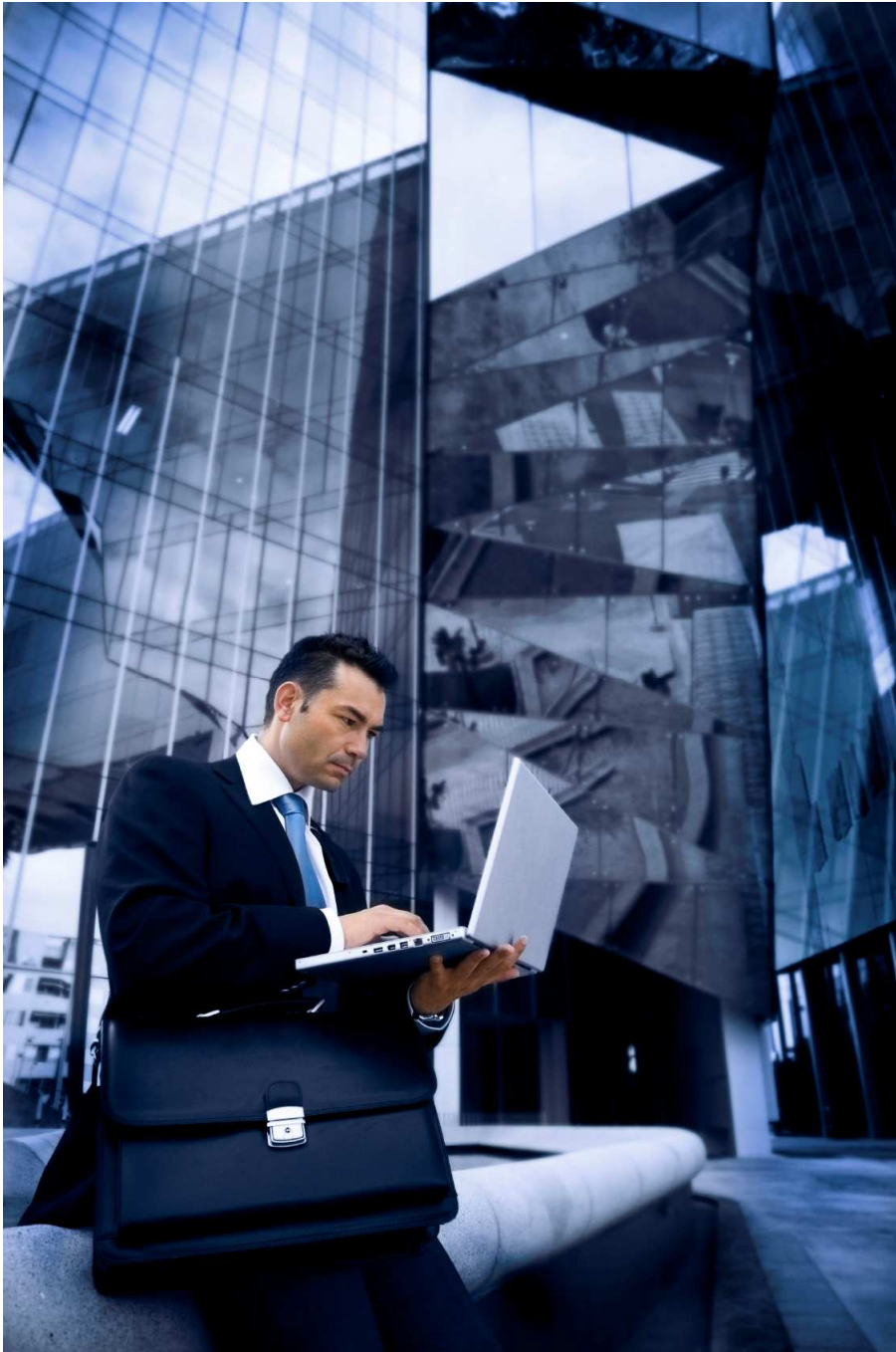


# Sharenet's Guide to Investing on the JSE – a step by step manual for investors.

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## Chapter 1: WELCOME!

Well done! You've taken the first step to trading by purchasing a subscription with us. You're probably wondering where on earth to start and that's where this booklet comes in handy!

This serves as a practical guide to online share trading on the JSE. We take you through each step of the process, ensuring that by the end of this booklet, you're able to trade by yourself and with success!

### Your goals

There are so many shares out there, how do you pick which one to invest in? This all depends on your **individual goals** and the reason you decided to invest in the first place.

Are you investing and saving for your retirement? Or do you have a particular goal in mind – such as saving for a child's education or that dream holiday you've always wanted to go on? Your goals will determine how long you're going to invest for and what type of companies to invest in.

Successful investors are those that are in it for the **long term**. Share trading is not about making a quick buck but instead, coupled with knowledge of the market, enables you to steadily build your wealth over time.

There are many other types of investments available for you to invest in but for the purposes of this booklet and Sharenet's online trading facilities, we are only focusing on **shares**.

