



Covid-19 has become a stress test for assets according to Siboniso Nxumalo, Portfolio Manager at Old Mutual Investment Group, who says that the key to financial fitness is understanding what we mean by good investment assets.

Definition: Investment assets need to meet two criteria; they need to increase in value over time and provide the investor with an income.

GREAT ASSETS

SHARES, ALSO KNOWN AS EQUITIES

Part ownership of a company listed on the Johannesburg Stock Exchange increases in value in the long term and pays you dividends, which are part of the company's profits.



INVESTMENT PROPERTY

A secondary property you buy, pay off and rent out to tenants.

BONDS

An IOU between an investor and a Government or large corporate that promises to pay the investor back the money with interest after a period of time.



CASH

Cash in the form of capital that can be borrowed and earn interest in the short term.

NOT SO GREAT ASSETS

JEWELLERY, LIKE AN ENGAGEMENT RING

Buying jewellery is not an investment. A better way to invest in gold is buying shares in a gold mining company.



A CAR, EVEN A FANCY ONE

A car depreciates in value over time. If it's a particular car like a Ferrari, it may keep its value, which means it will not keep up with the gradual increase in the cost of living over time.

CLOTHING, LIKE A DESIGNER BAG

Buying a quality piece that will last over the long term saves you buying poor quality clothing. But as long as you're using your bag (resulting in wear and tear) and not renting it out, for example, it's likely to retain and not increase in value.



THE HOUSE YOU LIVE IN

It may save you money living in your own home as opposed to renting, but if the roof over your head isn't generating an income, it isn't an asset.