Your New Year lunchbox investment guide

20 January 2022 – It’s that time of the year when we reflect on the year gone by and set new goals for the year ahead. Whilst ongoing emphasis during the pandemic was placed on wellness and health, focus also needs to be placed on our finances.

Your finances need to be a priority given the current environment that we are living in. “Household costs, education, fuel and general living expenses are increasing, and we need to understand our finances to better manage these costs. We often say that we will get our finances in order tomorrow or next week, but why not today?” asks Sebastian Pillay, Head of Share Investing, FNB Wealth and Investments.

Just like your lunchbox, you can also make better and healthier financial decisions, he says. Pillay adds, “Your lunchbox is well thought out and something that you put together daily – so why not apply the same concept to your finances. We make an effort to be mindful about our eating habits, and what we put into our body so why not practice the same with our finances and take a closer look at what you are investing in?”

When looking at your lunchbox, think of those Investments that could benefit you in the short and long-term. The key ingredients to a healthy investment lunchbox include:

1. Something healthy and colourful
   Just like we add healthy fruits and vegetables to our diet, we need to look for those investments that will serve us well in the long-term. Pillay says, “A well-diversified Unit Trust will give you exposure to different asset classes like cash, bonds, property, and equities in a single investment. This helps investors get maximum benefit during their desired investment period. To maximise your opportunity, a Tax-Free Savings Account (TFSA) is an ideal vehicle for longer-term investing and saving without the tax impact.”

2. Protein to build your investment portfolio
Protein is an important part of a balanced diet and a major energy source. “When investing, it’s important to diversity through local and global exposure,” says Pillay. An easy way to do this is through Exchange Traded Funds (ETFs) which are passively managed investments that track a basket of shares or an index. This is a low-cost option to get exposure to local and global shares that make up an index. Investing in ETFs offers flexibility by offering a low-cost access point with the relevant diversification which is central to a core portfolio just like protein in a balanced diet. There are many types of ETFs to meet your requirements but ideally when you have a long-time horizon staying invested and adding regularly will help you reach you goal.

3. Snacking on those short-term investments

We are often told to keep our snacks healthy with a combination of healthy fruits and veggies. Sometimes we need to look at our investment options in the same light, as markets move and shift daily. For those short-term goals, snack on a Money Market account which offers the flexibility to contribute amounts as you wish, and you can withdraw the funds should the need arise. It’s ideal for saving for next year’s school fees, stationery, school uniforms, or even extracurricular activities for your children. A notice deposit is also ideal for short-term investments which provide zero volatility or market risk. In general, the longer the notice period, the higher the return and is most beneficial if you are not willing to take on any risk and saving for a near term goal.

“Let’s face it, sometimes delving into our finances can become a tad bit boring or leave us feeling depressed or overwhelmed. However, there are ways that will make managing your finances fun and easy for you and your family. So next time you prepare your lunchbox, think of how and where your next investment will be,” concludes Pillay.

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