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WEALTH SOLUTIONS

# Debit Order Investing

Bob's Guide
Investment Series

## What is it?

Debit order investing is the process of setting up scheduled transfers of funds, usually monthly, from your bank account directly into your investments like TFSA's and RA's

## Who is it for?

- Parents who wish to diligently save on behalf of their kids into TFSA's
- Young professionals saving over the long term into RA's
- An established professional or businessman putting away excess cash earned into a cash management account for a rainy day

## Key features:

Debit order investing is an automated, systematic, disciplined and consistent way to save over the long term

It costs you nothing to start or stop debit orders - the banks don't charge for it, neither do we nor our investment service providers

Start investing early and consistently to harness **the power of compounding returns** over the long term (see example 1 below)

Invest through the highs and the lows to achieve optimum **cost price averaging** (see example 2 below)

## Behavioural impact:

- No excuses or "I forgots" from the human allowed anymore!
- Once set up, human inertia results in the debit orders sticking over time
- Investors mentally frame the scheduled outflow as just another expense
- Debit orders save you from yourself

## Smart investing:

- Makes investing easy and for everyone – anyone with small monthly contributions can start investing
- Each debit order can be invested broadly via unit trusts and ETF's (diversification)
- Invest into tax-efficient structures like TFSA's and RA's

## THE POWER OF COMPOUNDING RETURNS

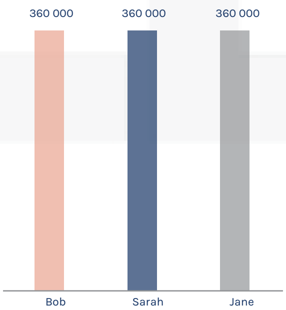
### Example 1:

- Bob invests R1 000 per month via debit order (R12 000 per annum) continuously over 30 years
- Sarah invests a lumpsum of R 60 000 every 5 years over 30 years
- Jane invests R1 500 per month via debit order (R18 000 per annum) for 20 years, but only starts investing in 10 year's time.

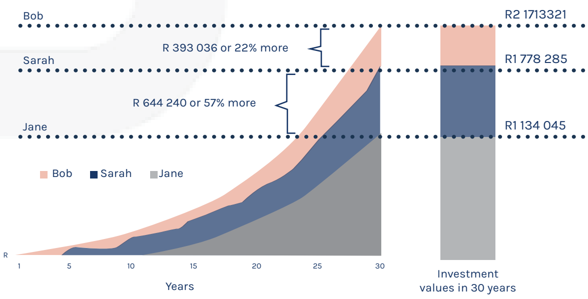
**Assumptions:**

- They all invest into the exact same portfolio (albeit at different times) which generates the exact same 10% per annum return.

They all contributed the same amount over the 30 year period




But their investment values differ substantially after 30 years, **it pays to startinvesting early and consistently**



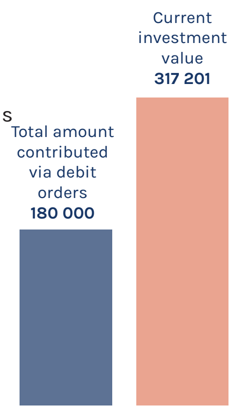

## COST PRICE AVERAGING

### Example 2:

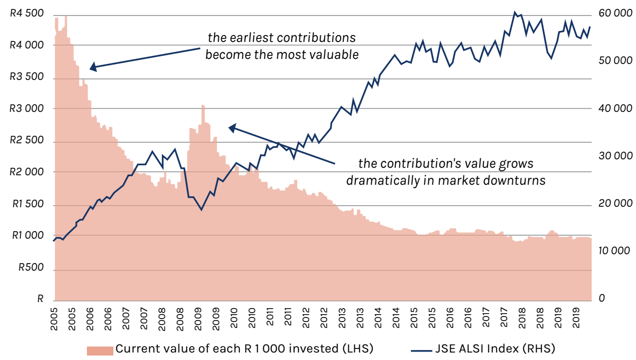
- Bob invests R 1 000 per month via debit order into the JSE for 15 years.
- In total, he invests R 180 000 over 180 months (R 12 000 per annum x 15 years)
- These graphs depict the performance of his investment at the end of 15 years

**Assumptions:**

- The investment tracks the performance of the JSE All Share Index and covers the period January 2005 to December 2019
- Dividends earned are reinvested
- Bob invests R 1000 at the end of each month




Current value of each R 1 000 contributed per month into the JSE invested over the past 15 years

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