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BE WILLING TO SACRIFICE

"The most important decision about your goals is not what you're willing to do to achieve them, but what you are willing to give up." –Dave Ramsey

More often than not, there is a price you have to pay in order to get what you want in life, no matter what it is. And in most cases, your level of sacrifice equates to your level of success in achieving that goal. Those who make the choice to do whatever it takes to achieve their goals are more likely to be successful, even in the midst of unfortunate circumstances. Investing is no different. The willingness to sacrifice is an important trait to have when you're investing. Here are three reasons why:

1. The trade-off between risk and returns

In investing, the higher the risk, the higher the expected return. Your investment decision should therefore be based on three things: your investment objective, risk tolerance and time horizon. If your time horizon is short, or risk tolerance low, you will likely have to sacrifice higher returns associated with equities, and rather invest in fixed-income investments to benefit from greater stability and peace of mind. If you want to rather benefit from the higher returns of equities, you should then be willing to sacrifice your level of comfort.

2. Demands on your disposable income

Normally, the money people use to invest will come from their disposable income. This means whatever is left over after you have covered the important monthly expenses such as food, transport, school fees, utility bills, rent, entertainment, etc. Most financial analysts recommend saving 10-15% of your monthly salary, but even a portion as little as this can be a difficult sacrifice, as the demands on the salary of the average investor often exceed the list of things they need to do. A solution to this challenge is to take advantage of direct debit. Here, the money you would use to invest is either taken straight from your pay cheque before you receive it or deducted from your salary account almost as soon as it hits.

3. The importance of time

In the era of technology, we have become the microwave generation where we expect everything to happen at light speed – including the growth of our money. Successful investing means sacrificing your desire for quick results, which can actually be dangerous when investing, and be willing to wait patiently for your investments to grow.

Making the necessary sacrifices will help you create the momentum needed to bring your financial goals to fruition. Learn to track your expenses and identify areas where spending your money truly pays off in better quality of your life for your core interests. Spend there, and cut back everywhere else.