Geregistreerde finansiele diensverskaffer

FDR LISENSIE NO
FSB LICENCE NR 11048

MY MAKELAARS
MY BROKERS

1996/020487/23

Die ♥ klop van jou geldsake
The beat of your finance

Maart 2017 Uitgawe 1

Beste kliënte,

Met 2016 agter die rug, hoop ons almal op 'n beter 2017.

Die mens wil altyd in die toekoms probeer inkyk en daarom is daar waarsêers, filosowe en ekonome. Daar is 'n teorie wat beweer dat as die beurs in die eerste drie dae van die nuwejaar styg en die beurs op die laaste dag van Januarie hoër is as die derde dag se waarde, dan gaan dit 'n groeijaar wees. Ons hoop vir die beste.

In hierdie uitgawe plaas ek uittreksels van artikels en sketse wat ons besluitneming en gedrag beïnvloed wanneer ons beleggings maak, begrotings opstel, of finansiële beplanning doen.

Daar word baie toegedig aan die suksesvolle finansiële Warren Buffet. Hier is enkele van sy opmerkings en dit klink amper of my Pa weer met my praat!

ON TAKING RISK:
"Never test the depth of the river with both your feet."

ON EARNING:
"Never depend on single income. Make investments to create a second source."

ON SAVINGS:
"Do not save what is left after spending, but spend what is left after saving."

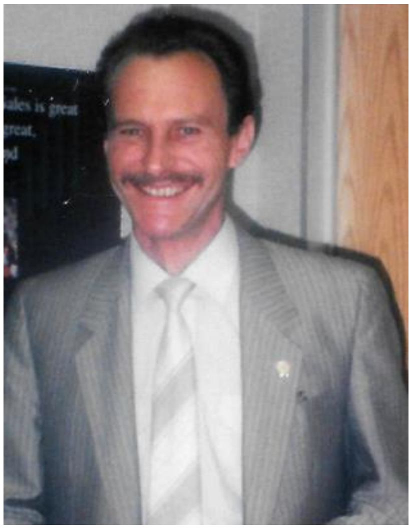
ON SPENDING:
"If you buy things you do not need, soon you will have to sell things you need."

Die bg. aanhalings asook die artikel en sketse is ongelukkig alles in Engels. Ons ondervind al hoe meer dat besigheidstaal van Suid-Afrikaanse maatskappye en gevolglik ook hulle inligtingstukke, noodgedwonge in Engels is. So moes ons ook ons e-pos adresse na Engels verander om seker te maak ons hou kers vas by die res!

Ons vertrou dat u die nuusbrief interessant sal vind.

Vriendelike groete,

Dolf du Plessis



Antonie de Ronde
071 883 7810
antonie@mybrokers.co.za

LEDE

HR du Plessis BA IQA; AM E Kern BA HOD; L du Plessis BA; JI Olivier; AS du Plessis; A de Ronde

Ons spesialiseer in:

- Testamente en boedelbeplanning
- Aftredebeplanning (aftreeannuïteite en pensioenfondse)
- Na-aftrede beplanning (lyfrente en lewende-annuïteite)
- Beleggingbeplanning
- Langtermyn versekeringsdekking (lewensdekking, ongeskiktheids-dekking, traumadekking)
- Inkomstebes-kerming
- Mediese fondse

Thinking Fast and Slow

by Daniel Kahnemann (winner of the Nobel prize in Economics)

Neil Viljoen, www.bluechipjournal.co.za

Behavioral finance is the study of why rational people make irrational financial and investments decisions. In his book, Thinking Fast and Slow, Kahnemann speaks of how a firefighter instinctively knows when to evacuate a burning building and a chess grandmaster instantly recognizes a lost position. This is because they have trained their brains to the point where slower, calculated analysis of the situation is no longer required.

Kahnemann describes the brain as having two separate operating systems. System one operates intuitively and quickly with little mental effort, “thinking fast”. System two requires reason, deliberation, concentration and problem solving, so-called “thinking slow”.

