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Advice for the young

Being in your 20's is a time of wonder, of newly discovered independence and carefree fun. There are very few older people who would say that it should be anything else however it would also be true to say that fortune favours those who plan ahead. By all means have fun but give the future a thought.

Very few twentysomethings want to think about their old age. Apart from anything else it seems a lifetime away. If you're a Millennial, know this about financial planning: time is still on your side, but it won't be for much longer.

Building the resources you need to help you accomplish what you want in life isn't complicated, but the sooner you start, the better off you'll be. If you wait too long, until you are in your 40s or 50s, you'll have to save and invest a much larger portion of your income.

Here are five tips to help give you the confidence to shed whatever doubts may be holding you back. The most important rule of financial planning is: start now and start somewhere.

Tip 1: Compound interest is your friend

There is no doubt that compound interest is the most powerful force in the universe. If you invested just R5 000 per annum starting at age 20 and continued until you were 60 at an annual interest rate of 10.75% you would have R2 716 043 in your bank account. If you only started when you were 30 this amount would only be R948 604. Compound interest is the type of interest you accrue when the interest you earn on your savings or investments begins to compound on itself.

Tip 2: Start investing...it can be fun!

While investing early and often can help anyone in their 20's begin building wealth, that doesn't mean investing is the answer to every problem. Carefully monitor your spending habits and make savings and budgeting part of your daily routine until you are more financially stable. Really look out for the best ways to save money.

Tip 3: Money is a tool

If you're in your 20's and ready to build wealth, recognise that the money you earn is nothing more than a tool to make smart choices. You need to remember that while you're trading your time for money today, in the future you will be able to use your money to give you the time to do more of the things that really matter in life. Set both short and longer term investment goals and then plan accordingly.

Tip 4: Retirement is a drag but a reality

Your 20's are a time when there are almost too many goals to save for. Your best bet is to start investing gradually then ramp it up as you age. Start with just 1 percent of your income, then increase the percentage gradually by 1 percent. By the time you reach your 30's you'll be

saving 10 percent of your income. By your 40's, you'll be saving 20 percent of your income. And if you get a raise every year, you may not even notice the difference.

Tip 5: Forget the Joneses

Don't try to keep up with Joneses – it only means you run the risk of spending money you don't have. Choose your luxuries carefully and don't fall into debt by financing everything with your credit card. Cash remains king. You can start investing for as little as R50 per month and if you follow some of these simple tips you will be well on your way.

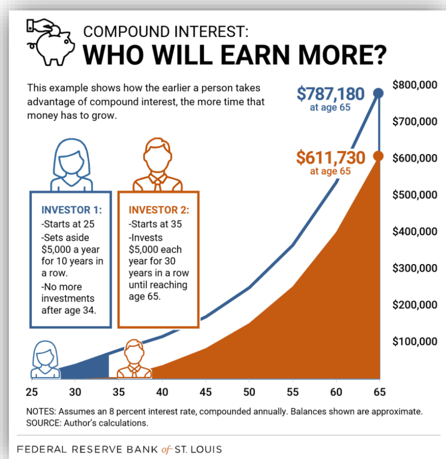
Bottom line

The classic money movie of the 80's, Wall Street, was known for quoting the lead character, Gordon Gekko, as saying greed is good. It isn't but neither is poverty. Have fun, enjoy your twenties, make memories and live life but keep an eye on the future and make sure that one day you aren't the old guy at the end of the bar saying shoulda, coulda, woulda.

Consider this...

When it comes to making money, specialised financial advisers offer skilled assistance to see your wealth moving in an upward trajectory. But, the decision to start managing your finances ultimately starts with you.

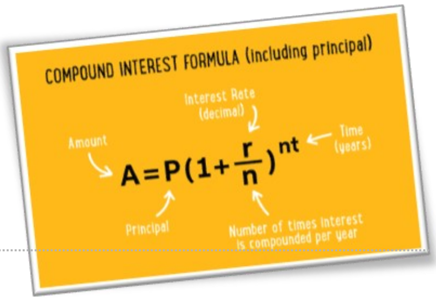
- Make sure you do an annual and monthly budget for your household and keep track of unnecessary spending.
- Avoid using credit cards to buy goods that you don't really need. Rather save for such items and buy them cash.
- Pay off your debt as soon as possible. Most loans have interest rates considerably higher than any investment return.
- Insurance policies could be amended or revised to save money that could be utilised for savings. This applies to not only short-term / household insurance but also life-insurance.
- Invest in diversified portfolios to reduce the risk of losing capital. Losing capital at crucial stages in your lifetime will damage your efforts to save.
- Have a lookout for products that offer enhancements or additional allocations. These benefits offer lucrative advantages for the investor. Be sure to also inquire as to the investment costs and penalties of early surrender.
- Find cheaper ways to satisfy your needs e.g.: Netflix instead of DSTV.
- Make sure your savings are tax efficient with contributions and yield. The extra 30% plus you are getting can make a big difference to your ultimate investment return.



