

Switching from Savings

to Shares: Investing in Assets that Build Wealth

Rising inflation has made it impertinent for investors to reassess their wealth-building strategies. Traditionally, savings accounts were a common choice for safeguarding earnings and growing wealth. However, the current inflationary environment renders this approach insufficient.

Traditional Savings vs Growth Potentials



Traditional savings accounts often present limited growth potential. Interest rates on these accounts tend to be lower than those offered by dividend yielding investment options. For instance, a typical savings account offers about 4.2% interest rate while investments in the capital market can offer interest rates up to 20%, depending on the type of assets, market conditions and monetary policy changes.

Earnings from a traditional savings account cannot effectively combat inflation. Inflationary pressures will erode the purchasing power of savings over time. However, on the bright side, savings accounts provide stability and accessibility to funds in case of emergencies. However, their low-yield nature hinders wealth accumulation and long-term financial goal attainment.

The Advantages of Investments Over Savings



Investments offer the potential for higher returns compared to traditional savings accounts. Unlike these accounts, investment classes such as stocks, bonds, mutual funds have historically demonstrated significant growth over time. While investments involve inherent risks, investors can diversify their portfolio to mitigate risk.

Introducing shares into a diversified investment portfolio spreads risk and enhances potential returns. By investing in various sectors, regions, and asset classes, investors can reduce the impact of poor performance in any single investment, manage volatility, and aim for more stable, long-term returns.

Understanding Shares and How They Work



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A share represents a unit of ownership in a company. While often used interchangeably, shares and stocks have distinct meanings. A stock is the financial instrument a company issues, and each unit of this instrument is a share. By purchasing shares, investors exchange capital for ownership in a corporation.

The shares bought can be common and preferred. Common shareholders possess voting rights and may benefit from price appreciation and dividends. Preferred shareholders typically do not have voting rights but often receive regular dividends and may have priority in asset distribution. It is important to note that while many companies issue shares, only those of publicly traded companies are listed on stock exchanges.

What are the Benefits of Investing in Shares?



Historically, stocks have outperformed savings accounts in terms of long-term returns. Reinvesting dividends from shares can significantly accelerate wealth growth through compounding.

Dividends are portions of a company's profits distributed to shareholders. Rather than receiving cash, investors can opt to reinvest these dividends in additional shares, creating a compounding effect. This process continues as the new shares generate their own dividends, leading to exponential growth over time. It is good to note that not all companies pay dividends, but those that do typically distribute them on a

regular basis (e.g., quarterly or annually).

Additional Risk Management Strategies



As mentioned earlier, investing in shares involves several risks, including market volatility, economic downturns, company-specific issues, and geopolitical events. Windfalls can make share prices fluctuate widely, and there's always the potential for losing your initial investment. Here are additional strategies to hedge your investments:

- 1. Regular Monitoring:** Keep an eye on your investments and market conditions to make timely adjustments.
- 2. Stop-Loss Orders:** Use stop-loss orders to limit potential losses by automatically selling shares if they fall below a certain price.
- 3. Research and Due Diligence:** Thoroughly research companies before investing. Understand their business models, financial health, competitive position, and market trends. Stay informed about economic indicators and industry developments to make well-informed decisions.
- 4. Consulting Financial Advisors:** Seek professional advice from financial advisors to tailor investment strategies to your specific needs and goals. Advisors can provide valuable insights, help you navigate complex markets, and ensure your investment decisions align with your financial objectives.

Steps to Start Investing in Shares



Begin by defining your investment objectives. Are you looking for long-term growth, income through dividends, or a mix of both? Clear goals will guide your investment strategy and help you stay focused. Other steps include:

