

Why goals are better than resolutions

By Florbela Yates, Head of Momentum Investment Consulting



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Florbela Yates started her career in 1993 as a consultant at Alexander Forbes. Her career has spanned over several leading businesses offering investment solutions to clients both locally and internationally. Since January 2017, Yates' role has been as head of Momentum Investment Consulting (MIC) where she is responsible for Momentum Retail's advisory business. She has a BCom degree (Economics, Business Finance and Marketing) and is a Certified Financial Planner (CFP).

I have a daughter going to university this year and she asked if I would run a budget workshop for her and her friends. I started off by getting them to understand the importance of budgeting and the power of saving. One of the young men wanted to make saving his new year's resolution. The problem with resolutions is that resolving to do something doesn't necessarily mean you follow through. I suggested that he rather set a goal and start saving towards achieving that goal.

Whether it's a compulsory or discretionary saving that you are looking for, the first step should always be to determine the goal of the investment so that you have something to measure against as you work towards that goal. Secondly, you should determine the appropriate time period for the investment and a financial advisor should help you stay committed to that goal.

We believe in the value of financial advice. A financial advisor can guide clients in determining what their most appropriate investment vehicle is, the time period you need to cater for and also whether to invest a lump sum or monthly recurring amount.

Investing is personal and each client's unique circumstances should be considered. For clients with a short-dated investment term, it makes sense to invest in a lower-risk option so that you aren't disinvesting at a time when the investment is down.

A money market or conservative portfolio would then make sense. For those with a longer time horizon, a diversified portfolio of underlying investments in equities, listed property and fixed-income asset classes provides diversification while catering for personal risk preferences. Those looking for maximum growth may be willing to take higher risk along with some short- or medium-term volatility to get them to their longer-term goal.

And then there is the consideration about the currency your client's goal is going to be financed from. If it's in an offshore currency, you have the additional complication of ensuring that you are getting real returns in that currency. Whatever your personal goal, your investment time horizon or your tax bracket, I would recommend that you measure your investment returns after investment fees and make sure that you are still obtaining real returns (ie returns above inflation) after fees.

At Momentum Investment Consulting (MIC), we partner with financial advisors to ensure that our clients follow a similar process. It's slightly more complicated, but the principles remain the same. Start with a budget to ensure that you aren't living beyond your means. Set an investment goal and time horizon and then make sure your client stays invested. That is the only way to protect your clients from themselves.

I don't know what 2022 has in store for us. I hope that we see some return to normality and more stable investment returns. To protect myself from myself, I start the year by setting investment goals to help me meet my short-term, medium-term and long-term objectives. For my discretionary money, I invest in diversified portfolios made of local and offshore underlying investments.

We are hoping to be able to do an overseas ski trip this year and will need some offshore currency for this. I took advantage of my offshore allowance and the rand strength to take money offshore and invested in a combination of offshore money market and equity investments.

We also take advantage of the yearly tax-free savings amount to invest towards our long-term goals. In 2022, forget about resolutions, but focus on goals. Speak to us at MIC. We can help you to make sure your clients stay invested so that they can achieve their goals. ■