What is Compound Interest?

Compound interest is the addition of interest to the principal sum of a loan or deposit, or in other words, interest on interest. It is the result of reinvesting interest, rather than paying it out, so that interest in the next period is then earned on the principal sum plus previously accumulated interest. Compound interest is standard in finance and economics.

Compound interest may be contrasted with *simple interest*, where interest is not added to the principal, so there is no compounding. The *simple annual interest rate* is the interest amount per period, multiplied by the number of periods per year. The simple annual interest rate is also known as the **nominal interest rate** (not to be confused with the interest rate not adjusted for inflation, which goes by the same name).



The Midas Touch

Throughout history people have been intrigued, fascinated and obsessed with a soft yellow metal called "gold". In ancient Egypt gold was thought to be the skin of the gods. Our modern vocabulary illustrates our preoccupation with gold: a partner with ulterior financial motives is a "gold-digger", a compassionate person has a "heart of gold" and one hopes to find a pot of the stuff at the end of one's rainbow.

Gold is likely to have been the first metal used by humans and has been highly sought after from the earliest history of mankind. Pure gold is as soft as putty – you can stretch an ounce of gold into a wire miles' long; even the most primitive people were able to fashion beautiful objects out of it.

Good as gold

Gold has a combination of exceptional qualities. Firstly, it is virtually imperishable. There is a gold tooth bridge in an Egyptian museum, made more than 4000 years ago, that is still in good enough condition for a modern dentist to use today. Modern forms of money, such as paper, plastic and blips on a computer screen can be instantly altered or destroyed; gold maintains its qualities in whatever form it is shaped. Unlike other metals, virtually all the gold ever produced still exists today.

Secondly, gold is extremely scarce - only three parts out of every billion in the Earth's crust is gold. It has been said that in order to obtain a kilogram of gold, about 140 tons of earth must be moved. Of course, some gold yields itself more easily – alluvial gold was panned from rivers. A lucky prospector once discovered a solid 4.4 kg gold nugget in the Mojave Desert in California using a metal detector.

Finally, gold is extremely dense. A cubic metre will weigh about 19 tons; by comparison, a similar volume of lead will weigh only 11 tons.

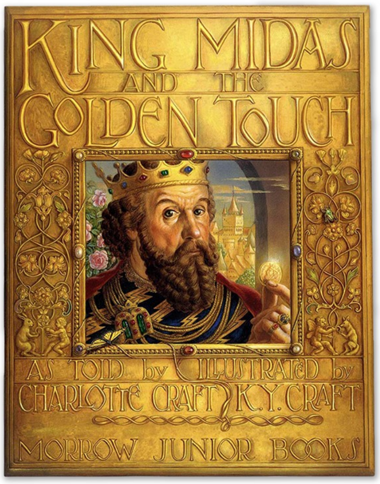
Egoli

South Africa was the world's largest gold producer until 2006. However, our gold production has declined from its peak in the 1970's. SA's remaining gold reserves are deep underground and increasingly expensive to mine – AngloGold's Mponeng mine, south-west of Johannesburg, is currently the deepest mine in the world, going down more than 4 kms under the surface.

According to the GFMS Gold Survey 2018, worldwide gold production stood at 3 247 tons in 2017, with SA being the 8^{th} largest producer, with 145 tons. China is the world's top gold producer with 440 tons, followed by Australia and Russia.

