

# Is cash still hailed as king or has it become trash?

With recent volatility on the stock market and interest rates rising I am getting the same old question: Should I not be in cash?

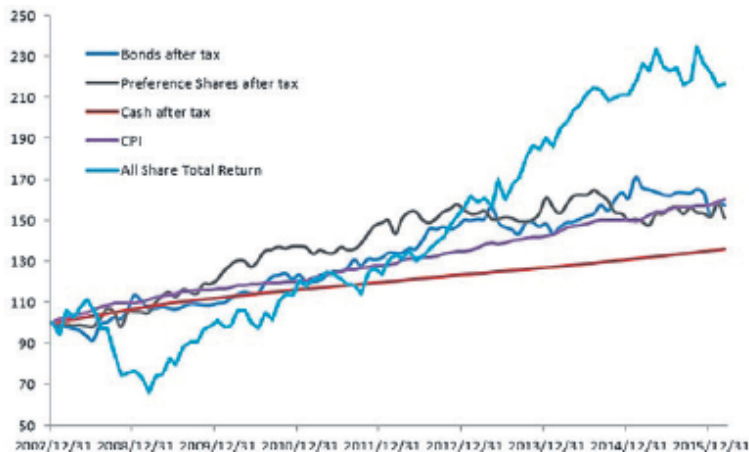
The bank is offering me 8,6%...

The answer is an unequivocal "no". However, I am not saying you should not have some cash investments.

There are a few very good reasons for holding a cash stash.

Cash is the appropriate investment for a contingency fund. Cash provides for optionality should a buying opportunity present itself, so cash can be used in an actively managed strategy to tactically exploit short-term market volatility and/or reduce the risk of draw-downs when markets become expensive.

Cash is often used to provide for income, while preserving growth assets. But as a long-term inflation



beating investment cash is trash. This is because cash is unable to generate growth.

The return on any investment is a combination of income and growth. When you invest in property you earn income from the rent and you get growth from the underlying property value, which generally appreciates with inflation or a bit more.

Same for shares – you get income from dividends and you get growth from rising share price. When it comes to cash and bonds there is no

growth. The flip-side is a steady secure income with no volatility, but no protection from inflation.

Nominal return 8,6%  
Less tax +/- 35% - 3,0%  
Net return 5,6%  
Less inflation 6,2%  
Negative real -0,6%

This is best illustrated in the graph.

With rising inflation fuelled by a weak rand exacerbated by the risk of a sovereign down-

grade, investors need to hedge themselves against inflation.

A well-managed multi-asset class portfolio provides the ideal solution for most investors, offering protection from inflation and risk managed budgets to suite any investor's personal risk or return appetite.

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MONEY  
MATTERS

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