M&G Insights

M&G Investments

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What type of investor are you: The Avoider

In our first article on the different types of investor profiles, we briefly outlined four main investor types or categories that investors fall into, namely: the Avoider, the Risk Taker, the Balancer and the Protector. In this, part two of our five-part series, we take a closer look at **the Avoider**: how they tend to behave and the factors that influence their investment decisions.

Profile

The Avoider is someone who, in all likelihood, hasn't started investing yet. This could be due to a number of reasons. They might think that investing is too complicated and feel overwhelmed by the vast amount investment options out there. They might think it takes too much time to start investing, or that something could go wrong, and they could end up losing their money. The Avoider stands out from the other investor profiles in that risk is not the primary driver behind their investment decisions, or lack thereof. Below we take a closer look at three of the main reasons why Avoiders tend to "avoid" investing and show how, with a bit of guidance, these apparent obstacles can be overcome.

1. Lack of knowledge

The world of investing, finance and money can seem quite confusing and daunting with all its unique terms and seemingly complicated concepts. Added to this, most of us don't receive much in the way of financial education from our parents or from school or university. A lack of knowledge can be one of the biggest deterrents when it comes to starting an investment. It's usually far easier to simply bury our heads in the sand and avoid the issue altogether.

Fortunately, there are ways around it. If you lack the time or the knowledge to make your own investment decisions, it may be worthwhile to seek the help of a good independent financial adviser. They are trained, registered and knowledgeable investment professionals who can guide you along your investment journey. Alternatively, if you'd prefer to upskill yourself with the basics of investing, a good port of call is to get in touch with an investment manager to find out if they have any information to help you get started. At M&G Investments, for example, we have a range of tools and articles to help you, such as our Guide to Investing series, which is a perfect way for first-time investors to get to grips with what they should know before starting an investment.

The important point here is that lack of knowledge can be overcome, either through the help of an experienced professional or by educating yourself with easy-to-read articles, tools and investment guides.

2. Lack of time

In today's busy world, time has become a precious commodity. How we allocate our time has become particularly important, especially when having to juggle between work, our family, and social activities. For many, the idea of starting a new investment is time that could be better spent elsewhere. But is that really the case?

The idea that starting an investment is a long and drawn-out process is somewhat dated in today's age, where in actuality it can be done online in a relatively short space of time. For example, at M&G Investments we have a range of tools to help you determine a variety of investment fundamentals; important information that otherwise would have taken "ages" to determine a few years ago, such as how much to invest towards a particular goal or which fund to invest in. At

M&G Investments, once you have your investment fundamentals bedded down, you can complete an online application form in under 10 minutes. It really is that quick and easy. Managing your investment after everything has been set up is just as simple. You'll be issued with a secure online account where you can monitor your investment, download statements, and transact when you need to. Opening up an investment, and managing it thereafter, has never been as quick and easy as it is today. Lack of time, therefore, shouldn't be a deterring factor.

3. Fear of losing money

Of course, nobody likes to lose money, but that's not a good reason to avoid investing. As mentioned in part one of this series, different types of assets have different risk profiles. When we talk about "risk" we're talking about volatility – which is the extent to which the value of an investment can go up or down over time. This, in turn, depends on the type of asset class you choose, with equities being more volatile over shorter periods than, for example, fixed-income investments such as cash and bonds.

Without rehashing the concept of "risk", the important point to note here is that different asset classes have different risk and return profiles, and it's important for you to know just how your chosen asset class is likely to "behave" over time and under different market conditions. Having this knowledge upfront can prevent you from overreacting further down the line, when the value of your investment might experience a dip. In fact, poor investor behaviour is often singled out as one of the leading causes behind poor investor returns, where investors tend to buy and sell at the wrong time, either out of fear or greed.

In the world of investing nothing is guaranteed. However, the risk of losing money can be mitigated by good investor behaviour, choosing an investment manager with a sound long-term track record (like M&G Investments), and allowing your investment sufficient time to fulfil its objective.

Although there could be many reasons deterring you from opening an investment today, hopefully, the above serves to demonstrate that most factors can be overcome. Whether seeking the help of an independent financial adviser, or checking out the investment information available online, there are more options today than ever before to help you break the Avoider cycle.

For more information on investing with M&G Investments, please feel free to contact our Client Services Team on 0860 105 775 or email us at info@mandg.co.za.