



Prudential Investment Managers

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Investing as an entrepreneur

Ever since you started your own business, you've ploughed every last cent back into your enterprise. Some months you've even paid yourself less than you should have, but you keep telling yourself, "It's OK". After all, your business is your biggest – and only – investment.

Actually, it's not OK. As an entrepreneur, your business shouldn't be your only investment. In fact, as your financial adviser is likely to tell you, it makes more sense to spread your risk – and that means diversifying your investments and **creating alternative income streams for yourself**.

By adding an investment strategy to your small business's finances, you'll diversify your income stream – so if business is slow, at least you'll have that extra safety net. This is also where your **financial adviser** might advise you to invest in industries that are unrelated to the sector your business is in. There's wisdom to this: your investment portfolio should complement your exposure, not add to

it. So if your particular industry **goes through a rough patch**, your investments won't be as badly affected.

You'll also know that as an entrepreneur you live and die by cash flow in your business. However, it's important to have a separate emergency fund for unexpected personal expenses, like a shortfall in insurance cover, and your own personal investments to help pay for necessary life events like a car, holidays, etc. This is even more true if you have a family, and you definitely don't want to get your personal or your family's expenses mixed up with your business.

By investing in low-risk unit trusts, which are highly liquid, instead of keeping your money in the bank, you'll have assets that can be turned into cash quickly in an emergency. Unit trusts offer a good balance between low risk and potentially higher returns compared to a savings account. The risk of losing money in an interest-bearing unit trust (like the **Prudential Income** or **Money Market Funds**) is exceptionally low, making them great vehicles for growing your money while still having easy access to it.

Fixed income unit trusts generally offer better returns than bank deposits. A money market investment, for example, can serve as a safe 'holding account' for your business's investments and emergency funds. Money market investments also tend to carry lower risk than stocks or bonds or many other investment vehicles. While this makes sense in the short term, you shouldn't forget about your long-term investment goals. If you'd like to supplement your fixed income investments with exposure to growth assets, a well-diversified balanced fund (such as the **Prudential Balanced Fund**) may be a good option. Because balanced funds are made up of a different asset classes, they have the ability to perform well in "bull" markets, while limiting your losses during "bear" markets.

If this all sounds like it could make sense for you and your business, contact us on the details below or sit down with your financial adviser and see what your options are. You'll want to align your

investment strategy with your personal goals and your business goals.

Ready to start investing? Complete our [online application form](#) in under 10 minutes. For more information, speak to your financial adviser or call our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.