How do I invest and how long for?

Before you start investing you must know what you're investing for. When you know why, you'll know how long you need to invest for and the type of investment that suits you and your time frame.

Fixed Amount vs. Fixed Time

Your goals may be fixed by an amount of money or a time period. You may be saving for a holiday so you'll work towards saving the amount of money you need for tickets and accommodation and be flexible with the time needed. But if you're saving for retirement you will have a date in mind, as you would your children's education.

Time in investment

Short Term	→	Less than a year (Year 1)
Medium Term	→	Three to five years (Year 3)
Long Term	→	Over seven years (Year 7)

Debit Order vs. Lump Sum

Once you know what you're investing for and how long you're committed, you can work out how you want to invest. This could be with a lump sum or a monthly debit order.

A **lump sum** goes to work from Day 1 earning returns. These returns can be higher than a debit order investment. However you run the risk of entering the market at a bad time. Furthermore, most people don't have the capital for a lump sum and use this as an excuse for not investing. It shouldn't be because there is an alternative.

A **monthly debit order** is undoubtedly one of the most powerful investment tools. It creates a savings discipline as it goes off your account before you have spent your money on things you want vs. need. There are other benefits too.

- A relatively small debit order can become a significant amount of money over time because of the power of compounding growth.

- It reduces the risk of emotional investing. We tend to buy high and sell low with a lump sum because we get caught up in the emotion of investing.

- It can reduce the overall price of your units. You buy more units when prices are low and fewer units when prices are high, which reduces the overall price you pay for the total number of units in your account.

Whichever you choose, set an attainable goal and just do it. The first call you make to your financial advisor is half the battle won.

Give it time

The earlier you start investing and the longer you give yourself in the market, the more chance you have of your money working effortlessly for you.

20 years ago, Bill's father invested R10 000 so that one day Bill would be able to put down a deposit on a home. With annual interest at 12%, that investment would be worth R96 463 today. But if Bill's dad had invested half of that, R5000, 10 years earlier the investment would have been worth R149,800.

Stick to the plan

Be a confident investor. Develop your plan, stick to it and adapt it where necessary as your situation changes. Allow for overall long term growth. Don't be jittery and reactive to short terms drops. The real key to making money is not to get scared. Stick to your guns.

For more go to www.nedgroupinvestments.co.za/education

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