BEGINNERS GUIDE TO INVESTING IN YOUR 20s

Investing as a young adult in your 20s is one of the most important things you can do to prepare for your future. You have fewer responsibilities thus more appetite for risks and more disposable income. You might think you need a lot of money to start investing but no amount is little.

Investing is putting money aside in avenues that increase its value over time. It requires putting capital to work, in the form of time, money, and effort, in order to get a greater payoff in the future than what was originally put in.

It allows you to grow your wealth but also generates an additional income stream. There are various investments vehicles such as but not limited to money market funds, stocks, bonds, treasury bills, or real estate that will provide you with either growth or income or in most instances both. According to financial experts, one popular method for budgeting is the 50/30/20 rule which recommends dividing your after-tax income as follows: 50 per cent for needs, 30 per cent for wants, and 20 per cent for savings and paying off debt. That 20 per cent threshold covers both savings for the short-term, like an emergency fund, and for longer-term goals, like buying a home or investing for retirement. However, depending on your circumstances and expenses this rule varies, and you can adjust it to suit your needs.

Here is what you need to know before you start investing:

Have a plan

A plan helps you to identify your goals clearly. It makes you decide clearly and concretely what we need to do to have the effect on society that we want. It helps us make sure that we all understand our goal and what we need to do to reach it by involving everyone in the planning process. Having a plan gives you a road map to follow and helps you stay disciplined when things get tough.

Have an emergency fund

Investing comes with its own risks and an emergency fund is a great way to prepare for unexpected expenses. You never know when you might need money for an unexpected expense, such as a medical bill. If you have an emergency fund, you can rest assured that you have money set aside for emergencies and you can invest knowing that you have funds to cushion your emergency needs.

Stay disciplined

Discipline provides people with rules to live their lives efficiently and effectively. When you have discipline in your life you can make small sacrifices in the present for a better life in the future. Discipline creates habits, habits make routines, and routines become who you are daily. This means making sure you faithfully allocate the set amount for investing without fail.

Diversify your investments

Diversification is a common investing technique used to reduce your risks of loss. By spreading your investments across different channels such as Certificates of Deposits (CDs), bonds, stocks, real estate, and Money Market Funds you are less likely to have your portfolio wiped out due to one negative event impacting that single holding. This increases your chances of also improving returns.

Have realistic expectations

A good number of investment returns cannot be guaranteed, and the potential returns will vary depending on the type of investment. Investing, therefore, takes time, patience, and discipline to be successful. Be realistic about your investment returns, and do not expect to make a fortune overnight. For example, at Orient Asset Managers we have the Kasha money market fund, a unit trust product designed to help you invest in liquid short-term assets with an effective average rate of 8.4 per cent. Such an investment vehicle gives you a gradual return over time and provides a great opportunity to secure your future financially.

Seek professional advice

If you are unsure where to start or how to implement an investment strategy, seek professional advice. A financial advisor helps you develop a plan tailored to your unique circumstances, needs, and goals.

Investing is an effective way to put your money to work and potentially build wealth. Smart investing allows your money to outpace inflation and increase in value due to the power of compounding and the risk-return trade-off. There is no better time to start saving than now, especially if you are in your 20s.