



Prudential Investment Managers  
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## This year, make New Year's resolutions that work

*By now you would have made your New Year's resolution, and you may or may not be sticking to it. You may regard this practice as a little trite, but countless civilizations can't be wrong. After all, what harm can there possibly be in a process in which you make plans and set goals for the year(s) to come?*

Be inspired by the past. The Babylonians made promises to their gods to return borrowed items and pay their debts in the new year. The Romans started each year by making promises to the god Janus, after which the month of January is named. And, in medieval times, knights took the peacock vow after the festive season by placing their hands on a peacock (whose iridescent splendour represented the vibrancy of life) to recommit themselves to a year of courage.

### **Effective goal setting**

Goals are vital to leading a fruitful and joyful life. You need to know what you want from your personal life, what you hope to achieve during your working life and how you would like to experience your retirement. Without goals, life can become a random rollercoaster of disparate events that do not lead to happiness or to prosperous retirement years.

The good news is that effective goal setting in financial planning is based on the simple concepts that underpin time-based investing, which include...

**Accuracy:** There's no space for ambiguity when it comes to time-based goals. Examples of accurate goals include:

- The festive season cost you R40,000 this year, including gifts and a holiday down the coast. Chances are it'll cost the same (or slightly more) next year, so to keep up this annual reward for all your hard work you need to save R3,333 into a money market unit trust fund each month.
- You plan to have a portfolio of R8 million in unit trusts for retirement. To achieve this (taking your current portfolio into account), you need to invest R15,000 per month, escalating annually at 6% to account for inflation, into a high-equity (balanced) portfolio of unit trusts until you're 65.

**Specificity:** Saving for a specific purpose is far easier than simply putting money away 'just because'. Examples of specific goals include:

- You plan to send your children to university and need to invest in a fund that will keep up with the educational inflation rate of 8% such as the [Prudential Inflation Plus](#).
- For the purposes of diversification, you decide that you'd like 20% of your investment portfolio to be based on property. Taking your home into account, this means you'll need to invest R5,000 per month (escalating at 4% per year) into a fund such as the [Prudential Enhanced SA Property Tracker Fund](#).

**Harmony:** As mentioned in our article on Christmas investing for your spouse, there's a whole lot of truth in the words 'those who budget together, stay together'. Get your spouse to commit to supporting your investment goals for the year. For instance:

- Encourage him or her to contribute to your monthly investment of R3,333 towards the festive family holiday fund.
- Motivate him or her to commit to your dreams of a debt-free life and place the credit card in the freezer to force you to think about the necessity of each purchase you make.

**Truth:** Being truthful includes acknowledging the fact that we do ALL age and that old-age can at times be unkind – and medical saving investment accounts are essential.

This may mean:

- Investing R3,000 per month for medical expenses (escalating at the medical inflation rate of 10 % annually) into a bond-based unit trust such as the [Prudential High Yield Bond Fund](#).
- Acknowledging the fact that you don't need a super-sized family home in retirement and it may make sense to buy life rights to a retirement home (despite the fact that the capital value of the property will decline during your lifetime).

**Time-based:** This is the most important factor in the eventual success of your investment growth strategy, as the asset allocation of your funds for each goal needs to be based on the amount of 'time in the market' required to achieve the goal. It's probably a good idea to allocate:

- Short-term goal funds (such as emergency and holiday funds) to steadier, non-volatile assets such as the [Prudential Money Market Fund](#).
- Longer-term retirement capital to well-diversified balanced unit trust funds (which do include some equity for long-term growth) such as the [Prudential Balanced Fund](#).

## **Food for thought**

The start of a new year is bound to get you thinking. This year why not use this natural watershed to your advantage and take the opportunity to make some new goals (or reaffirm some old ones) to ensure you're still on track for a healthy, wealthy future? While you're at it, remember that you'll need both short and long-term goals to make your dreams come true and be sure to include your spouse in the planning. As the adage goes, if you fail to plan, you plan to fail...

And to ensure you make that plan and stick to it, be sure to enlist the help of a qualified Independent Financial Adviser who can help you make the correct choices, or contact our Client Services Team at [query@prudential.co.za](mailto:query@prudential.co.za) for more info.