Investing for a better future

5 tips to do more with your savings

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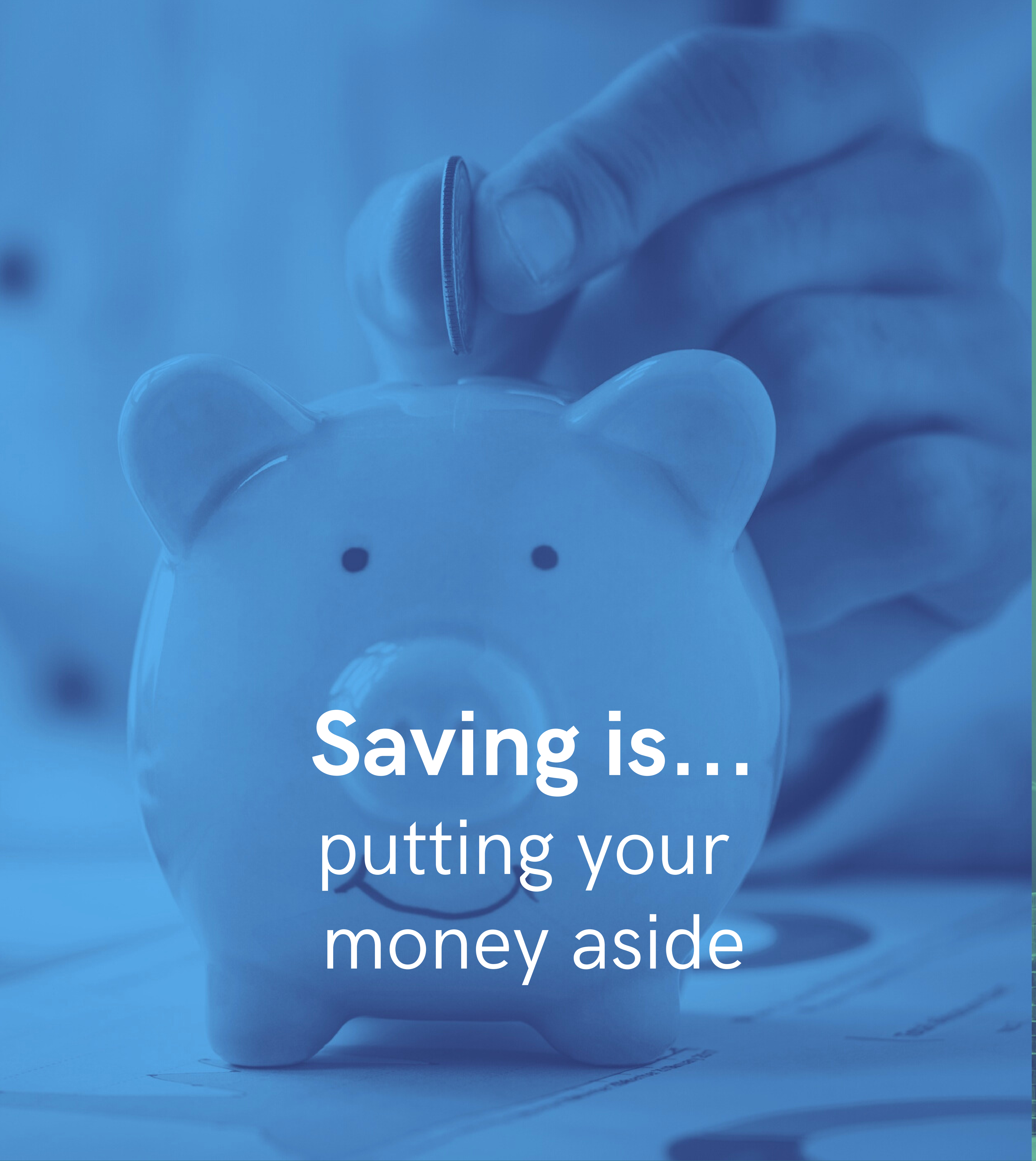
01

