M&G Investments
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Starting this Women's Day, let your hard-earned money work hard for you

Are you a working woman in South Africa, but not investing your earnings? You're not alone. Women make up 44.8% of the South African labour force*, with the vast majority employed in the services sector where long hours can keep them away from their families for lengthy periods of time. Yet there are far fewer female investors than female workers. Regularly investing a portion of your monthly income can make all the time you spend working so hard pay off. It can also set you up to reach your (and your family's) financial goals. In honour of Women's Day this year, we encourage women to make the most of the money they earn by starting to invest right away.

What are you working for if not the ability to fund your lifestyle and future, and those of the ones you love? You work hard, and as a woman face many competing priorities for your valuable time, so why not make the money you earn work hard for you?

Investing vs. saving

The best way to do this is through investing. We tend to think of saving and investing as interchangeable, but there are some important distinctions between them. Savings is often related to short-term goals like saving for a holiday, or for a particular purchase. Investing, meanwhile, is more about creating wealth -- not just for the near term but also for the medium and long term, right up to and through retirement.

Saving is typically done through some form of bank account that earns interest. Investing, on the other hand, entails putting your money into the financial markets, for example the equity and bond markets. This is done by buying unit trust funds managed by investment managers like M&G Investments. They offer easy access to diverse types of assets like equities, bonds and listed property in various combinations, depending on each fund's investment goal, risk parameters and timeframe.

In the case of equities, instead of earning interest, you earn returns. These are made up of the dividends paid out by the companies whose shares you're invested in, plus the capital appreciation that occurs when the price of your shares increases. History has shown that equity unit trusts offer better returns than bank deposits over the longer term.

Like bank deposits, bonds also earn interest, but in addition, they are actively traded in a secondary market, which can add to your return. This means that bond unit trusts also have more upside return potential than bank deposits, as do Balanced funds, unit trusts investing across a variety of different asset classes.

Another important distinction between investing and saving is the ability to beat inflation. Outperforming inflation is crucial because if you don't, the value of your capital goes backwards in terms of spending power. The interest you earn on bank deposits, especially on shorter-term deposits, doesn't always beat inflation, particularly after tax. Money invested in the bond and equity markets, however, often beats inflation, especially over the longer term.
Yes, you could put your money in the bank to save for a medium-term goal such as paying for your child's secondary or tertiary education, but you'd be better off investing it in the appropriate unit trust for your timeframe, as you're likely to do better that way. To see how investing with M&G Investments can help you achieve your medium- or long-term goals, try our Goal Calculator.

Investing entails risk, but it normally pays off

When you put your money in the bank, you're highly unlikely to lose it, unless the bank goes under.. When you invest, however, there is a risk of loss, particularly when it comes to equities. Usually, your money will grow at a healthy rate over the medium-term (for example, five years) but this isn't guaranteed as financial markets continually move up and down, driving the value of your investments. The good news is that the risk of loss falls markedly over time. So, the longer you stay invested, the more likely you are to grow your investments to meet and exceed your financial goals. If you have a diversified portfolio, i.e., if you've invested in a range of different assets, you will also be protected to a certain degree against risk.

In the investment world, money invested in the bank is referred to as 'cash'. From the perspective of losing your capital, cash is the least risky asset class. However, it carries another kind of risk – the risk of not being able to reach your longer-term financial goals – because its returns are so low in comparison to other asset classes, particularly equities.

Get going this Women's Day

The sooner you start making your money work for you through investing, the better. Global financial markets never sleep, so your investments can be earning returns while you sleep. Not only do you give yourself more time to accumulate capital, but you also benefit from compounding. And if you invest in an actively managed unit trust, your fund manager will be constantly on the lookout for ways to improve your returns as markets move, actively putting your money to work. Ultimately, it's up to you to make your working years count so that you can afford the lifestyle and future you want.

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.

Source: *World Bank data, 2021