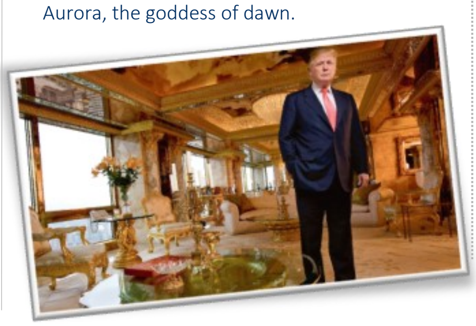
Coining it

Pure gold is too soft for ordinary use and is typically hardened by alloying it with copper



The Trump Touch

US President Trump likes gold. He has a fully functional 18-carat solid Gold toilet instead of a Van Gogh painting. Nearly everything in his penthouse, from the platters and vases to the lamps and even the crown molding, is accentuated with 24–carat gold that offers a "gorgeous" backdrop to some of Trump's favorite classical art and décor. Without shying away from personal touches like family portraits and crested pillows, his home has a strong Greek influence with Athenian style vases, a bronze statue of Eros and Psyche as well as a painting of Apollo led by Aurora, the goddess of dawn.



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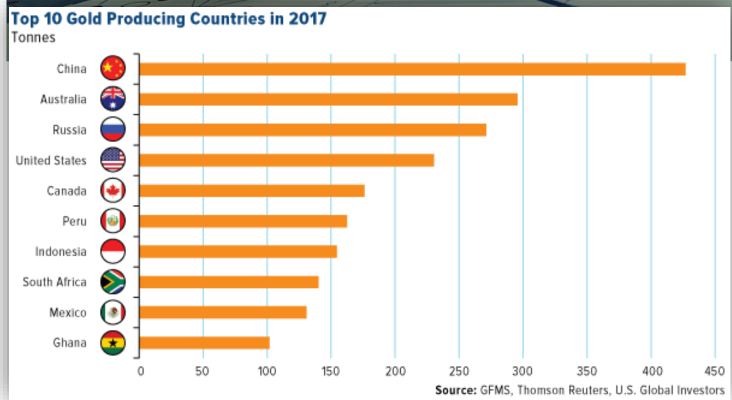
Financial Informer



or other base metals. Besides being used to make jewellery, gold does have some practical applications – it is a good conductor of electricity and is used in the electronics industry.

Historically, gold became the ultimate medium of monetary exchange probably due to the combination of its qualities mentioned earlier. Gold is thought to have first been fashioned into coins and used as money in about 560BC in Lydia, an ancient country situated in present day Turkey. Modern coinage is made of base metals such as iron, nickel, lead and zinc; gold has fallen out of use for this purpose. There are, however, several gold coins available to investors and collectors – our own Krugerrand is one of the most popular.

For much of the last two centuries, gold performed an even greater function in international economics – it backed the entire world's currency flows by countries' adherence to the "gold standard". This was a system whereby the holder of a banknote could, at any time, exchange a unit of any main currency for a prescribed amount of gold. All currencies were pegged to a stated amount of gold thus fixing the values of all currencies against one another – unlike the situation today where most currencies continuously fluctuate in value against each other. General adherence to the gold standard collapsed in the early 1970's, following the United States' suspension of convertibility of US dollars to gold.

Daily fix

The usual benchmark for the price of gold is known as the London Gold Fixing, a twice daily conference call meeting of representatives of some of the world's largest banks. It is designed to fix a price for settling contracts between members of the London bullion market, but informally the Gold Fixing provides a recognised rate that is used as a benchmark for pricing gold products throughout the world.

A golden opportunity

The individual investor may wish to invest in gold for a number of reasons. Gold is seen as a preserver of wealth in that it keeps its purchasing power. Gold has traditionally increased in value during periods of expected high inflation and geopolitical turbulence. The wisest words relating to gold, however, may be the advice from a writer who said: "Don't miss all the beautiful colours of the rainbow looking for that pot of gold."

[Please note that this article is purely for interest sake and is not intended to constitute investment advice or advice to invest in gold - please consult your financial advisor before making any investment decisions]

Gold Standard System Versus Fiat System

As its name suggests, the term gold standard refers to a monetary system in which the value of currency is based on gold. A fiat system, by contrast, is a monetary system in which the value of currency is not based on any physical commodity but is instead allowed to fluctuate dynamically against other currencies on the foreign-exchange markets. The term "fiat" is derived from the Latin "fieri," meaning an arbitrary act or decree. In keeping with this etymology, the value of fiat currencies is ultimately based on the fact that they are defined as legal tender by way of government decree.

In the decades prior to the First World War, international trade was conducted on the basis of what has come to be known as the classical gold standard. In this system, trade between nations was settled using physical gold. Nations with trade surpluses accumulated gold as payment for their exports. Conversely, nations with trade deficits saw their gold reserves decline, as gold flowed out of those nations as payment for their imports.