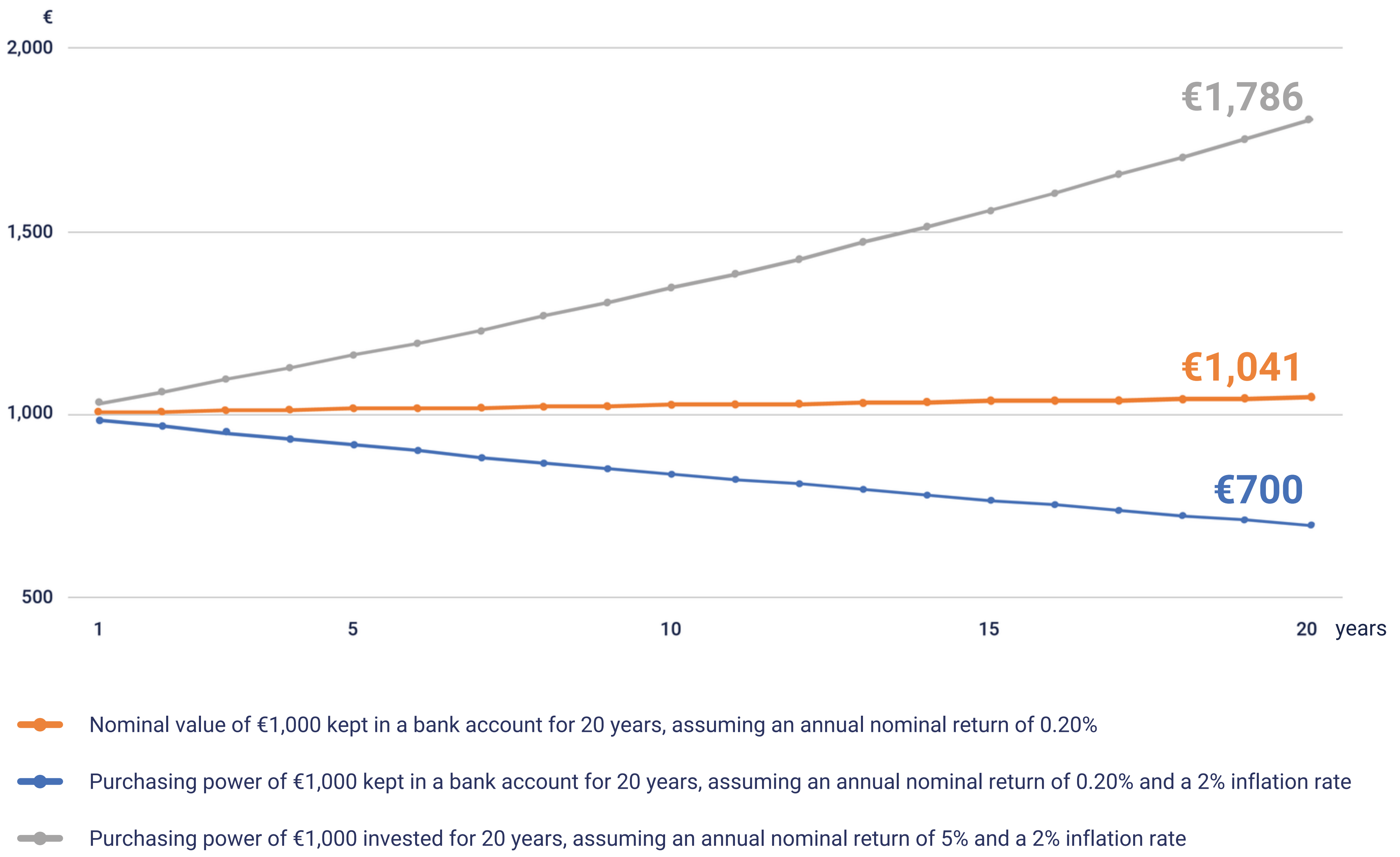
EFAMA


Saving is…
putting your money aside


Investing is…
making your money work harder and grow

Savings sitting in a bank account today are actually losing value

By putting some savings into investment products, you can outpace inflation



- €1,000 in a bank account today generates interest of around only €2 (0.2%) per year
- If you left €1,000 in this account, after 20 years you could still withdraw your €1,000 but it would be worth only €700 in today's money because of inflation
- Inflation actually causes your money to be worth less year on year
- But investing €1,000 for 20 years in an investment product generating 3% in real terms would yield €1,786 in today's money. Take a look!

Investing may seem a bit daunting, but it’s not so complicated, or risky as you think it is

