world of finance, investing would then consist of the buying of stocks, property, or other items in the pursuit of some form of income (Tycho Press, 2013).

Individuals have different investment requirements. There is no “one size fits all” approach to investing. To determine your goals and customise your own financial plan, it might prove useful to ask yourself the following questions:

1) What are my goals?
    a. Be specific when answering this question. Something like “get rich” is not a sufficient answer. You need to aim for a specific target, such as “have R1 million in assets by the time I retire.” When you’re done listening to this podcast, I would like to challenge you to think what your financial goals are. Take the time to reflect about how much money you would like to have invested by the time you are 30 or 35. How much money would you need to invest monthly to reach this goal? Let’s say you are turning 30 in 10 years time and you would like to save R100 000 by the time you are 30. Will you be able to reach that goal? Let’s break it down, there are 12 months in a year. That would mean that you have 120 months to save R100 000. That means

that you should be saving roughly R834 every month for the next 10 years to reach your investment goal of R100 000 in the next 10 years. For the sake of simplicity this example did not take the interest you will be earning into account. If you earned 6% interest on your investment per year, you would need to contribute roughly R632/month to reach your goal of R100 000 in ten years. That's a difference of R200 per month just because you were earning interest on your investment. Don't underestimate the power of interest! Remember to take some time to write down what your investment goals are for the next 10,20, or even 30 years.

2) How much time do I have to reach these goals?
    a. The time you have to reach your goals will differ depending on your current age, your circumstances and when you want to retire. A 25-year-old graduate with no dependents will approach investing somewhat differently than a 35-year-old mother with a daughter who will start university in 8 years.
3) How much risk am I willing to accept?
    a. Some people can tolerate more risk than others. The general rule when it comes to investing is "high risk, high reward and low-risk, low reward." Some investors can tolerate more risk than others and you will need to determine your own appetite for risk to ensure you don't lose sleep at night because of the level of risk associated with your investment.
4) What do I need to do to reach my goals?
    a. The answer to this question is quite literally the million-rand question. Regardless of your investment goals, you must realise you won't reach these goals overnight. Patience is key here. The time it will take to reach your investment goals is dependent on how quickly your investments grow. Enter the rule of 72.
    b. The rule of 72 can be illustrated using an example. If you want to determine how long it will take for your investment to double, divide 72 by the investment's rate of return. If you earn a return of 4% a year, your money will double every 18 years. Whereas an 8% return will result in your money every nine years. Let's say you invested R10 000 at an annual interest rate of 6%. If we divide 72 by 6, that gives us the amount of time it would take to double your investment to R20 000. So, 72/6 is equal to 12. Thus, it would take 12 years to double your initial investment.

Once you have answered these 4 questions, you should be able to tailor your financial plan to your investment needs. Remember, it is never too late or too early to start investing. Also, you don't need thousands of rands to start your investment journey. Any amount will do, you can start investing with as little as R50. Remember, starting off your investment journey is more important than how much you start with.

Retirement planning

Good day fellow students, my name is Ruani. I am a master's student of psychology, here today to talk about retirement planning and concluding this talk on money matters.

When we are young the topic of retirement and the preparation thereof seems very irrelevant for our age. Understanding the steps to determine how much you need for retirement makes the process less intimidating. I think unfortunately we live in a very uncertain time with no clear idea of when things will become "better", whatever that means. But in these uncertain times, why not start working towards or contributing towards something that can offer you more security, even if it is a long way down the road.

Financial security in retirement doesn't just happen. It takes planning and commitment and, yes, money.

As you begin your working phase of life, it is a good idea to start planning what you will need to be comfortable during retirement. You will need to start thinking about the following questions:

1. **At what age do I want to retire?** On average, people **should contribute 17% of their salary over 40 years** (from age 25 to 65) towards their retirement savings to achieve a 75% replacement ratio. A 75% ratio means that for every R1,000 earned before retirement, you are targeting to replace R750 as an income during your retirement. Personal circumstances will influence the target replacement ratio for each person. Therefore 75% is used as an approximation for members on average
2. **How long do I anticipate living past retirement**? (Maybe not the most relevant to the South African context because research was limited but the average American spends roughly 20 years in retirement). It is of course quite difficult to determine an accurate answer to this question because we have little control over how long we will live. However, the important thing about this question is that you do not estimate too little, running the risk of not having enough money for retirement.

3. **How much money will you need to maintain your lifestyle?** (If you currently earn R5000 per month, and apply the 80% rule, you will need at least R4000 per month after retirement to maintain your current living standard.)

Let’s look at some useful tips to get your retirement planning underway:

a) **Start saving, keep saving, and stick to your goals**

If you are already saving, whether for retirement or another goal, keep going! Saving is a rewarding habit. Start small if you have to and try to increase the amount you save each month. Remember, it’s never too early or too late to start saving.

b) **Company benefits**

Important things to consider when starting a job, is whether the company contributes to your pension in any way or is it solely your responsibility. Be willing to have this conversation with your employer to ensure you set yourself up for retirement in the best possible way.

c) **Get into the habit of putting away saving money like you pay debit orders.**

Healthy spending patterns points towards making sure once you get your monthly income you first pay all your debit orders then put some money away in a savings account. After that you have a more realistic idea of the income you have left and what you are able to spend it on for the rest of the month.

Now, we live in the 21st century so there have to be some more modern ways of thinking about and planning for retirement? With this said, I was able to find a range of apps that can make retirement planning, well, almost fun. So, having apps that help you determine your priorities, from rigorous statistics to simple graphs—there's an app for everyone's planning style. It is worth it to keep searching until you find the tool that meets your needs. Who knows, you might plan to use the app for one area of your finances and before you know it you have become a semi-expert in financial planning! One example of a useful app is the one called “Mint”. It is a user friendly, uncomplicated app that enables you to track your spending habits, develop graphs about money “coming in” and “going out” for each month and so much more. We will make sure to this list these and other apps in the description.

Even while preparing for this talk, at times, I became overwhelmed with the shocking statistics of how little South African’s are prepared for retirement. However, to end this talk on a positive note, the biggest and most important step you can take today towards your retirement is simply starting to save money, no matter how small the amount may seem.

Years from now, what might have seemed small today will have accumulated into a comfortable savings, enabling you to have some reassurance in what you have been able to build up .

References:

Laopodis, N.T. (2021). *Understanding investments: Theories and strategies* (2nd ed.). Routeledge.

Tycho Press. (2013). *Stock market investing for beginners.*