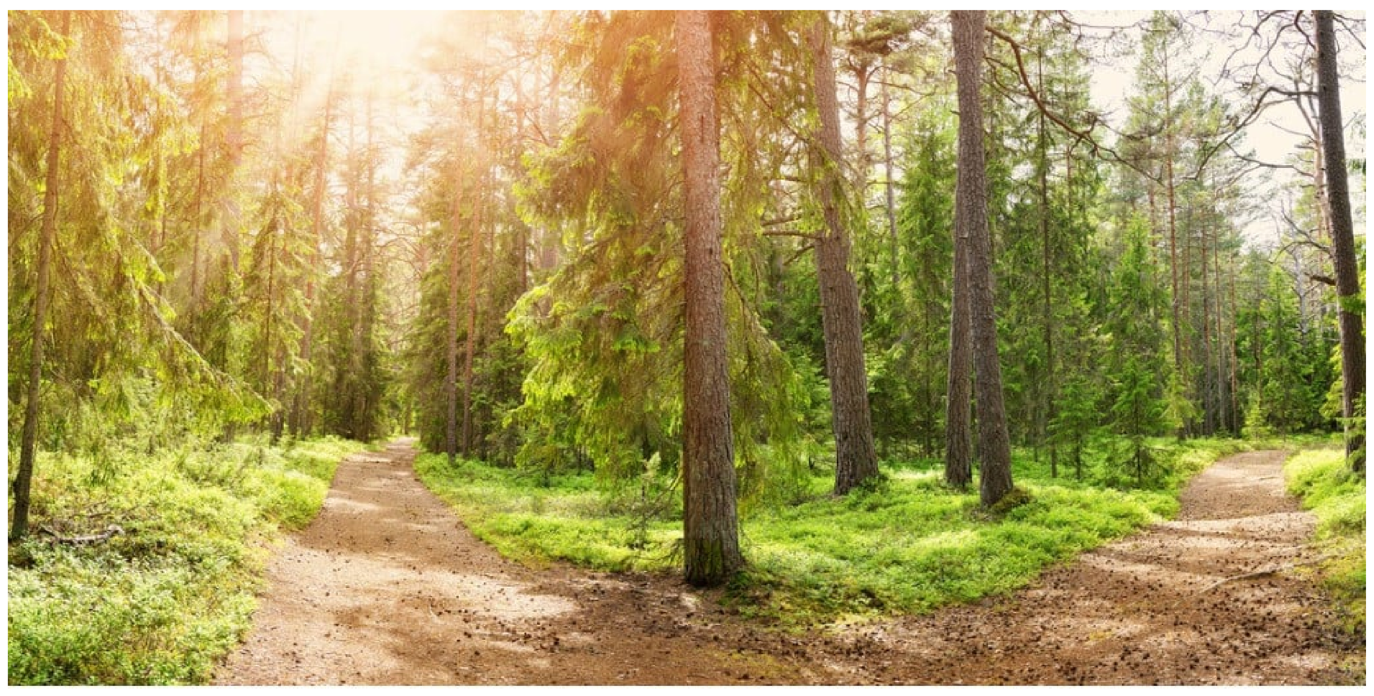
seed investments



Consider All The Risks

In the world of personal finance, the concepts of **saving and investing** are often confused. They each serve a distinct purpose and therefore it is important to clarify each of them from first principles.

Saving money according to Investopedia involves, "safely storing it ensures availability when needed, minimizing the risk of value loss.". Essentially saving is akin to preserving the nominal value of money.

On the other hand, investing entails "*the process of laying out money now in the expectation of receiving more money in the future*". Unlike saving, the expectation is for more, because investing inherently **involves taking on risk**, i.e. uncertainty of outcome.

While most people would prefer the safety of saving as opposed to the uncertainty of investing, there is that persistent challenge of **inflation**. Unfortunately, inflation is a key part of the existing **debt based global financial system**. So, to manage our money effectively we need to use both saving and investing, but in different proportions.

Saving and Investing

Saving funds provides for that proverbial "**safety net**" for unexpected expenses and emergencies. Financial advisors often recommend setting aside three to twelve months' worth of living expenses in money market funds or high yielding savings accounts. While these are now **attracting higher interest rates globally**, there is still a nagging concern that high levels of inflation of between 2% and 5%, are continuing to melt savings' purchasing power.

This is the dominant reason that investing surplus funds into more **volatile assets** becomes necessary. There is range of assets that investors consider in this category including, shares in private and listed companies, commercial and residential real estate, corporate debt, government debt (nominal and inflation linked), structured products, gold, and even alternative options such as cryptocurrencies like Bitcoin.

In summary **saving** offers nominal protection of funds with **high certainty** BUT carries **high risk of purchasing power erosion**.

On the other hand, **investing** involves **higher volatility and potential capital loss**, BUT offers greater **protection of capital in real terms** over the long run.

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For guidance or assistance on the current markets and global investing, please reach out to Ian and our team directly on global@seedinvestments.co.za.

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