If you follow some simple guidelines, anyone with savings can become an investor

Here's what to do →

TIP # 01 Set up a budget

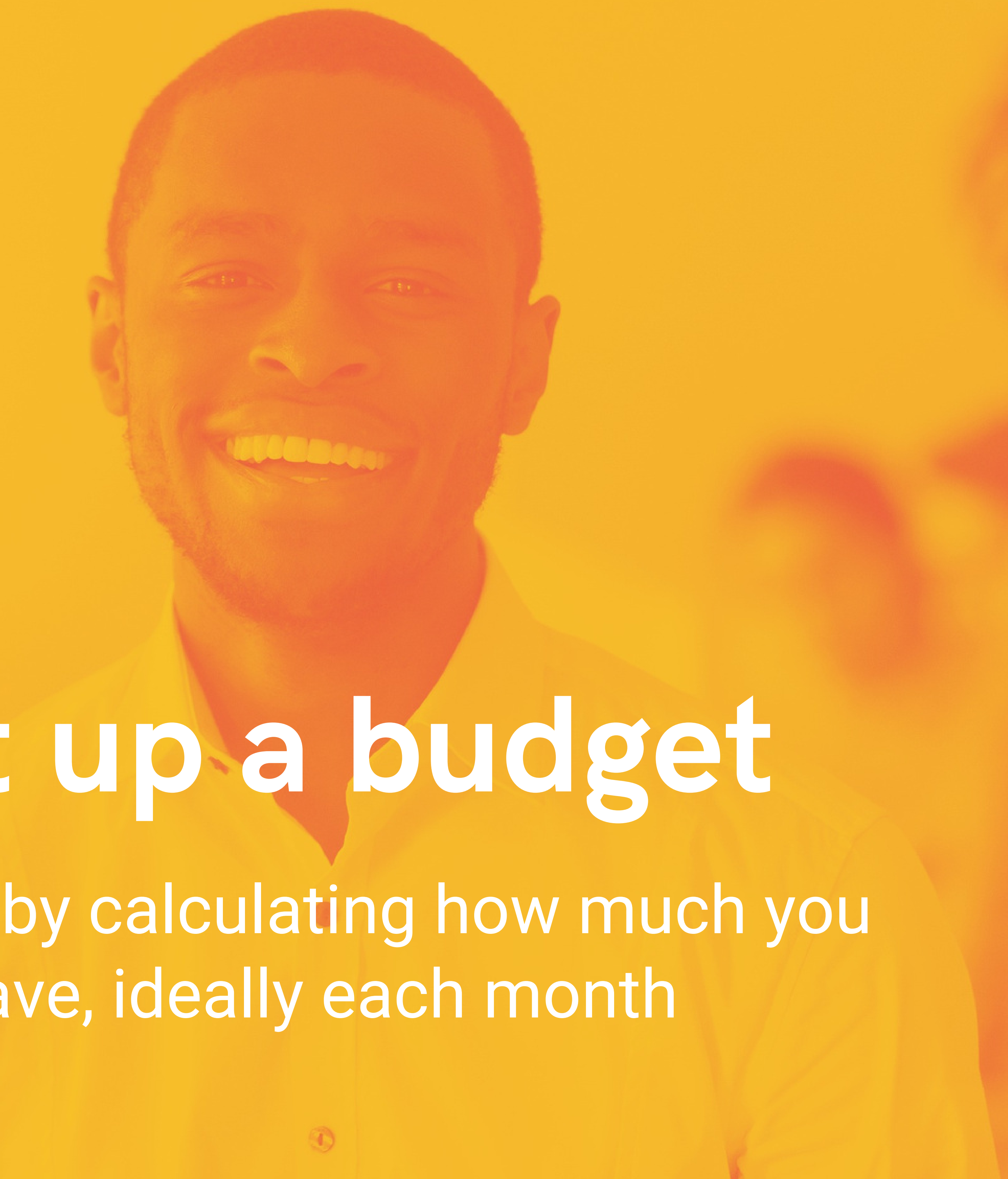
TIP # 02 Start investing as soon as you can, even small amounts

TIP # 03 Learn how to evaluate risk

TIP # 04 Don’t put all your eggs in one basket

TIP # 05 Get started

TIP # 01



Set up a budget

Begin by calculating how much you can save, ideally each month

TIP # 01

Set up a budget

Work out your:

- **Income:** salary
- **Essential spends,** such as rent/mortgage, gas & electricity, food, insurance, childcare, taxes, any repayments, which are difficult to change
- **Non-essential spends,** such as leisure, holidays, clothes and going out, which are easier to change

INCOME – SPENDING = POTENTIAL SAVINGS

To get to a budget for 'investment', it's a good idea to think first of **3 types of savings**:

#1
Rainy day

Secure/easy to access to deal with unforeseen events, such as job loss or urgent home repairs +/- 3/6 months' salary

#2
Goal-oriented

To fund life events & goals, such as a house, child's education, car, your dream holiday

#3
Retirement

To top up future state pension, which will be lower than today

It's your goal-oriented savings that you can invest to put your money to work

TIP # 02

Start investing as soon as you can, even small amounts

“Someone is sitting in the shade today because someone planted a tree a long time ago”

