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FINANCIAL

INSIGHTS

by

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NEW AGE INVESTMENTS: WHAT HELPS MILLENNIALS GROW FINANCIALLY?

Concerning finance, the millennial generation can become a financial superpower, as the largest of all the current generations. They have greater access to investment options and advice than those before them.

Thanks to the countless technological innovations that have taken place in their lifetime, starting from 1981-1996 until today – that has made the process of investing more accessible for all and facilitated the creation of entirely new asset classes such as cryptocurrency.

However, they're also one of the most financially burdened generations, with many having a lower average household income than earlier generations, on top of having to pay off a massive amount of student debt.

As such, many millennials have put off investing as they prioritise their day-to-day living expenses – this is detrimental in the long run as investing is a vital tool to securing a prosperous financial future.

However, many millennials have joined the investment world and are using the conditions unique to their generation to grow their money.

Here are the five features of this generation's investment habits that are helping millennials grow financially in 2022.

THEY ARE INVESTING IN THE STOCK MARKET.

The most popular asset class among millennials are stocks, with 66% of millennial investors buying into the stock market –particularly growth and dividend stocks.

Stocks are a fantastic way for millennials to grow their money because of their youth compared to the older generations. Millennials can benefit from the incredible effects of earning compound interest long-term.

In other words, on top of the interest earned on stock investments over time, you also earn interest on that interest. Over time, this grows your money exponentially, thanks to the compounding effect.

THEY ARE INVESTING IN NEW ASSETS.

Over the last decade, many new investment types have arisen, including cryptocurrencies such as Bitcoin.

Furthermore, over the last year, NFTs – Non-fungible tokens – have captured the attention of investors, thanks to the multitude of millions-of-dollar sales that have taken place. In particular, the collection of artworks sold by digital artist Beeple made $69 million in March 2021.

These new, digitally-powered investment forms are much more popular with the younger generations, who tend to be more comfortable with tech and all things digital. 39% of millennial investors are thought to have invested in cryptocurrency.

Though we don't know if these decentralised investments will remain so lucrative in the future, this is one of the ways that millennials are currently growing their capital.

THEY ARE TAKING A TECH-FIRST APPROACH.

According to the Financial Times, 62% of millennials from the UK, US, and Asia preferred to invest in tech companies.

Among millennials and Gen Z, some of the most popular stocks include Apple, Nio, Zoom, Nokia, Tesla and Plug Power (a revolutionary hydrogen fuel cell production company) that panders to two of the most significant investment considerations of the millennial generation: tech and the environment.

THEY ARE USING INVESTING PLATFORMS AND APPS.

A notable difference between millennials and the generations that came before them is how they invest.

Gone are the days when you had to ring up a brokerage in order to invest. Today, anyone can invest with a few clicks or taps on their computer or smartphone.

Such platforms include Wealthfront and eToro, which allow anyone to begin investing with only a small sum – a remedy to an old barrier to the world of investment when only those with a significant lump sump could get started investing.

Moreover, millennials use apps such as Acorns – a tool that synch's up with your debit and credit cards, rounding up your purchases to the nearest dollar and saving the difference for investment purposes into stocks of the investor's choice.

THEY ARE TAKING INTO ACCOUNT ESG FACTORS.

More than any generation that came before them, millennials prioritise their ethical beliefs and values when making investment decisions.

A CNBC poll showed that around 1/3 of millennials only made investments into organisations that took Environmental, Social and Governance into account – factors that refer to companies' commitment to ethical practices in these areas – which was significantly more than any other generation.

Moreover, 86% of millennials surveyed by the Institute for Sustainable Investing were interested in investing sustainably, and 88% were specifically interested in investing in environmental/climate solutions.

There is more than just a moral stance. As we head into the future, and society grows ever more concerned about the environment, human rights, equality and ethical practices, companies that take these issues thoughtfully are positioned to be more successful going into the future.

WHY YOU SHOULD PRIORITISE PAYING OFF YOUR DEBT AND HOW TO GET STARTEDW

It's an age-old question: should you prioritise saving money or paying off debt?

