Prudential Investment Managers
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The secret to a successful financial plan? Consistency.

All it takes to excel at something – whether it's mastering a musical instrument, baking the perfect ciabatta or getting a starting position in the top football team – is consistent practice and dedication. When it comes to financial planning, the simple concept of consistency is equally effective.

Warren Buffet, possibly the most successful investor of the 20th century, said: "Successful investing takes time, discipline and patience. No matter how great the talent or effort, some things just take time." Read on to find out how consistency can transform your financial life in six steps.

1. See your adviser at least once a year

When you meet your financial planner, you're very likely to be introduced to the six steps of financial planning. Embrace them.

- Establish the relationship: Don't be threatened by contracts of engagement, confidentiality and defined expectations. It's all good stuff that's in your best interests. And it's professional.

- Provide information: Now it’s time to be honest about your finances and get over your concerns about privacy. Remember you’ve both signed the confidentiality contract so the more you tell, the better the advice.
- Allow objective analysis: Sound financial advice should always be objective. Let go of your emotions, pet hates and preconceived ideas and listen to what your advisor has to say.
- Embrace the plan: Remember the old adage that failing to plan, is planning to fail. The first plan may not be perfect, but it’s the start of the process.
- Implement: No one likes filling in forms, but that’s what it takes make sure your money is well protected. It’s also how the government fights against criminal money laundering and tax evasion. Once you do it the first time, there’s less to update in the future.
- Commit to reviews: This is where the important practice of consistency comes in. Every year you need to check your progress towards your goals and see what needs adjusting, in line with any changes in your circumstances over the year. More on this later.

2. Budget consistently over time

Now that you have your plan, it’s up to you to implement – and stick to – your budget. A budget is a guide to consistent spending behaviour over time that’s based on a rational allocation of your income towards:

- essential expenses;
- expenses which create meaning; and
- contributions to ensure your future safety.

Don’t be put off by the word ‘budget’. There’s a reason why the wealthiest love it and are the best at it… Staying within your planned spending limit every day, day in and day out, will give you a much better chance of reaching your financial goals over time.

3. Use debit orders for ongoing contributions
The ability to contribute towards investments using debit orders has revolutionised the path to consistent investing. Debit orders make contributions incredibly easy and can be used to enforce your budget and therefore ensure that you make contributions to your essential investment and retirement accounts every single month.

Consistently contributing to your investments is also known as *Rand Cost averaging*. The amount of money invested every month remains the same, but the number of units purchased in your unit trust(s) varies based on the market value of the underlying securities (shares, bonds etc). It’s a great way to invest because you get an average cost per share over time, without having to invest time and effort in monitoring market movements.

4. Know that inflation is the sure thing
Inflation in South Africa is still – sadly – the sure thing. This means that you can’t just go on contributing the same amount to each of your goals-based investment accounts over the years. On the contrary, you need to set a consistent annual escalation rate on the contribution amount which is at least equal to the current inflation rate – in South Africa that’s around 6% per year. Otherwise, your purchasing power will erode over time.

5. Keep yourself motivated
If you’re ever tempted to let your disciplined habits slip, remind yourself of the pot of gold at the end of the rainbow. There is nothing more powerful than visualization, surrounding yourself with positive people and information, and allowing for (even expecting) a few setbacks along the way.

6. Take the time to reflect
It’s no coincidence that financial advisers are legally obliged to review their clients’ portfolios at least annually. All successful plans evolve based on the latest facts and information.

Good things come to those who wait

You’ll never get picked for the football team after only a few weeks or months of disciplined training, and the same is true in investing. But if you come up with a good financial plan and stick to it consistently over time, adapting it when necessary, there’s nothing you’re not capable of.