-Warren Buffet-

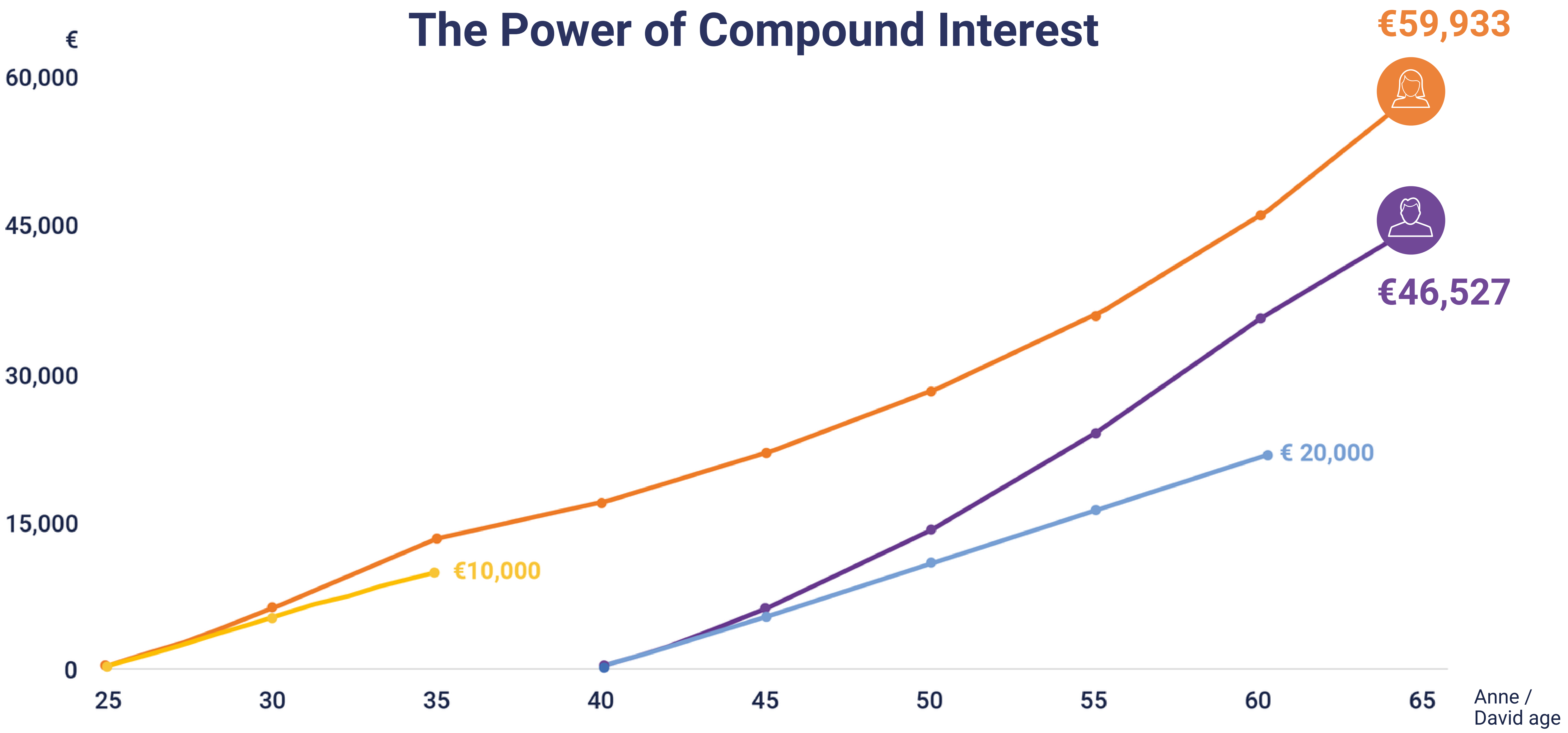
TIP # 02

Start investing as soon as you can, even with small amounts

Investing early in life and regularly is key to helping your money grow over the long term

- The sooner you start, the greater your potential to earn
- **Time is more powerful for growing your money** than the amount you invest, thanks to **the power of compound interest**
- Compound interest means that you earn money twice: on the amount invested but also on the interest it generates
- Starting early also enables you to build your expertise about financial markets and investment products
- You can choose investment products that have a positive impact on society and/or the environment
- If you haven't yet begun investing, don't worry: it's never too late to start

The Power of Compound Interest



Assuming an average nominal return on investment of 5% per annum

According to research published by the Credit Suisse Research Institute in collaboration with London Business School, the Baby Boomer generation benefited from an annualized real return of 6.4% on a mixed portfolio (70% equities, 30% bonds). The expected real rate of return on such a portfolio is expected to fall to around 3% over the coming decades, or around 5% in nominal terms.