After all, there are strong arguments in favour of both sides.

On the one hand, it's always good to have a spare sum of cash that you can dip into when unexpected financial situations arise or use for expected expenses in your future, such as paying for your child's education.

On the other hand, eliminating debt means having more money to work within the coming years since you'll no longer have to redirect your income to pay back the debt and any accrued interest.

WHY SHOULD PAYING OFF DEBT BE YOUR TOP PRIORITY?

In most cases, it's generally a better idea to pay off debt before you try to compile a significant sum of savings.

The biggest reason for this is that, in most cases, the interest you'll earn on your debt will be significantly higher than the interest you'll make from money put into a savings account.

In contrast, if you pay your debt off early – rather than only paying the minimum repayment on your loans each month – you'll have more income to put into savings later on.

More than this, paying off your debt, incredibly quickly escalating high-interest debt, will reduce the stress in your life and lower your monthly expenses in the long term, improving your credit score and increasing your financial security.

Are there any exceptions?

ARE THERE ANY EXCEPTIONS?

When the loan you're paying back is low-interest – such as the mortgage on your house – it can often be better to prioritise saving money over paying off your debt, especially if you have things in the short-term that you may need a decent amount of liquidity to fund.

This is particularly true when a penalty is associated with paying back a loan earlier than agreed.

In contrast, when repaying high-interest debt such as credit card debt, it rarely makes sense to save over paying off that debt.

SO, HOW DO YOU START THE JOURNEY TO ELIMINATE YOUR DEBT ONCE AND FOR ALL?

Paying off debt is no easy task – and can often take a long time – but what's the best way to clear your debt as soon as possible?

1. FOCUS ON YOUR HIGHEST-INTEREST DEBT FIRST.

While some prefer to start with their smallest debt, so they can experience a small win as early as possible – or even spread out their debt repayments evenly across the different obligations they have – it makes the most sense financially to focus on your highest-interest debt first.

As time goes on, the amount you owe will soar well above what you originally borrowed, more quickly than any of your other debts.

2. REDUCE YOUR OUTGOINGS.

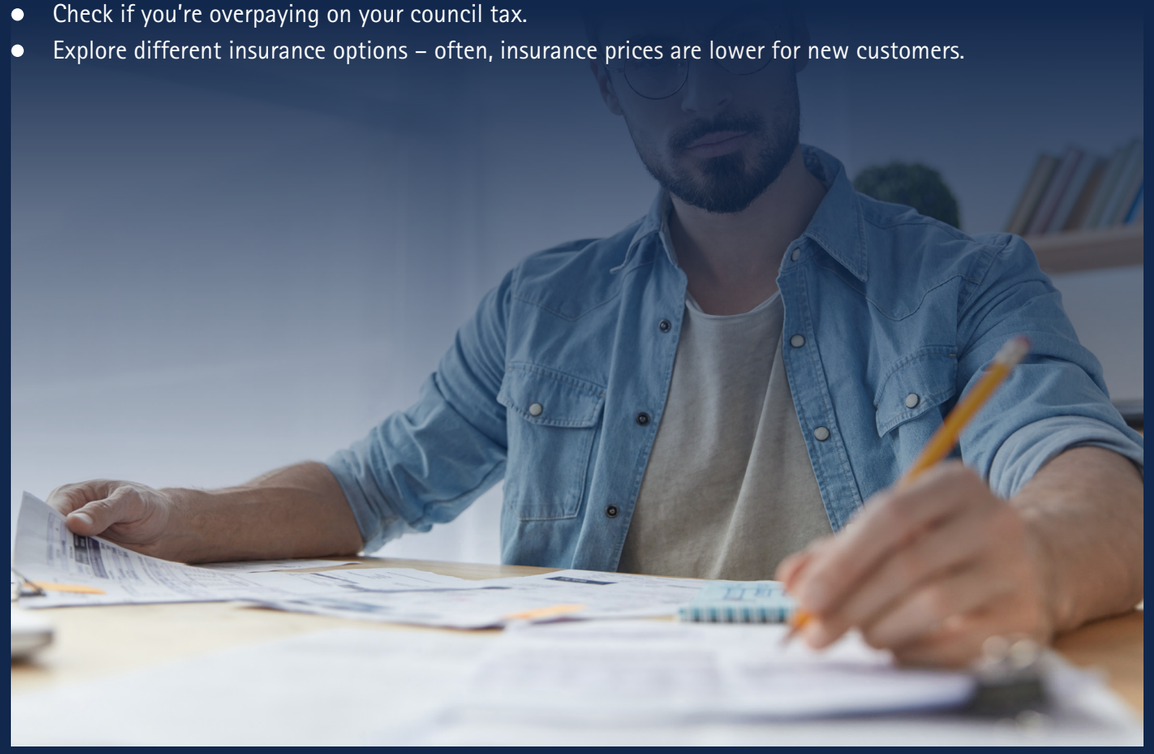
This sounds obvious – and it is – but many people struggle to accomplish this effectively.

