Guide to Investing

The sooner you start investing, the better off you will be. This is a simple truth that applies whether you can invest one dollar a day or a thousand, and it is based on the fact that even the most conservative investments grow on a compound basis.

The following story illustrates the power of compounding.

Some years ago, John and Joan were proud parents of triplets.
The first child, Jeff was an entrepreneur – he went into building houses. He invested all of his money in the business in the early years. When Jeff reached 48, he began to invest $30,000 per year for his retirement at 65.

The second child, June, went on to University – she completed a degree in Civil Engineering and her MBA. She became the manager of a Caribbean construction company. She began investing $US400 per month for her retirement when she reached 30.

Jermaine, the third child, left school at 16- he spent two years as an apprentice and went to work as a mason. He was able to invest US$40 each week.
Each child earned a ten percent annual return on the money invested.

The Impact of Inflation
With time also comes a major obstacle to creating wealth and a significant reason for wise financial thinking. That reason is inflation. Even at three percent annual inflation, a dollar today is worth only 48 cents in 25 years. Alternatively, you will need US$209 to purchase what you could purchase with US$100 today. To prepare for the future and to reach your investments goals, you need to consider the impact of inflation. Speak with your Sagicor Advisor on investing with inflation in mind.

It Is Within Your Reach
Too many people wait to start investing because they think they need a large sum of money to begin with. On the contrary, investing is wise for anyone, at any time, with any level of financial know-how. Even if you start with US$25 or US$30 per week, you will see your investments accumulate. Start with what you can, invest it prudently and watch it grow. This is time-honoured investing wisdom.

Consistency is More Important than Expertise
You do not have to be an expert to be a successful investor. What you do need is a bit of discipline to ensure that you are contributing money regularly and keeping an eye on its progress. You can rely on your Sagicor Advisor to bring you our investing expertise and to walk you through your choices.

Tip: Dollar Cost Averaging
One of the most practical investment approaches is dollar cost averaging. This is ideally suited to individuals with steady incomes who are able to invest a fixed amount regularly over years.

Dollar cost averaging involves buying equal dollar amounts of an investment at regular and continuing intervals, whether annually, semi-annually, quarterly or monthly. The simple arithmetic principle involved is that the same amount of money will buy more shares when the price is low than when the price is high.

Conversely, investors may want to consider systematically cashing in some of their investments (e.g. in retirement). Ask your Sagicor Advisor how dollar cost averaging can improve your investment performance.