While “thinking fast” can be of great advantage to the firefighter and grandmaster, it can lead us to make false assumptions. The biases of our intuition lead to errors of judgement.

When you are asked how much you need to save for the future in order to realize your goals, the question you are likely answering is how much money you are willing to forgo now in order to save something towards your future.

Availability, the halo-effect.

A further two heuristics we tend to fall prey to are that of the so-called “halo-effect” and availability (Whereby we mistake the frequency of events for ease of recall). When it comes to investing, the heuristic of availability means people are more likely to choose the “brand” of investment house or product they are more familiar with and incorrectly assume that its high profile must mean that it is the “best”.

What investors should be doing is choosing the investment product that best suits their time horizon and investment goals.

Hindsight is 20:20 vision

Hindsight can cause us to reconstruct our initial beliefs and falsely attribute motivation or cause and effect to something. We consider an investment manager’s good decisions a “no brainer” and their bad decisions ones which could and should have been avoided. With hindsight, many analysts were able to track the trends that led to 9/11 where none was able to predict it.

In investment terms, you will be far happier to hear that you will be able to spend 70% of your current income in retirements than if you are told you need to eliminate 30% of your current expenditure.

Conclusion

The only effective way to break the cycle of fear and greed that undermines investor returns and to avoid the errors of judgement referred to here is to follow a process.

A competent financial advisor will be able to construct a financial plan around your current and future needs and goals, and act as a sounding board to help you to make well-considered financial decisions.

In essence, the study of behavioral finance teaches us that the main motivator in many financial decisions is not money, but self-regard, achievement, fear of failure and regret.

Invest in your future, visit our website: www.mybrokers.co.za

Find us on Facebook: www.facebook.com/mymakelaars

INVESTMENT PRINCIPLES

BEHAVIOURAL **IMPACT**

How greed and fear can distract people from their long-term strategy.

OLD**MUTUAL** WEALTH

INFLATION IS YOUR ENEMY

"Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man."

Ronald Reagan

REALITY: Many investors suffer from "inflation illusion" as they don't notice how destructive inflation can be over time (see Inflation research on page 15).

LESSON: We need to look at long-term investment returns in "real" terms, stripping out the impact of inflation.

INFLATION CORRODES SPENDING POWER

Take a look at what a 6% inflation rate effectively does to your money:

TODAY	10 YEARS LATER	20 YEARS LATER

R10 000	**R5 584**	**R3 118**

HR du Plessis BA IQA; AM E Kern BA HOD; L du Plessis BA; JI Olivier; AS du Plessis; A de Ronde