It would help if you looked at your bank account to have an accurate idea of where your money goes each month. Consider looking down your list of transactions and making a mental note about how you can reduce your spending.

Then, you might find it helpful to create a budget outlining how much you intend to save for debt repayments each month while factoring in your everyday living costs.

Besides that, here are a few other things you can do to reduce your expenses each month:

- Shop at your local market or one of the cheaper supermarkets.
- Say 'no' to big-name brands – own supermarket brands usually taste the same anyway.
- Check for any subscriptions you're paying for but aren't using (at least not enough to warrant a monthly fee – may be that gym you signed up to in January).
- Eat out (and drink) less until your high-interest debt has been paid off.
- Check if you're overpaying on your council tax.
- Explore different insurance options – often, insurance prices are lower for new customers.



3. EARN MORE.

Another significant factor influencing how much you're able to contribute to your debt repayments each month is the size of your income.

While you might be thinking easier said than done, you can do a couple of things to boost your income without begging your boss for a promotion or a raise (although this isn't a bad idea if you feel like you deserve it).

- Sell the things you no longer use secondhand, including clothes, jewellery, shoes, books, etc.
- Consider starting a side hustle to supplement your primary salary.
- Make sure you aren't overpaying on your income tax.

So, suppose you're looking to improve your financial situation long term. In that case, there's not much better you can do than to pay off the debt you have – especially high-interest debt – as soon as possible, and by following the above tips, you'll be well on your way to improving both your finances and your life overall this year.

ONE OF US

In 'One of Us', we share intimate conversations with colleagues, thought leaders, and financial experts to educate, enlighten, and entertain you.

This month we caught up with our Consultant - Matthew Nemeti.

Q: Thank you so much, Matthew, for taking the time to do this interview. Can we start by letting our audience know a bit about your background and your role with AMA?

A: I have always had a passion for helping people and thought very early on in my career that a career in sales would be a great way to help people achieve their goals, whether that was personal or business to business. I joined the AMA group of companies on February, the 3rd 2020. Most people thought this was quite risky, given the fact that we had a global pandemic hit just a month later. However, the company was very supportive during the heavy lockdowns we all had to face, and I quickly came to grips with my Business Development role. Only six months later, I was promoted to a consultant, and it has been one of the most rewarding careers. I have now been a fully-fledged international consultant for just over a year and a half.

Q: What do you like the most about working in the finance and investment sector?

A: I think the most rewarding part of working in the finance and investment sector, is that you learn exactly what you should be doing with your money every single day. It gives me great joy to learn and understand how the financial markets work, all over the world, and it's even more rewarding when you can simplify all of this, so that any client can understand, no matter what their finance and investment experience or knowledge.

Q: If you had debts at any point in your life, would you pay off your debts first or start saving?

A: I would pay off my debts first. In fact, I have done exactly this in my working life. One of my early goals in my working career was to buy a car and pay it off as quickly as possible, so that I would have no debt. I think being debt free will always give the person a sense of control over their finances, which will often lead to saving and investing at a later stage.

