

Long-term investing

Geopolitical concerns and the importance of staying the course

Geopolitical events, such as those in the Middle East, often introduce uncertainty into global markets, affecting energy prices, trade routes and investor sentiment. While these events can be unsettling, reacting impulsively may lead to missed opportunities and unnecessary losses.

History shows that markets are resilient in the face of geopolitical turmoil. Although short-term volatility is common, long-term investors who remain disciplined and diversified are better positioned to weather challenges and benefit from eventual recoveries.

COMPOUNDING IS THE KEY TO SUCCESS

Investors often debate whether to keep their money in assets like stocks and property or move it into cash. Decades of market history reveal that holding investments over the long term consistently delivers reliable outcomes for wealth creation.

The power of compounding is a cornerstone of investment success. Compounding allows your returns to generate additional returns, creating a snowball effect that steadily grows your wealth over time.

MAXIMISING YOUR GROWTH POTENTIAL

One of the strongest arguments for staying invested is the long-term growth potential of financial assets. Historically, equities and other investments have outpaced inflation, delivering substantial gains over extended periods.

Time is a critical factor in this process. The longer your money remains invested, the more opportunities it has to generate exponential growth. This underscores why staying invested is far more impactful than holding cash.

WHY MARKET TIMING RARELY WORKS

Attempting to time the market by moving to cash during downturns and reinvesting during upswings is a risky strategy. Even seasoned professionals

struggle to predict short-term market movements accurately.

Emotional decisions often lead to poor outcomes, such as selling during a dip and missing subsequent gains. Missing just a few of the strongest recovery days can significantly reduce overall returns, proving that time in the market beats timing the market.

MINIMISING RISK THROUGH DIVERSIFICATION

Diversification is a practical way to manage risk. By spreading investments across asset classes, sectors and regions, you limit exposure to any single market segment.

A well-diversified portfolio typically experiences smoother performance, as gains in some areas offset losses in others. While it doesn't eliminate volatility, diversification builds resilience, helping you stay invested during tough economic periods.

SILENT DANGER OF HOLDING CASH

While cash feels safe, it carries the hidden risk that inflation will erode its value. Even competitive savings rates often fail to keep pace with rising prices, reducing purchasing power over time.

Cash is essential for short-term needs, but long-term wealth is better protected by assets designed to outpace inflation.

PSYCHOLOGICAL AND TAX BENEFITS

Investing can feel emotionally taxing during market turbulence. A long-term approach reduces stress and prevents rash decisions driven by fear or greed.

Additionally, holding investments offers tax advantages. Deferring capital gains allows

your returns to compound without frequent tax interruptions, enhancing long-term growth.

NAVIGATING MARKET RECOVERIES

Markets have a remarkable ability to recover from downturns. Recessions and corrections are often followed by robust recoveries and expansions.

Staying invested ensures you participate fully in these rebounds, avoiding the mistake of locking in losses. ■

FEELING UNCERTAIN ABOUT YOUR FINANCIAL FUTURE?

If you would like to discuss your portfolio, build a tailored financial plan or learn more about how long-term investing can help you achieve your goals, we're here to listen, address your concerns and guide you through your options with professional advice tailored to your needs.

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