ANNE

- Invests € 1,000 every year during a 10-year period
- starting at age 25
- ends up with €59,933 at age 65

DAVID

- Invests € 1,000 every year during a 20-year period
- starting at age 40
- ends up with €46,527 at age 65

Anne starts sooner, invests less in total but earns more than David.

TIP #

03

Learn how to evaluate risk

“The biggest risk is not taking any risk”

-Mark Zuckerberg-

TIP #

03

Learn how to evaluate risk

There are some important principles to follow…

- **The longer the investment period, the more risk you can take.** If you're young and investing for retirement, you can take more risk
- **Balance your investments between risky (high return) and safe (lower return) assets** if you want to buy a home in the short term e.g. in the next 5 years
- **Keep your cool when markets tumble.** Experience shows it pays to hold our nerve and our investments, and wait for the market to rebound
- **DO NOT** attempt to predict stock market movements
- Instead, **focus on long-term investment strategies**

TIP #

04

Don’t put all your eggs in one basket

TIP # 04

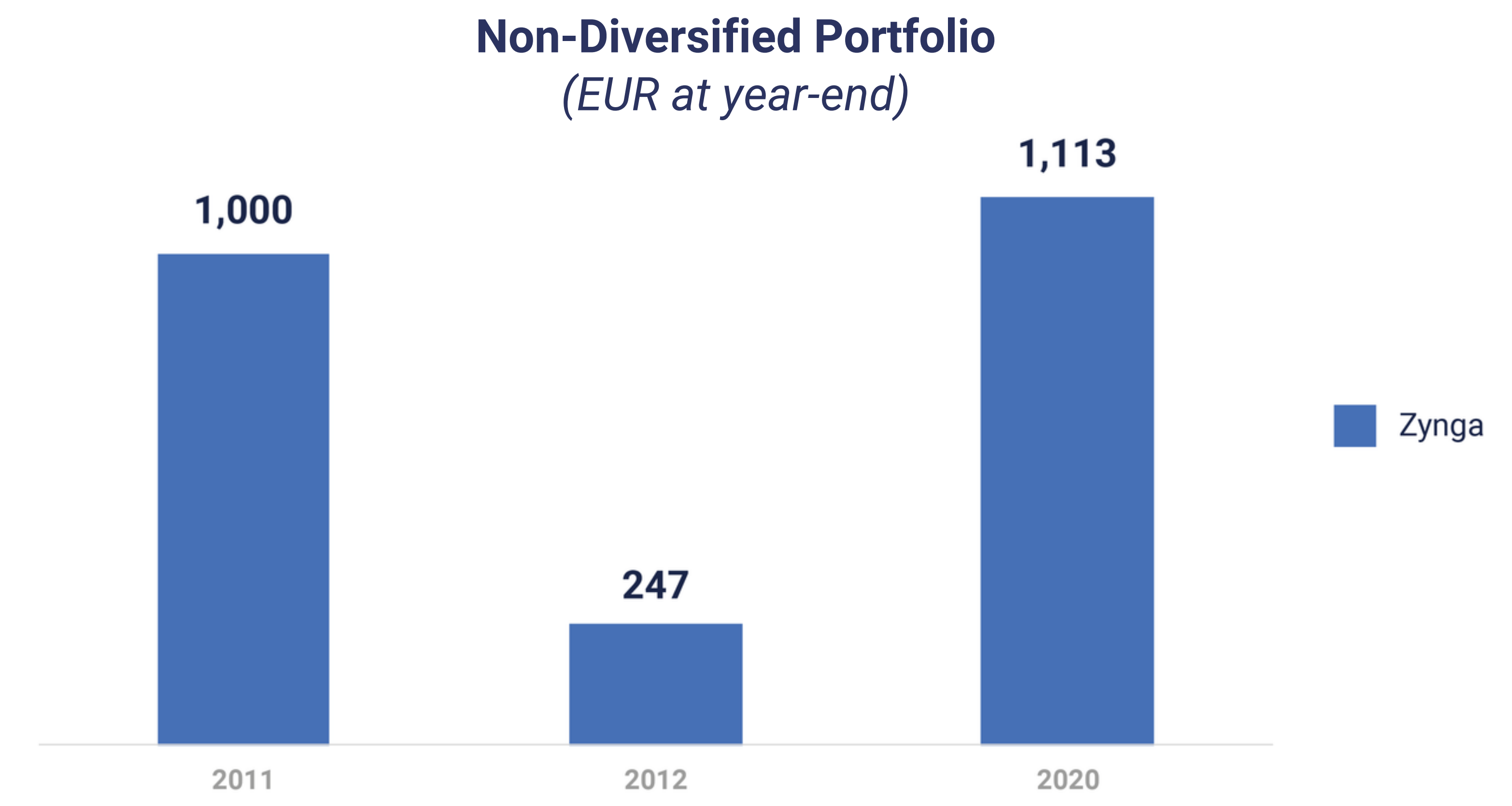
Don't put all your eggs in one basket

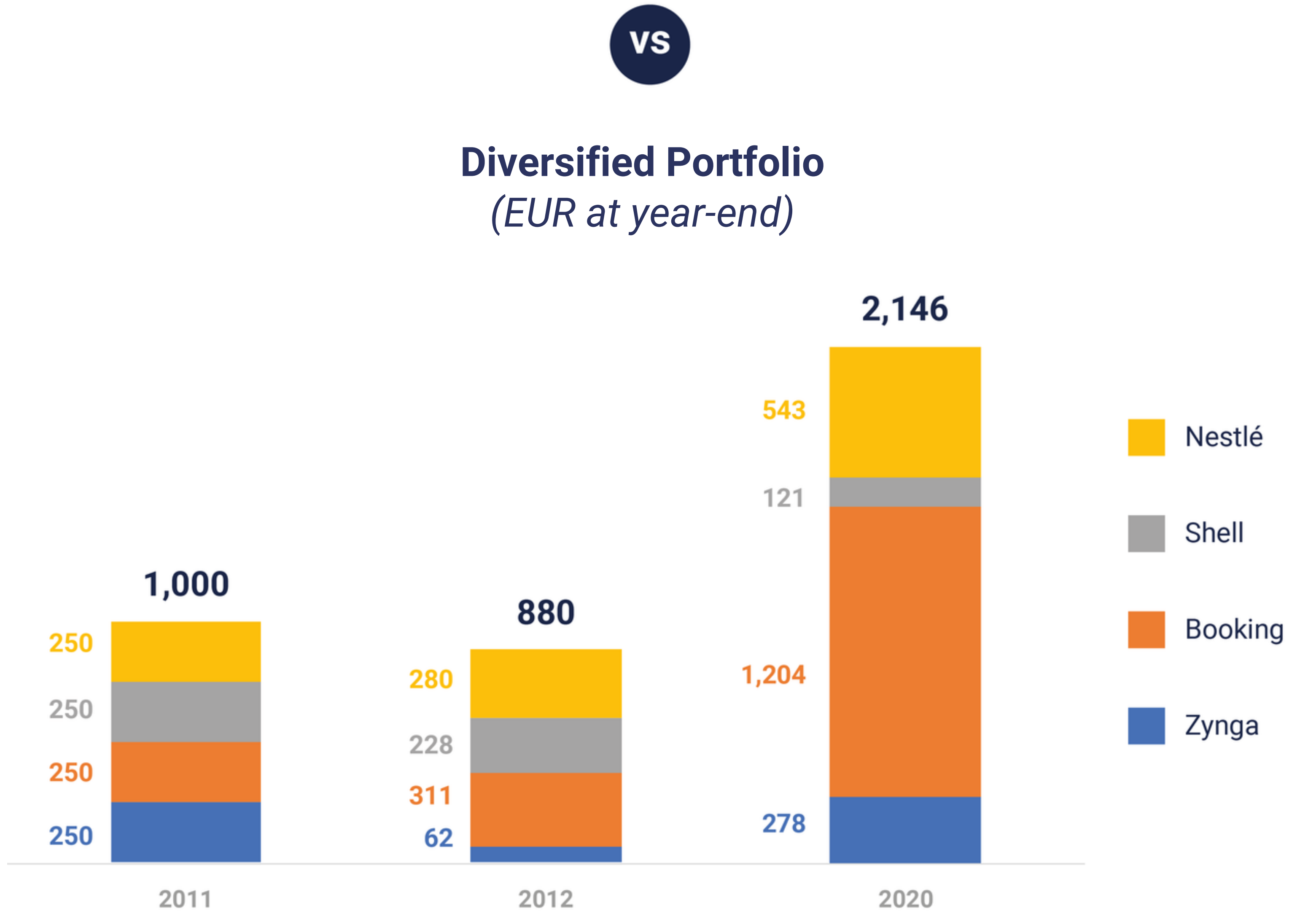
- **Spread the risk** by buying more than one type of investment
- **Diversify your investments** between different products, companies, sectors, countries...
- **Think of buying into an investment fund**, even a small amount
- **Investment funds** collect and pool money from thousands of savers and invest it in products that spread the risk for you. They are **managed by a specialist investment manager** whose job is to ensure your money keeps growing