Q: As a financial consultant, do your friends sometimes seek financial advice from you? What is the most common problem/question they have?

A: Absolutely. Friends and family often have questions about what is happening in financial markets, both globally and locally in South Africa, and I think one of the main reasons they get curious, is that they are not experts in the investment space, so they naturally just what to understand a bit more.

I think the most common question I get asked, being a South Africa resident, is should I invest locally or should I be investing offshore.

Q: Can you give some advice to young adults about money management?

A: The best piece of advice that I could give to any young adults is the following, start saving 15% off the top of your income every single month and invest it. The biggest advantage young adults have is time. If they can get started early and stick with it for the next 30 + years, the opportunity to secure their financial future is massive. I have a great mentor who once said to me that there are essentially three ares to money management and they are Give, Save and then Live. If you can just stick to this principle every month, you will never have money management issues.

Q: What would you do when you become wealthier?

A: The first thing I would do is help my parents secure their financial future by ensuring they can live a fantastic lifestyle during their golden years. The second thing I would do is secure my own family's financial future, by following all the great lessons I have learnt in the financial and investment sector.

Q: On your profile, you mentioned that you are a golf enthusiast, who are your three favourite professional golfers?

A: My first choice has to be the great Tiger Woods. He continues to inspire young golfers like myself.

My second choice would be the great Gary Player. As a South African, Gary Player has always had a massive influence on South African golfers making it onto the PGA tour in the United States.

My last choice would be Rory McIlroy. I just really enjoy how well rounded his golf game is and how smooth his golf swing is.

HOW TO STAY AHEAD FINANCIALLY IN HARD TIMES

The last two years have taught most of us that anything can happen, and our financial situation can be made incredibly vulnerable by the unexpected.

As such, it's key to know how to maintain your financial situation even in difficult times, whether this is because of a pandemic, a company closing down, you've lost your job, or you've had to deal with a significant unexpected financial event.

With this in mind, here are eight ways you can stay ahead financially, even in the hard times.

GET A BIRD'S EYE VIEW OF YOUR FINANCIAL SITUATION.

If you're expecting to experience a financially difficult period, the best thing you can do to prepare is to look at your monthly incoming and outgoings.

You can check how much of your income can be used discretionarily after detracting your essential living costs – including utilities, rent, mortgage payments, etc. It gives you an idea of where you can cut corners and a basis for forming a budget.

ELIMINATE SOME UNNECESSARY BILLS.

Perhaps unbeknown to you, there may be a few bills you're paying each month that you don't even use, which you'll be more likely to pick up on after scanning your banking transactions.

You might be paying for some subscription services that you never use – or may even have forgotten you bought – including gym memberships, streaming services, Amazon Prime, etc.

Moreover, many still pay for cable TV, despite using streaming platforms such as Netflix for 90% of their viewing needs. At least, while things are a little difficult financially, it might be best to cut out some of these recurring, non-essential costs.

REDUCE THE COST OF BILLS.

This may sound easier said than done. However, there are multiple ways to reduce the cost of your bills.

On the one hand, simply being more mindful of your water and energy consumption can help to reduce the cost of your bills each month.

However, making an effort to change providers – whether that's for electricity, water, your insurance policies or your phone provider– can save you hundreds every month, particularly since prices tend to be better for new customers than for those who've had a plan with the same provider for years.

SAVE HOWEVER MUCH – OR LITTLE – YOU'RE ABLE TO.

In financially challenging times, money can be tight. However, it should still be a top priority to save even a little each month.

Having a sum set aside means that you can dip into it should unexpected financial events arise, preventing you from overusing your credit card or taking out a loan, which will cost you more in the long run.

INCREASE YOUR INCOME.

Aside from asking your employer for a raise – or working more hours – to increase your income at your main job, it's always good to have more than one source of income so that you're not financially reliant on just one source.

So, if you have a hobby, you can turn into a side hustle, professional knowledge that you could turn into an online course, or a load of your belongings you could sell. These can all help to increase your financial stability during difficult times.

