

Unit trusts – a far safer choice than old fashioned mattresses



TRUST ME: Unit trusts help investors money to grow steadily.

Picture: SUPPLIED

Many benefits for investors including tax rebates

TNA Reporter

INVESTING in a unit trust has become the most popular way of saving and growing funds for investors.

Gone are the days when people kept their life savings under their mattresses and hoped for the best. There is a large selection of different unit trust funds currently available to South Africans through financial advisers

or directly from investment management houses. Investing in unit trusts need not be a daunting and stressful task, even first time investors can start saving and growing their life savings through a fund.

But for people who may not know what a unit trust investment is, Luyanda Joxo, business development manager at Argon Asset Management explains: "A unit trust is a form of collective investment scheme, collective in the sense of the ability to pool small amounts of money from individual investors and invest the pool according to the scheme's investment objectives.

"Unit trusts are investment

vehicles aimed at individual investors, enabling these investors access to markets such as equities, bonds and money market, that individuals are not able to otherwise access."

Joxo says individual investors should consider investing in unit trust funds when they have excess amounts of money, either as a lump sum or in monthly contributions.

Pieter Koekemoer, head of personal investments at Coronation Fund Managers says the reason that unit trusts are so popular is that they are regulated, transparent and liquid.

"They also allow investors to hold a variety of assets, blended

according to clearly defined investment objectives and risk budgets, making these products a valuable tool to use for regular saving, retirement planning and providing for a post-retirement income."

Koekemoer says South African investors can choose from a total of 940 active unit trusts.

"While the choice of funds may appear daunting, the key considerations an investor should take into account when deciding on the appropriate fund are the fund's investment objective, risk budget, and the recommended minimum investment period."

He also advises investors ensure the fund has a clearly

defined investment philosophy that is consistently applied, well proven and sensible. An investment philosophy is the overall strategy that an investor will use when making investment decisions, whether it be following technical investment trends or taking a contrarian view when investing.

Joxo says the above information is all accessible from each investment house. Once an investor has made the decision to invest in unit trusts, they should monitor the performance of their investments.

"The investment returns are measured against the stated benchmark or target. There are also widely published surveys that

compare the investment returns of unit trusts that follow various investment strategies."

Joxo says a benefit of investing in unit trusts is that they are considered highly tax efficient. "Individuals only pay capital gains tax when they disinvest."