

Is Your Property Investment Showing More Growth Than Unit Trust Investments in South Africa?

By Konrad Wentzel

This article is intended to focus your attention on how important growth is in your personal savings environment, to make sure the investments in your portfolio are working for you and not against you.

Property investment versus Unit Trust investments can be very interesting and statistics are needed to help us understand... which is the best?

According to statistics from House Prize South Africa, Nominal Property Growth from 1981 to current [*the present*] has been 10.6%, but when you take inflation into account your Real Property Growth was only 1.2% to date.

In short, your investment should be tested against the growth of inflation, and should perform better than inflation. Even if it is growing somewhat, if it is not performing better than inflation, it is essentially losing steam. The term Real Growth is used when you minus your investment percentage with the inflation percentage.

Unit trusts a Great Alternative.

Registered Unit Trust investments are a safe alternative. Companies cannot run away with your money; you can only lose money if the fund performs poorly.

If we look at some top performing SA Unit Trust Companies Funds, we see that some of them had an average 10-year Nominal growth performance of about 17.8%. Over the past year, growth was at 12.2%; and since the Inception of 1999, the average Nominal growth has been 19.9%, while the average inflation for this period was 5.9%.

This means that the Real Growth was a very good 14%

(According to published figures Unit Trusts investments has out-performed Property as an investment vehicle.)

Safety and access to your money also plays a big role! How safe is your property investment? How much are you paying in property taxes per year? You can sell your property if you urgently need money. However, if this time period is not going to be favourable, then how quickly can you re-finance property to get money? If you can't afford your Bond re-payment then you will have to sell your property in-time and perhaps at a loss.

In other words, if you have invested in property how quickly are you able to make this investment liquid?

Double Your Money

The golden rule with Unit Trust investments is to double your money every 5 years. Should you invest a lump-sum amount of 100 000 your investment will be 200 000 in 5 years. With this type of investment there is also no term restricting you when you can withdraw your money.

With a good Unit Trust investment, your capital should grow more than the average property investment, and your money will be more easily accessible should you need it urgently.

Just remember: do your homework on these investments. Most importantly the company needs to be a Registered Unit Trust Company and the Companies offering needs to have a long; respected and above average Performance Record.

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