SAFEGUARD YOUR CREDIT.

Something that is significantly at risk during times of financial difficulty is your credit score, as this is when you're most likely to miss payments on your bills.

Suppose you don't have savings you can dip into. In that case, it's usually better to use your credit card to ensure you make your payments on time, as late or missed payments are the most detrimental factor to your credit score, preventing you from borrowing money in the future.

PRIORITISE PAYING OFF HIGH-INTEREST DEBT.

The last thing you want to be dealing with in times of financial uncertainty is high-interest debt, as the interest will quickly accumulate to make the sum you owe inordinately more than you ever borrowed.

So, suppose you have any disposable income during financially tricky times. In that case, this is where you should be directing it first, so you can sacrifice as little of your capital as possible to pay back your debt in the long run and look forward to a time soon when you no longer need to factor that debt into your budget.

CONSIDER A NO-SPEND MONTH (OR EVEN YEAR).

Aside from the essential living expenses such as rent, utilities, groceries and debt repayments, consider committing to a month (or more) where you don't spend money on anything non-essential.

You'd be surprised by how much of your income goes on stuff that you don't need, and at the end of the month, you'll have a significant sum that you can put towards your savings or repaying debt early.

WHY PERSONAL FINANCIAL EDUCATION IS SO IMPORTANT

Despite the critical role that finance plays in all our lives, an astonishing number of people lack even a basic knowledge of personal finance, choosing instead to leave their financial situation – in both the present and future – to chance.

However, it's critical to your life and the lives of those around you that you give yourself a thorough financial education – using books, finance blogs, podcasts, YouTube videos or other resources – to put yourself in the best position financially both now and in the future.

SO, WHAT IS PERSONAL FINANCE?

In essence, personal finance encompasses an individual's management of their financial decisions, habits and investments.

This can include managing income streams, budgeting, saving, investing, banking, managing loans and debt, taking out insurance policies and retirement planning, among many other financial behaviours an individual might engage in.

However, many know far less than they should about personal finance and money management and fail to maximise the prosperity of their financial situation as a result.

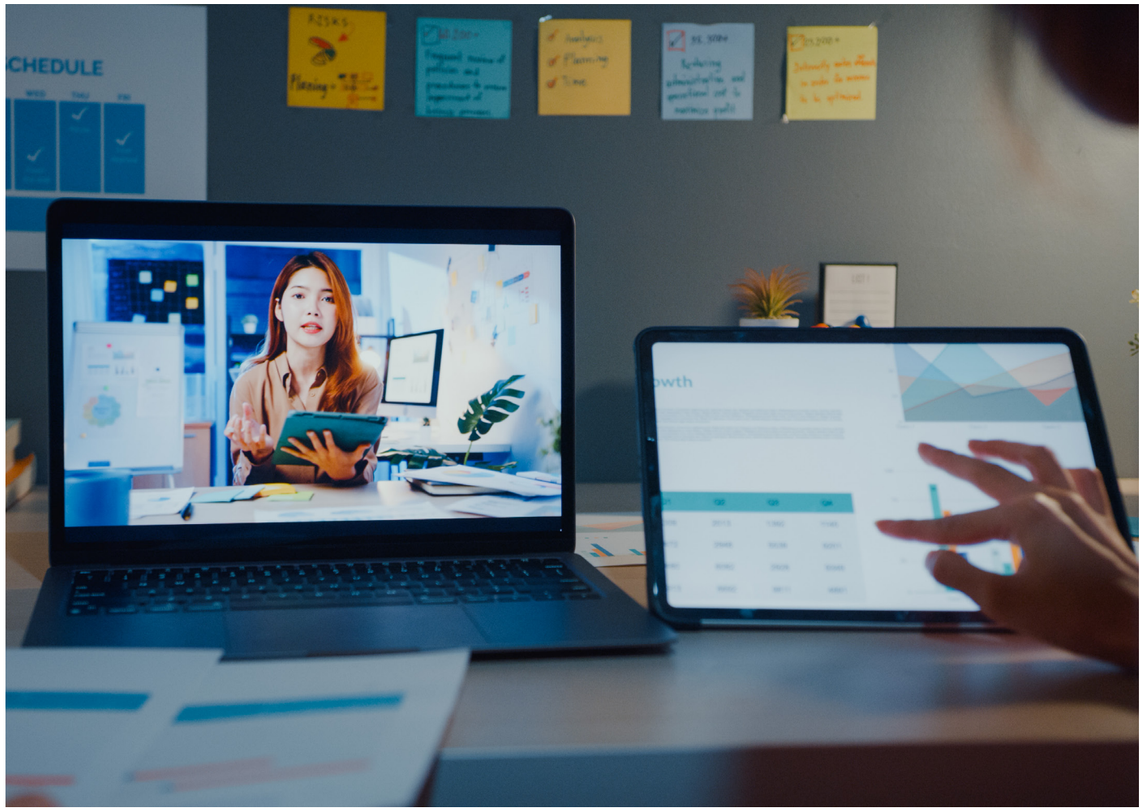
In contrast, by harnessing the power of financial education, individuals can improve how far their income will stretch and even help increase the income they earn overall.