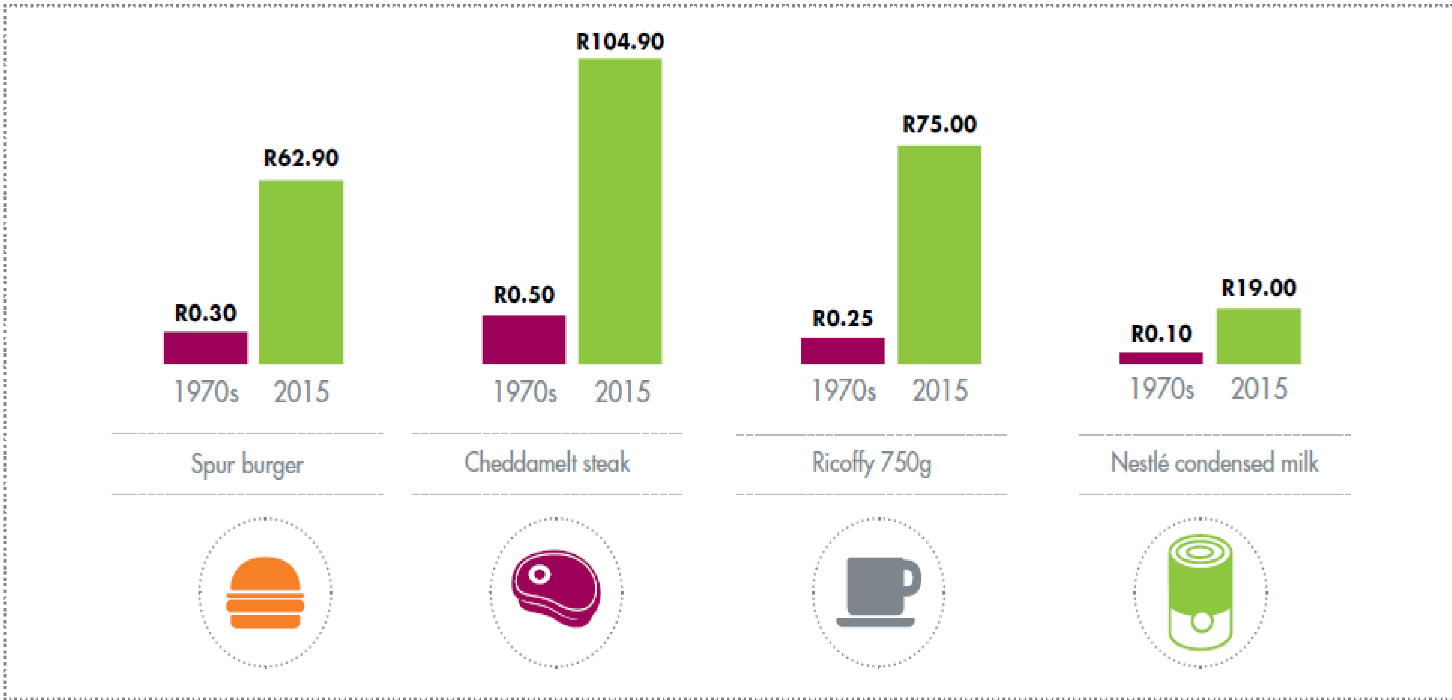
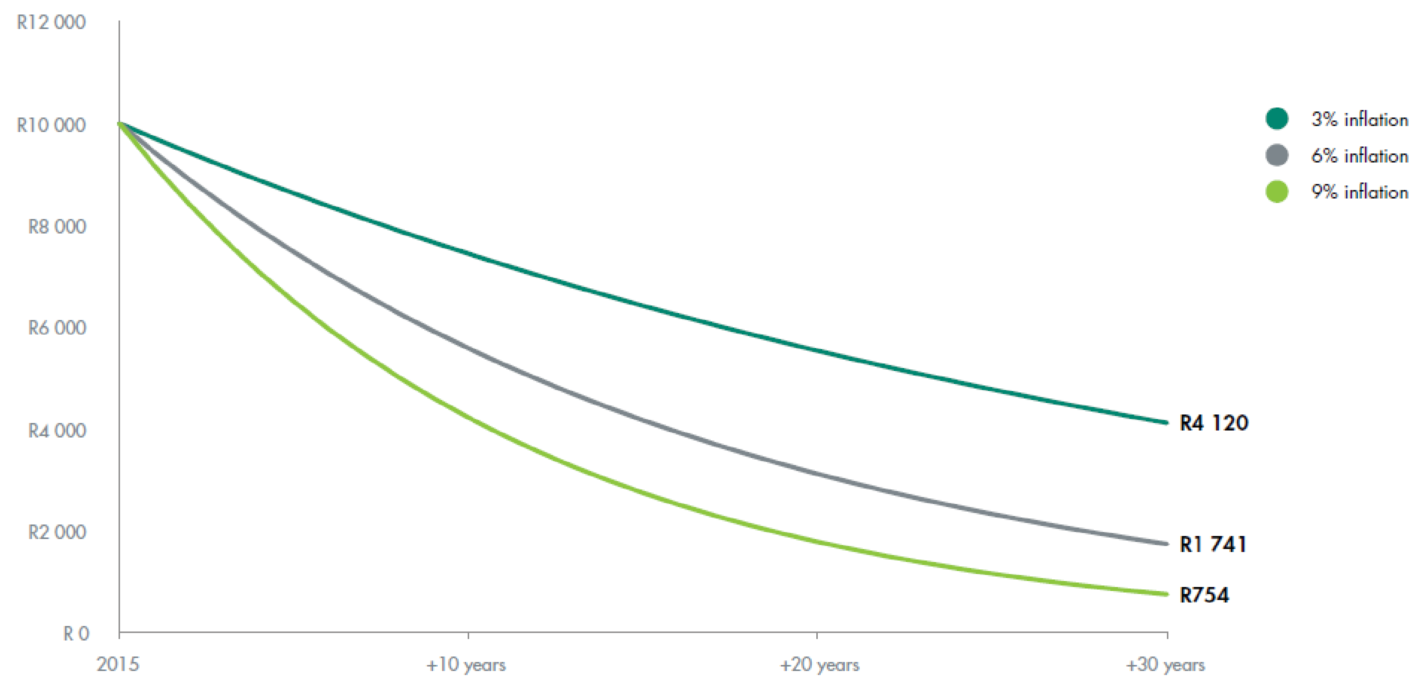