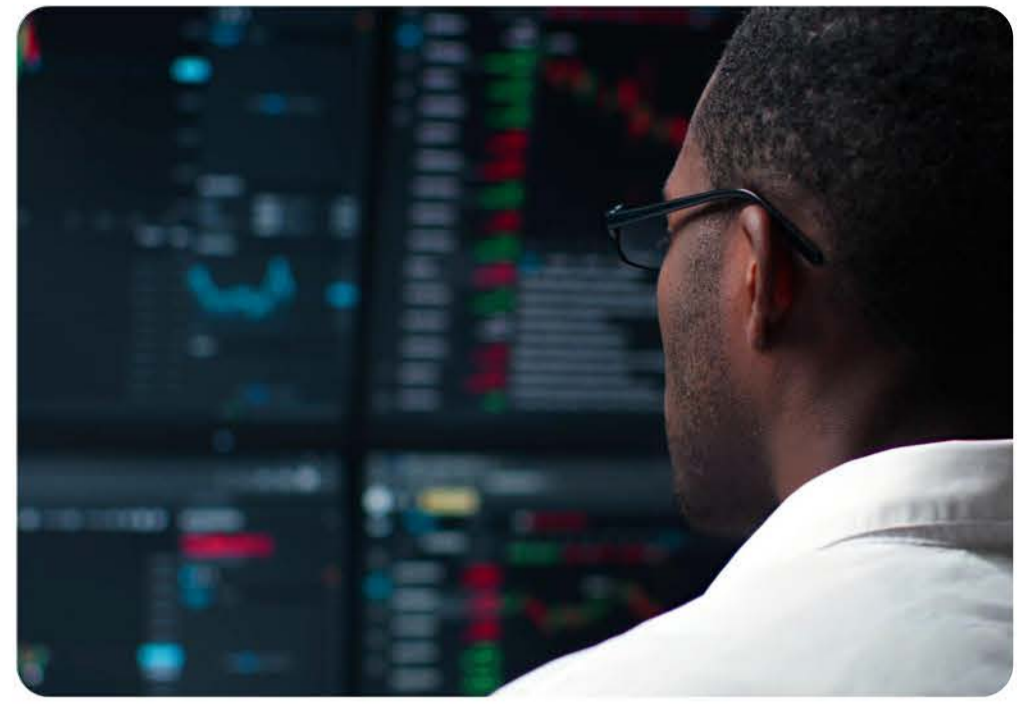
● Choosing a Brokerage Account

Select a brokerage account that suits your needs. Look for features like low fees, user-friendly platforms, and good customer service. To get started, consider opening a brokerage account with **Coronation Securities** via the **Coronation Wealth App**. This platform offers a range of investment options and tools to help you manage your portfolio.

● Building a Portfolio

Start by selecting a mix of shares to create a diversified portfolio. Consider investing in different sectors and industries to spread risk. Research companies thoroughly and choose those with strong financial health and growth potential. A balanced portfolio might include a mix of large-cap, mid-cap, and small-cap stocks.

Monitoring and Adjusting



Regularly review your portfolio to ensure it aligns with your financial goals and market conditions. Make adjustments as needed, such as rebalancing your asset allocation or selling underperforming stocks. Staying informed about market trends and company performance is crucial for making informed decisions.

Conclusion

Switching from savings to shares can offer higher potential returns through dividends, although it comes with higher risks. Diversifying your investment portfolio with shares can spread risk and enhance returns. Setting clear financial goals, choosing the right brokerage account, building a diversified portfolio, and regularly monitoring and adjusting your investments are crucial steps to successful investing.

To get started, sign up on **Coronation Wealth App** and open a brokerage account with Coronation Securities Limited. Begin your journey towards financial growth and security today.

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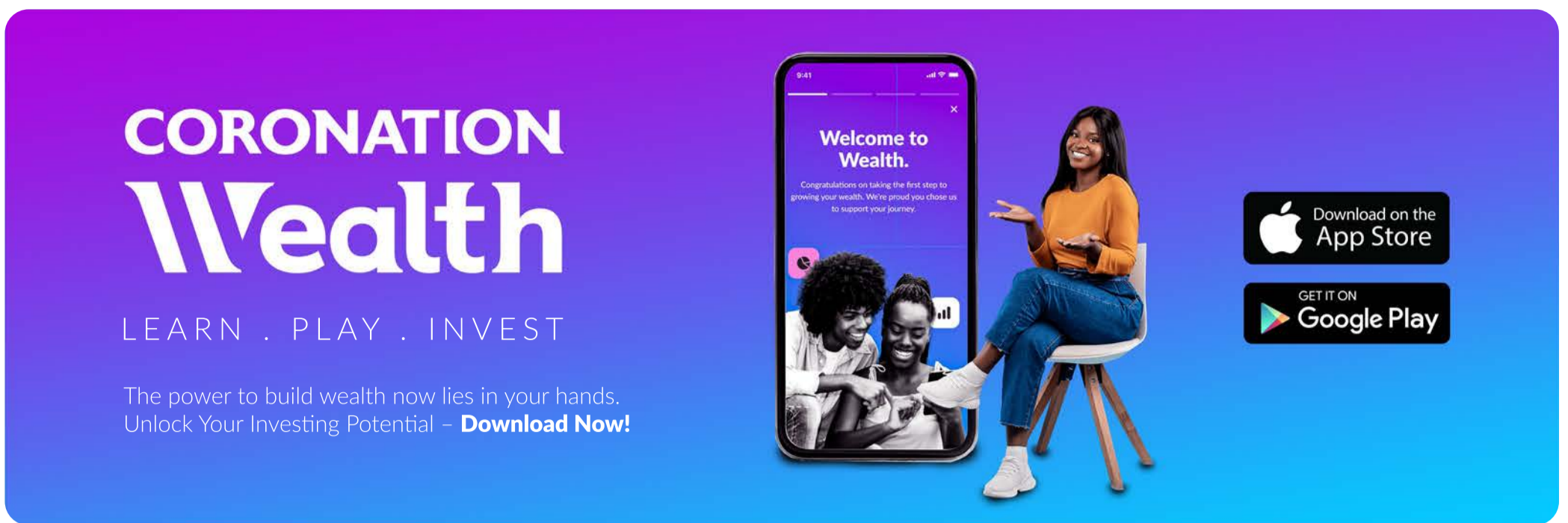
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