To persuade you to begin – or continue – your financial education, here are six ways in which being clued up on personal finance can improve both your financial position and your life as a whole.

FINANCIAL EDUCATION ENABLES YOU TO MAKE THE MOST OF WHAT YOU HAVE.

When you aren't particularly aware of your finances – a.k.a. what's coming in and what's going out – it's likely that you're haemorrhaging money where you don't need to.

A good personal finance education shows you where to look to save money, teaches you to budget and live within your means and points to where you may want to direct your money to grow it over time.



IT IMPROVES YOUR EFFECTIVENESS AT DEALING WITH DEBT.

Not only does a good education in personal finance teach you how to live within your means and avoid sustaining debt in the first place, but it will improve your ability to deal with the debt you already have/are going to have.

Most of us acquire some form of debt or another at some point in life – whether this is a student loan, a mortgage, or simply overusing our credit card – and paying this debt off as efficiently as possible is key to maximising your financial position.

Not to mention, having a firm handle on debt repayments reduces stress and improves your quality of life.

IT PREVENTS YOU FROM DAMAGING YOUR CREDIT SCORE.

Having a strong understanding of personal finance and managing your money effectively can help you build a stellar credit score and avoid making mistakes that can cause it to take a hit.

This is essential for long-term financial goals that require you to borrow money, such as acquiring a mortgage to buy a house or a loan to start a business.

YOU'LL BE BETTER ABLE TO SUPPORT YOUR LOVED ONES.

Often, our financial position doesn't just influence our own lives but those around us, such as our partner, our kids or our parents.

When you thoroughly educate yourself on personal finance, you're better prepared to be able to save money to take care of your loved ones and – in the case of your family – avoid debt that could negatively affect the quality of life of those around you.

YOU'LL BE ABLE TO ACHIEVE YOUR FINANCIAL GOALS MORE QUICKLY.

Most of us have financial goals we want to achieve – whether that's saving money to start a family or buy a house, or put away a certain amount for retirement – and taking the time to learn about personal finance will enable us to plan effectively for how you're going to get there.

In practice, this will mean that not only are you the most prepared you can be to ensure you meet your financial goals, but you will likely hit them much earlier since you'll be equipped with the knowledge you need to save as much as possible and hit your financial milestones quicker.

IT ENABLES YOU TO SAFEGUARD YOUR FUTURE.

One of the major financial concerns we contend with as we get older is whether we have enough saved for our golden years to live our later life the way we want to.

Committing to giving yourself a comprehensive personal finance education will allow you to ensure that you're making the smartest choices possible when it comes to preparing financially for your future so that you're not scraping by in your later years when you could be living in luxury.

