EASY DOES IT

The best-performing asset class over a period is listed shares, and the beauty of investing on the JSE is that you create wealth over time

BY SIMON BROWN

As an outsider, investing for your own account on the JSE can be absolutely daunting. It's full of jargon, volatility and risk that often scares off the average person, resulting in most doing very little investing beyond their employment-provided retirement options. But in truth, investing is actually very simple, especially after dispelling a few common myths.

Before we address those easily disproved myths, however, let's answer the real question of why we invest on the JSE.

Forget about getting rich in a hurry: that isn't the idea and besides, it simply is not feasible. Even if taking the highest possible risk available pays off (which in itself is very unlikely), you will be richer, but enough so to immediately retire? Probably not. The profit from a massive risk may be a return of many hundreds of per-cent but in reality we wouldn't have had a large enough pile of money to invest anyway. And of course, the fact of the matter is that massive risk pretty much always leads to total loss.

The beauty of investing on the JSE is that wealth is created over time. Listed shares are the best-performing asset class over decades. While they carry risk, that risk is limited in the sense that a share can go to zero, resulting in a 100% loss on that share. But the upside is unlimited and there are many cases of shares increasing 10X, 20X and, in some instances, more than 100X over the decades.

The three myths that stop many people from investing are: you need to be rich to start; you need to know the right people; and it's for professionals only.

These may have been true in the past, but no longer. Dispensing with these concerns is easy enough. Let's start with the misconception that you have to be rich to invest. Bear in mind that fees and costs have come down

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markedly over the last 10 to 15 years – these days we can invest small amounts at extremely low costs. With a little shopping around, one can easily find brokers and platforms that offer seriously discounted costs without sacrificing any of the investment upside. In fact, just a few hundred rands is enough to get started.

Knowing the right people and playing golf with them used to be based on the theory that it is who you know that matters, not what you know. But now information is available to everybody, and thanks to the Stock Exchange News Service – or SENS – through which all listed companies are required to publish their 'sensitive' information, each of us now has access to everything at the same time. Sure we may each interpret the information differently but that is exactly what a market is about – different views on the same information.

Lastly, while professionals may have an upper hand because they spend their days focusing on investing and which stocks to buy and sell, smaller investors also enjoy advantages.

We typically deal with smaller amounts of money, which means we're a lot more nimble, and able to buy and sell with ease. The pros

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need to be careful not to move markets with the size of their purchases and sales, giving us smaller investors another advantage. We're able to be much more focused, investing in just a dozen or so high-quality stocks, while the professionals have to invest much wider, again due of the size of their funds.

So, now that the myths have been busted, where do we start?

Well first and foremost, thanks to the internet, everything we need is available and – for the most part – free. There are countless websites and blogs that offer great advice at no cost. In fact, with so many to choose from, we could be reading forever and a day instead of getting down to actual investing.

With this in mind, the JSE is launching an educational portal on its website, aimed at investors who are just starting out and feel they lack the sufficient know-how to manage their own investments. Free to all users, it will include a series of online modules covering all aspects on investing for the beginner, as well as self-assessment tests at the end of each module.

These are designed to help users test their knowledge levels and build the confidence to start investing.

Why not make the JSE's website your starting point and then, as your knowledge grows, expand further to other websites and information portals.

Whatever you do, though, be sure to make 2015 the year you get a handle on investing.

There is very little quite as rewarding as managing a DIY investment portfolio – not only in terms of the profits one can make but also the knowledge to be gained.

This knowledge will not only be massively beneficial to yourself, but you can also pass it on to friends and family, including your children. Teaching your kids to understand investing – even before they have the means to do so – will ensure that when they do begin earning money, they can immediately start investing and creating wealth for themselves. ■