INTUITION
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5 Golden Rules

January is often the time for New Year's resolutions. Research suggests that less than 1% of those make it to the 31st December of the same year. There is a famous saying that "the pathway to heaven is paved with good intentions". What matters though is what you implement. Investing is no different - even the most ignorant investor can mouth off some well-known investment platitudes, but few follow through to implement them. To kick off the year, I am going to offer 5 Golden Rules investors should implement to set a good foundation for their investments in the year ahead.

SPEED READ

- **Jerry Seinfeld forced himself to produce a joke a day from early on in his career. It is this small daily habit that has made him one of the most successful comedians of all time.**
- **Like eating or exercise, one meal isn't going to make you fat and one run isn't going to make you fit. However, consistent, repetitive behaviours lead to long-term outcomes that are either good or bad. We should constantly reconsider those behaviours.**
- **A famous American financial commentator recently observed that we should focus less on the nuanced aspects of money and more on the fundamentals to be successful in the long term. It is sound wisdom.**
- **Below we detail 5 fundamentals we think investors could focus on to set them up for success in 2025 and beyond. They pertain to almost everyone no matter the point in their financial journey.**

Robin Gibson

The following 5 fundamentals you will have heard or read before. It is the same with most self-help information. The hard part is being intentional and doing something about it. I can know that my favourite shoes are on sale, but that knowledge is useless to me unless I go and buy them! Happy implementing.

Rule 1: Money is a fabulous servant, but a wicked master. Make sure you're in charge.

Servants have to be managed. They have to be told what to do, when to do it, and maybe even how to do it. If that doesn't characterize your relationship with money, then it is likely that you are its servant rather than its master. Money is also an enabler. Money certainly doesn't buy happiness but it does buy options. This all requires some effort. Knowing what is possible and reasonable within the realm of your financial resources should be the basis of your planning. You may not understand all the nuances of stock markets, economics or investing, but there is sufficient access to information and assistance for almost everyone that will allow for an increased understanding of the major elements that should lead to good decisions.

Rule 2: There is no room for entitlement in financial planning.

Entitlement is the basis for poor behaviour. If you don't believe me then you should investigate the passenger on a recent Safair flight who has now been banned and is facing multiple legal challenges. The basis for their actions was entitlement. It is sadly overly prevalent in our society. This is no less true when it comes to money. You are entitled to nothing more than what you can afford.

To be clearer, you are only entitled to spend money on luxury or comfort items that won't leave your long-term financial plan in deficit for the important things, like housing, food, medical, and transport. Far too many people are spending tomorrow's money today to satisfy some perceived need or right. It is a recipe for disaster.

Rule 3: The rules of the game have not changed. The greater the return, the greater the risk.

World history is full of broken dreams wrought by a promise of untold riches without risk. There are none more at risk of these schemes than underfunded pensioners. The last few years have seen breathtaking returns from the likes of Bitcoin, Nvidia, and ASML just to name a few. These are exceptional and unusual. Yes, they are indicative of a changing landscape of how business is done and will be done in the future, but don't fall into the trap of believing that they have rewritten all the rules of investing. The fundamentals have not changed. South Africa has a litany of names that offered mouthwatering returns that ended in tears – SupremeBond, MasterBond, Edwafin, and BHI Trust. I have recently become aware of an investment house that has glossy brochures, expensive advertising and unusual returns relative to the stated risk (also with rather generous broker commissions). They are growing fast, doing what the big guys cannot. Time will tell, as it always does if they are financial alchemists, or just a copy-paste of history.

Rule 4: Inflation remains the biggest enemy.

The last 5 years have raised global inflation fears more than any time in the last 30 years. Inflation is effectively negative compounding - the loss of value of your money over time as it sits idle. It is why investors have to profile investments to beat inflation over the long term to maintain or grow wealth. Despite a plethora of investment products, the building blocks and their characteristics remain largely unchanged. Notwithstanding technical innovation and Artificial Intelligence, the most likely methodologies to beat inflation remain unchanged and have done so for the last 100 years.

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Rule 5: Be cost conscious

Research demonstrates that investors who partner with professional advisers have better outcomes than those who go it alone. Of course there will be an exception to every rule, and we all know someone who built their house themselves, fixed their car themselves or constructed their financial plan successfully and independently. For the vast majority, however, this is not the case. Make no mistake, I don't believe that professionals should work for free, or that they have no right to make a decent living. To hold that view would reduce financial planning to a charity or a failed business model. Rather I think that the relationship should be viewed as a partnership, where the professionals are the junior partner and the client is the senior. The best way to measure that is who gets the lion's share of the long-term real wealth growth (return more than inflation). Knowing what this is and how it impacts you, plus the value you receive for the outlay, should be very important to you. There will be times when this is out of balance due to market movements, but it should be viewed in the context of long-term history and the value added by the professionals.

These 5 rules form the foundation of the Harvard House approach to financial planning and investment. Recent crises have not always demonstrated these principles so clearly, but we remain confident that they will continue to hold over the long term and demonstrate the same outcomes as it has for other investors over our 53 years of history. Now for the implementation…

Building wealth is a slow process that requires patience and a steady hand. Quality advice on the journey is indispensible.

Thank you to all clients who have supported our Insight presentations last year. Our schedule for 2025 and the topic for our next seminar in March will be published shortly.

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CONTACT DETAILS:

For more information on the range of products and services offered by Harvard House Investment Management and its associated companies (including Harvard House, Chartered Accountants), or for any financial advice, please contact the Company at:

Topic: **TBC**

Natal Midlands

Date:	TBC
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	TBC
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	TBC
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Classroom 1, 3rd Floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

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