Long-Term Investment

SAVER WAYA WAYA

ASISA FOUNDATION L+EARN

FINANCIAL LITERACY FOR YOUNG ADULTS

Features	Things to Consider
Pension/Provident Funds and Retirement Annuities (RA) Pension/Provident funds are an investment that provides a pension when a person retires. A Retirement Annuity is an investment where a person saves regularly to give them an income when they retire.	
You have to save money each month for your retirement. The savings and growth of savings might be tax-free. You can only access your savings when you retire or reach a specific age.	You do not have immediate access to the money because you can only access the money when you retire or reach a specific age. You also might have to reinvest money if you change companies or are retrenched.
Preservation Fund A preservation fund is a retirement fund in terms of the Pension Fund Act. It is a tax effective investment vehicle designed for individuals who wish to invest the proceeds of their company-sponsored retirement plan in a tax-efficient manner.	
You can transfer the proceeds of your pension or provident fund to a preservation fund in the event you are dismissed, retrenched or you resign. Doing so preserves both your accumulated savings and the tax benefits. You are allowed one full or partial withdrawal from your preservation fund before retirement. You can transfer your preservation fund tax-free to another preservation fund, or to an RA, or to your employer's retirement fund.	You cannot make contributions to your preservation fund from other sources. Once you have made your partial or full withdrawal from the preservation fund, the balance can only be accessed at retirement. You can retire from your preservation fund from age 55 onward.
Property Investments Investing in property or real estate is one of the sound investment options to consider for medium to long term investments. You can either invest in a physical, buy-to-let property that you buy and rent out to a tenant or you can simply put some money into a property fund, which invests in publicly-listed real estate companies. Such companies invest across a variety of properties including commercial (office blocks), industrial and retail properties such as shopping malls.	
You can either invest in a physical property such as a house, a townhouse or an apartment that you rent out to a tenant or put some money into a property fund that invests in a variety of property types. With a physical property, you will find a tenant and the tenant helps contribute towards paying out the mortgage bond that you take with the bank to fund the property. Experts say this sector has continued to grow as the urban population expands, creating a need for new houses, shopping malls, and office blocks.	Choosing the right location is important, it is important therefore to do some research and find out how the area you intent buying in has been performing. It is also important to calculate the potential return on investments on the property you are investing in. You can simply do this by calculating the annual rental income minus expenses – such as maintenance – and divide it by the price you pay for the property. Also, find out the yield of other rental properties in the same area to avoid paying an unfair price for the property you are buying. You will also need to consider engaging an estate agent who will assist you in finding and managing tenants. Going with the option of putting money in a listed property fund that invests in a variety of property types means you are spreading your risk across various types, whereas buying a physical property means you are putting a huge investment in one big asset.