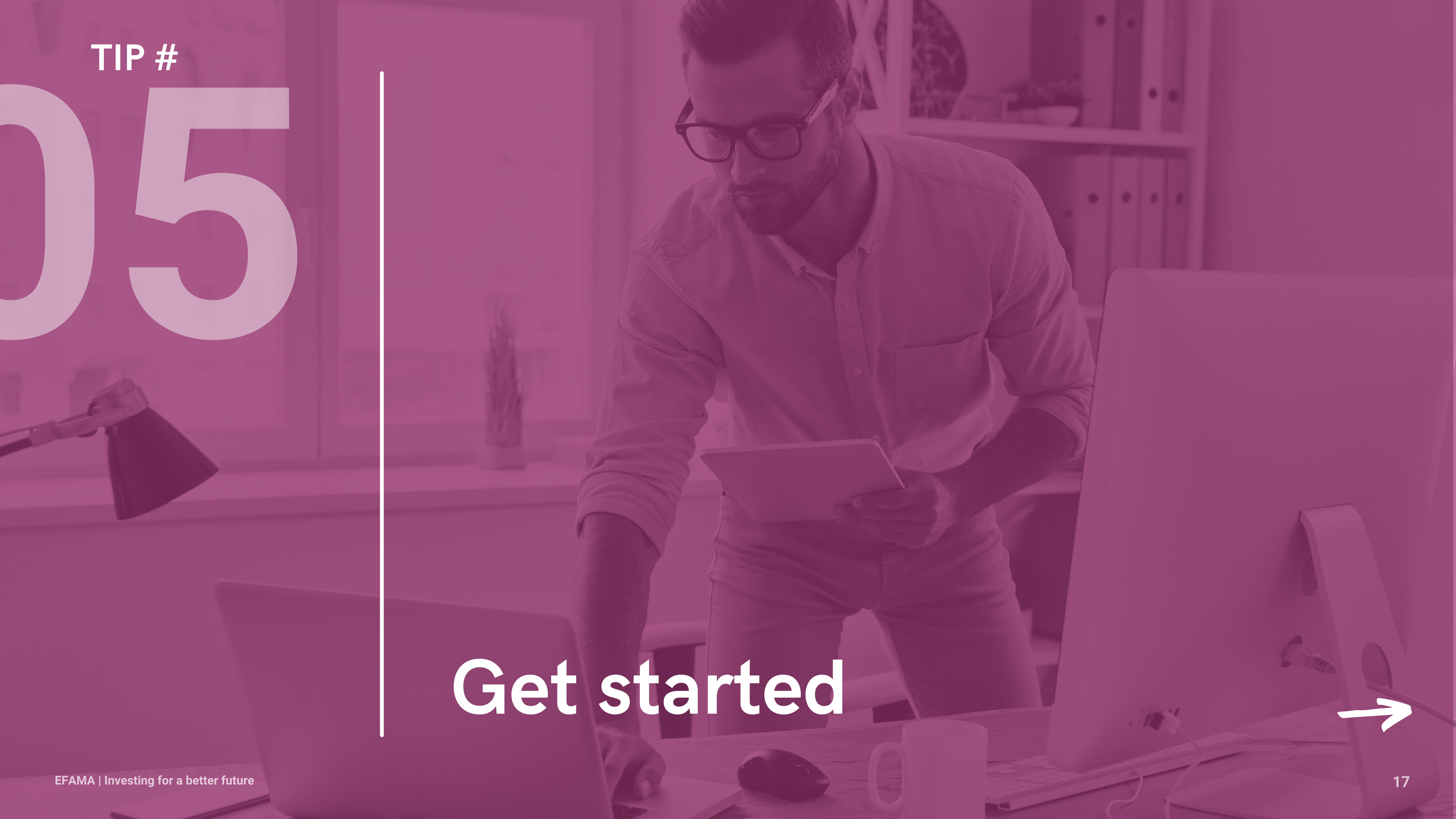


The power of diversification

- People who invested €1,000 in Zynga shares in December 2011, for example, ended up with €247 at the end of 2012, i.e. they lost 75%
- Those who diversified their investments across four stocks (e.g. Zynga, Nestlé, Shell, Booking.com) only lost 12%
- By the end of 2020, the stock of Zynga was 11% higher than in 2011, but the diversified portfolio generated a total return of 115%, despite a huge loss on the stock of Shell







TIP # 05

Get started

TIP #

05

Get started

Once you have decided **how much** to invest and **how much risk** you are willing to take, you have different options to get started:

- **Open an account with an online investment platform**. They offer tools to buy and sell stocks, bonds and investment funds and may offer robo-advice
- **Seek out a financial advisor** for a personal chat (your circumstances, ethical/other objectives, performance of various investment products etc.)
- **Visit your local bank(s)** or **insurance broker(s)**, or their website(s)
- Think about joining/starting an **investment club** with friends or family
- Check out **well-known investment/financial experts** on social media and podcasts
- **Prepare** well for any meetings and **ask lots of questions**

Important questions to ask before investing...