CHART 10: IMPACT OF INFLATION ON RETIREMENT INCOME OF R10 000 OVER TIME



COMPOUNDING IS A POWERFUL WEALTH GENERATOR

REALITY: Money needs time to benefit from the full potential of compounding growth.

LESSON: Start saving as soon as you can, leave it for as long as you can, and let compounding do the work for you. And tick the dividend reinvest box on your investment application form to maximise your growth.

Compounding simply means making money on your original investment as well as on the gains made in previous years (i.e. growth on growth over time).

GROWING YOUR WEALTH OVER TIME

Using the long-term nominal average return of 14.3% a year, look at what happens when your money is invested in SA equities over time:

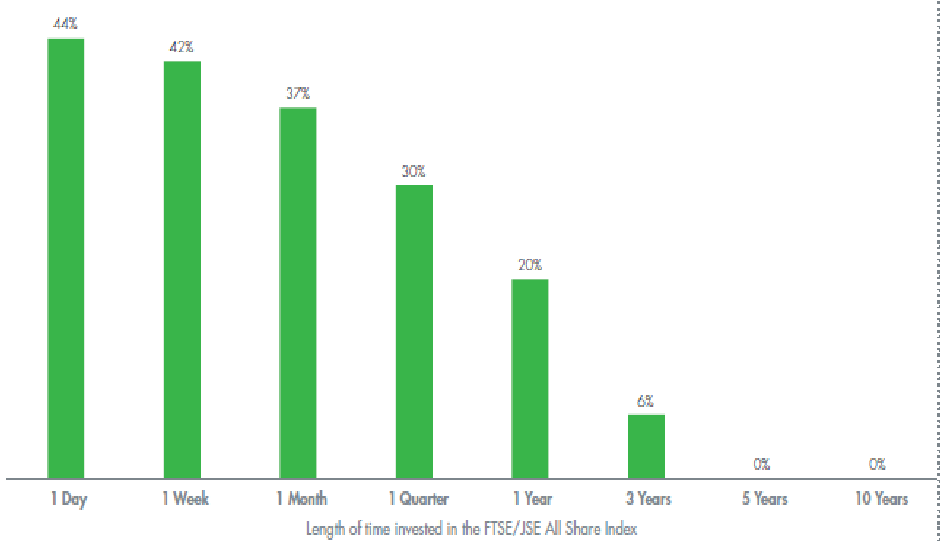
TODAY	10 YEARS LATER	20 YEARS LATER
R1 000	R3 819	R14 587

TIME IS YOUR FRIEND

REALITY: The main reason investors prefer cash to equities is the fear of losing money.

LESSON: The best way to manage the risk of losing money is to remain invested in equities for longer. As soon as you extend your holding period for more than three years, past performance shows that you wouldn't have lost money. Take what happened in 2008: after a negative 30% return, the market rebounded to deliver 14% a year over the following five years (see Chart 13).

PROBABILITY OF NEGATIVE RETURNS OVER DIFFERENT TIME PERIODS



- 1 day and 1 week: Rolling total returns, June 1995 – December 2015
- 1 month to 10 years: Rolling returns, January 1960 – December 2015

The old adage holds true: "Time in the market, not timing the market."