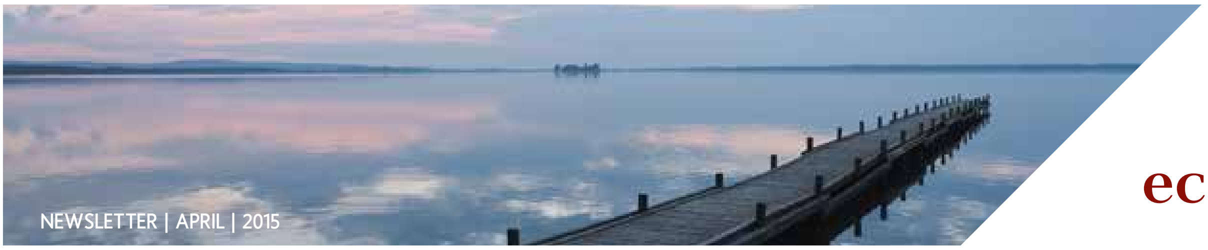


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## Challenges for the economy

In the past month the South African economy has taken a dramatic downward swirl – presenting the country with serious new challenges.

The prospect of inflation worsened and the declining rand, local power crisis, rising corn prices and looming strike in the public sector are but a few of them.

Only a few weeks ago economists expected a hike in the interest rate early next year. Now they are talking about this happening at least twice this year.

This comes after inflation reached its lowest at 3.9% in February, owing to lower international oil prices which have lowered the price of local fuel. This advantage, however, came to an end when the price of petrol rose in March to 96c per litre and will increase by a further R1.70c per litre this month.

The falling rand also puts upward pressure on inflation. The rand has weakened since the beginning of this year by almost 6% against the dollar. It is quite possible that the rand could reach its lowest level again which was R13,84 in December 2001.

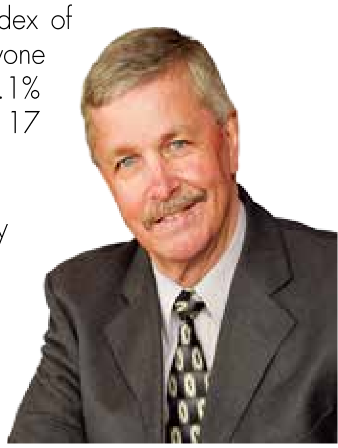
There are concerns about state spending which increased sharply from the 23% of the gross domestic product (GDP) in 2003 to the present 29%. Similarly, the net public debt as a percentage of GDP increased from 22% in 2009 to 41% last month.

A positive ray of hope, however, is the deficit on the current account for the fourth quarter of 2014 which fell from 5.8% in the third quarter to 5.1% in the fourth quarter. Similarly, Bankserv Africa's index of economic transactions surprised everyone when it grew in South Africa by 2.1% since last year, the strongest growth in 17 months.

The US Federal Reserve is not likely to increase interest rates before September or even December - which for the moment gives us a breather.

We can only hope for the best!

Anton



Dr. Anton Hay - Marketing Director

## The price of delay

Procrastination is the thief of time and money and this can be seen clearly in the investment world.

To delay investing is as bad as not investing at all. It is said that more money has been lost, owing to indecision as to a "wrong" investment decisions.

People often wait for the "perfect opportunity" to invest. But this is nothing less than procrastination and an investment expert warns that "any decision is better than no decision."

The earlier you invest, the better. Just start somewhere, even if it is small, because before you know, it's time to retire, and then you don't want to sit without a nest egg.

One of the reasons why people do not invest their money, is because few have really experienced a period of overall financial depression or war. They do not know the misery of having no money.

Rising living costs, especially high medical costs, place increasing pressure on us today. We have a good chance to become 90 years old, yet we have only 35 years of work to generate enough income for up to 30 years retirement. Research shows poverty is most prevalent among the elderly of 80 years and older.

The retirement landscape has changed dramatically, and many of us will have to delay our "golden years" or start a second career because the "sandwich generation" is often supporting older and younger dependents.

During last year's Benchmark Seminar on retirement it was unequivocally declared that South Africa does not have a savings culture and is facing a retirement dilemma. The question was whether "human behavior could be changed so that people could realise the value of saving for retirement?"

Research shows affluent pensioners did not necessarily start with a big lead. Their secret was adequate planning and ongoing saving, little by little, month after month.

Most of them had already started saving a few years before retirement, saved throughout their career, preserved their pension funds as they changed jobs, sought professional advice, reinvested their lump sum at retirement, had several sources of income and invested, especially in shares.

Time plays a crucial and powerful role with these affluent pensioners and also in the financial world. Wealth is accumulated slowly, and the longer it is invested, the greater the advantage of compounded growth (growth on growth). In short, this means you get growth on something that you did not put in.


Procrastination... the thief of time and money.

The chefs in the popular MasterChef television program always add that extra pinch of salt to bake the perfect cake. At Ecsponent we say "to bake the perfect investment cake requires more than just a pinch of TIME." Together with risk, return and cost, TIME is important in any successful long-term investment.

The power of compounded growth cannot be underestimated. But you will not get growth on something if you did not invest. If you defer to invest for five years, you need to invest three times as much, compared to those who started earlier to arrive at the same amount.

If an investment is held long enough, it could significantly exceed the value of the original amount. A typical example is someone who invested R10 000 over a period of 20 years and getting an investment return of 10% per annum. After 20 years, the value of the R10 000 investment is about R67 275, which means it earned the original R10 000 as well as R57 275 growth. If the growth had not been reinvested each year, the proceeds would have been only R20 000.

There are people who suffer from "Low Market Involvement Syndrome". They are afraid to get involved in financial markets for fear of the unknown or that they could lose money.

But to stay out of the market, is an expensive way to allay fears. It is much better to focus on some low-risk investments or which psychologists' call "anxiety matched investments" - until the fear had been overcome.

Also be wary of "psychological pitfalls" which people use as excuses not to invest. They will, for example, choose information which confirms their suspicions, though it could be totally wrong. Or they will lend their ears to small talk at a campfire which does not come from experts.

What is the chance that you could lose your money? Professor Barton Malkiel's hypothesis of the "blindfolded monkey" which throws arrows at the stock exchange page of a newspaper, show that the shares of the "monkey" fare equally well or better than those of conventional equity portfolio managers.

Fund managers do not always score better. It has been proved that very few fund managers beat market indices on the stock exchange. Even the personal investments of experienced fund managers rarely do better than those of the common investor. Yet people tend to attach more value to information for which they pay.

Interestingly you should also not think the geniuses of our society are better at investing. Forbes found the Mensa Investment Club's (people with an IQ in the top 2% of the population) return on their portfolios averaged only 3% - compared to the S&P500 Index of 15%.

What is the solution? Look at Ecsponent's investments which offer fixed rates. You know exactly what the return is, and there is no cost. The longer the investment in the capital growth product, the greater the return.

At the end of the day we are responsible for our own investment success. As a retired person one day you will thank yourself for taking the time to make those crucial investment decisions.