Goals: Does this investment match my financial and sustainable/ethical investment goals?

Risk: How much could I lose?

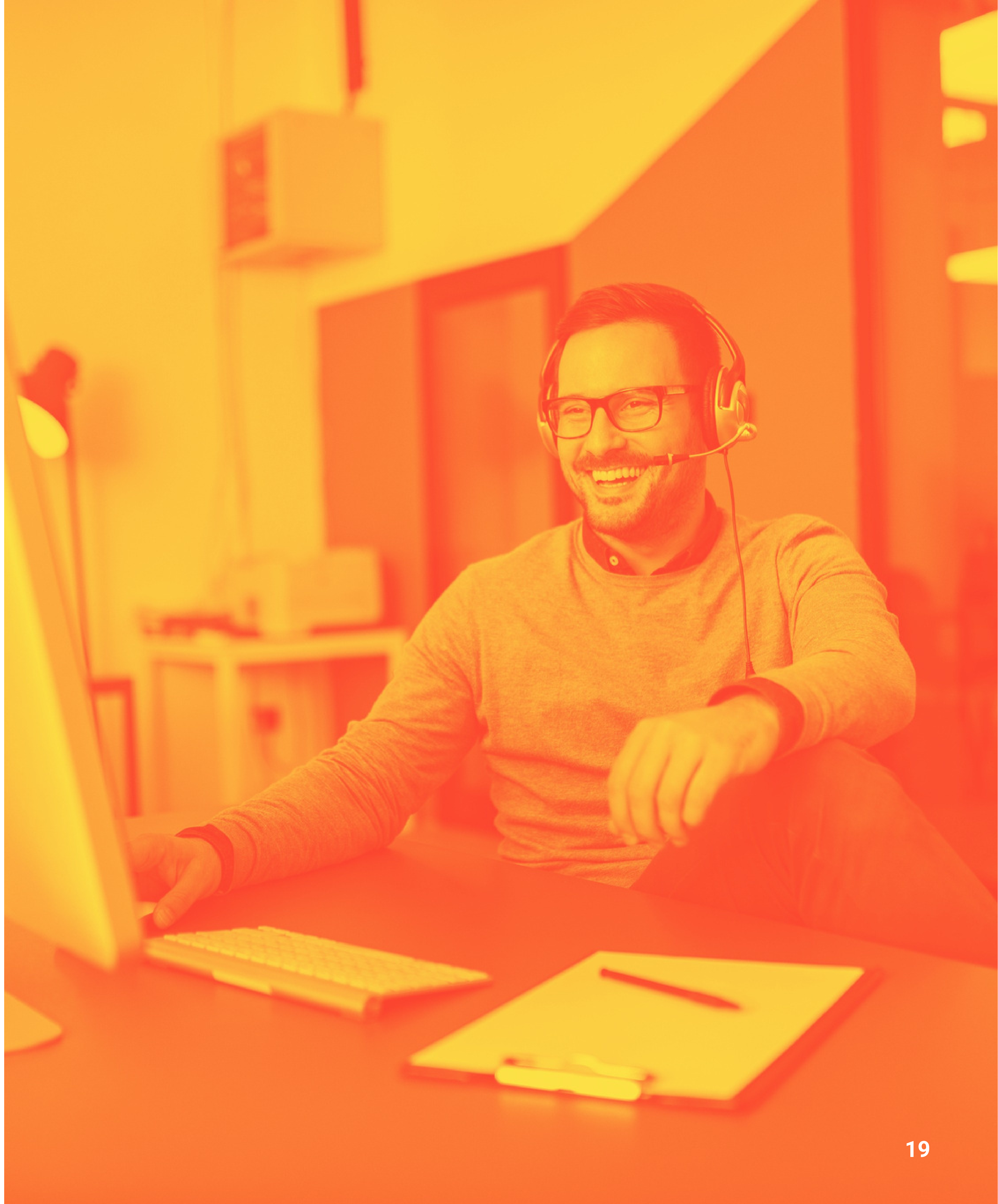
Reward: How has this product performed over time?

Cost: What are the costs to purchase, hold and sell this investment product?

Time frame: How easy would it be to sell if I needed my money right away?

Information: Where can I get more information about this investment?

Alternatives: What other investments can you offer?



So now, it is over to you!

You may be surprised to see that investing is not so scary after all. And it's a great feeling when you see your money really starts to grow

Useful links

- Inflation
- Compound interest
- Diversification
- UCITS (European investment funds)
- Investment club
- The principles of finance

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