GROW FINANCIALLY WITH AMA

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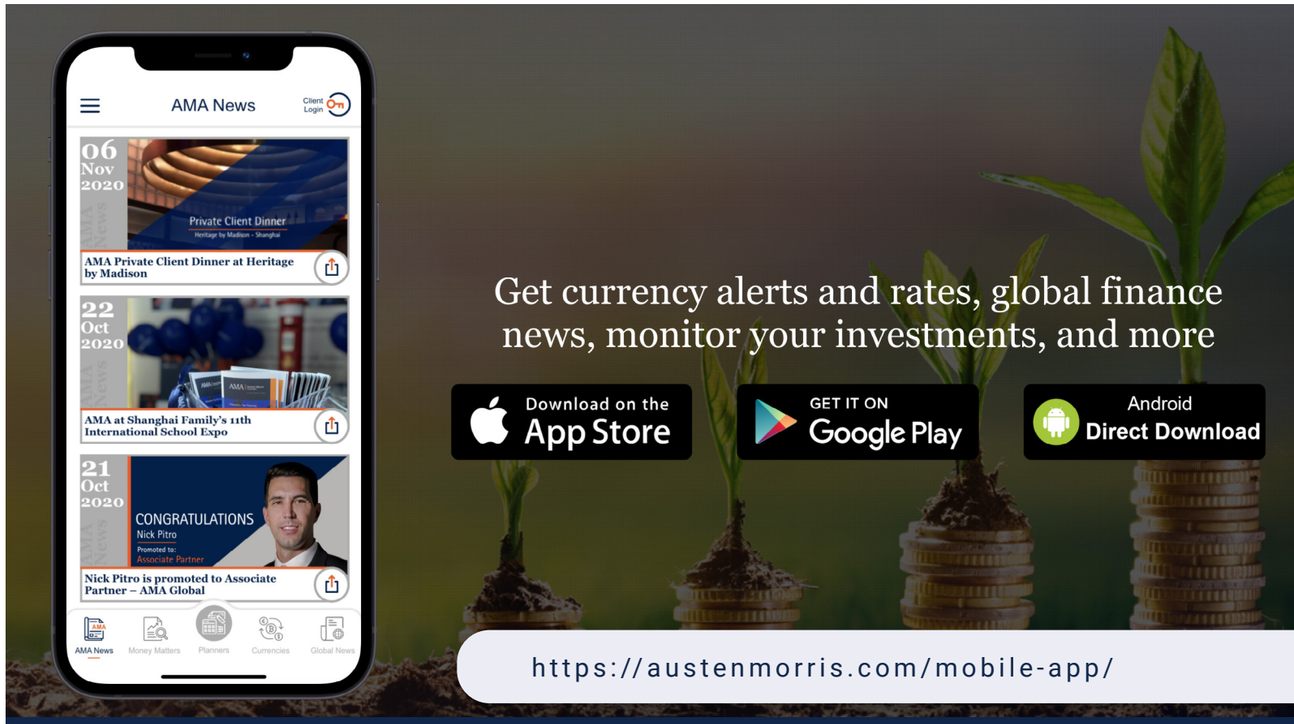
At Austen Morris Associates, we know how the right financial decisions can make all the difference to your long-term security, quality of life and the realisation of your dreams. We also understand the importance of working closely with you over the long-term to understand your unique needs and help to meet any challenges along the way.

Since 1994, we have been committed to the core values of trust, professionalism and partnership to the benefit of our International Clients around the world, resulting in the successful long-term relationships that are the foundation of Austen Morris Associates today. As Independent Financial Advisors, we provide unbiased advice and give you access to the world's top investment management groups.

Our Consultants offer a wealth of experience in providing a full spectrum of financial advice. Our commitment to ensuring your peace of mind reinforces our focus on trust and partnership. By focusing on your specific needs and situation, we tailor plans to reach your financial goals while maximising the benefits of international investing.

Austen Morris Associates is a truly international company with its global registered office in Seychelles and wholly-owned registered offices in China, South Africa, Hong Kong, Mauritius, the USA and the Philippines. To begin your journey towards total financial security, we invite you to meet with one of our Consultants to understand our financial planning approach and why our clients become loyal and long-term partners.



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