### Brief Overview

Let's go through a simple overview of what you can expect to learn from this guide:

- The advantages of investing and the value of learning how to invest by yourself, eliminating unnecessary costs and saving you valuable time
- Learn how to open a trading **account** and transfer money or shares to your broker's account
- Discover how to choose shares and handle all the sources of information and advice available to you

- Start trading using **SIMEX** – our simulated stock exchange - and put into practice all you've learnt. Go through the actual process of trading and discover how money changes hands.
- Once you have a portfolio of shares you'll need to know how to **monitor** them and make further wise investment decisions – we'll show you how to keep track of your investments easily and with little fuss
- Discover the ins and outs of **tax** and how they affect your shares and the money you earn

## Chapter 2: Starting Out

You've made an important decision to start trading but before we jump into the nitty gritty details, we're going to have a look at why you've made such a vital decision and how it's going to benefit you later in life.

### What you need

Most brokers require a minimum amount in your trading accounts when you start out – this differs from broker to broker. In general it's probably easy to say that you need a minimum of about R10 000.

The reason for this is that there are minimum brokerage charges for a trade and this makes doing smaller trades more expensive.

Most advisors recommend at least 5 types of shares as this limits the risk in your portfolio. We'll cover this in more detail later but it's handy to understand this as a reason for why you'll need a minimum amount to start investing.

### Invest in yourself

Before you start driving a car you need to study and practice before you can take your test. Investing is pretty much like this and it's highly beneficial that you get as much **knowledge** about the subject before you start trading. Think of it as "investing in yourself".

Sharenet offers a comprehensive **course: "The Essential Guide to Profitable Investing on the JSE"** which teaches you all about the basics of investing and the various principles involved. From discovering the background of the JSE to learning how to trade and monitor your investments, this course covers everything you need to know about investing.

The course consists of 23 modules and covers beginner as well as intermediate and advanced topics.

To find our more visit [www.sharenet.co.za/jse\\_course](http://www.sharenet.co.za/jse_course) or call us on 0860 240 240

## **Spend time on it**

Once you've committed yourself to investing, it's important to understand that the more you practice the better you get!

Take time doing research about a company you're interested in investing in. Read and **subscribe** to various financial publications, get a variety of opinions on a matter before you make a decision of your own. The more you know about a share you're going to buy, the more confident you'll be about your decision.

## **Practice!**

There is so much information out there that it can sometimes be a bit overwhelming when you first start choosing shares. It's all good and well receiving advice from someone in the know or reading about a promising share in a financial publication, but how do you know whether you're doing the right thing?

A simple way to test the way you're going about your decision-making is to practice on **SIMEX** – our simulated stock exchange. When you sign up to our JSE course or take out a subscription with us, you'll receive access to this dynamic service. SIMEX is a real-time trading game, almost mirroring the exact system used by the JSE – enabling you to make vital decisions without the associated risk. Test out your theories by trading on SIMEX first, an easy way to gauge whether you're doing the right research. Have a look at [www.sharenet.co.za/simex](http://www.sharenet.co.za/simex).

## **What you put in, you'll get out**

There are so much **more benefits** to trading yourself and discovering all there is to know about online investing! If it's uncharted territory for you, you'll find it exciting and stimulating to learn something new and **gain control of your own finances**.

By trading and investing you get your money to **start working** for you, instead of just leaving it in an account where you get a few percent interest per month. You get much better returns **over time** in the stock market although at the same

time it's important to point out that this isn't the way to make a quick buck or to gamble your money away.

By making wise decisions and buying a variety of shares that balance out your portfolio, you'll be minimizing the risks involved with investing. Remember that despite the risks involved, it's worthwhile investing in shares because they are one of the few investments that, over the long term, **earn returns that keep up with inflation.**

### **Save money!**

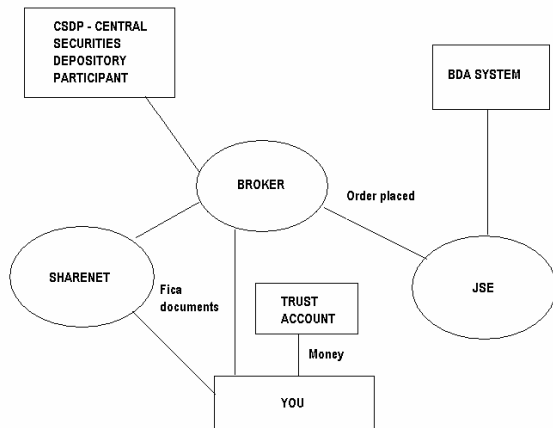
By trading online through Sharenet you effectively eliminate the "middle man" or financial advisor that you would normally just instruct to invest on your behalf. This also means that you end up saving lots of money on **professional fees** associated with investing through someone else.

### **Be the architect of your own success**

There's nothing more satisfying than learning a new skill and being able to achieve your individual goals. By educating yourself, you'll realize that investing isn't as complicated as people make it out to be. Discover the ins and outs of trading and get peace of mind that you're **one step closer to achieving whatever goal you've set for yourself!**

## **Chapter 3: Getting set up to trade**

You're motivated to start trading – what happens now? Let's take you through the process of **opening a trading account....**



You've chosen one of the four brokers registered on our site. After filling in an online registration form subscribing to one of our services you'll see that you also have to fill in a **mandate form** and send the relevant **FICA documents** to your broker.

## What these documents mean

**FICA** stands for the Financial Intelligence Centre Act and was established in 2001 to curb money laundering and prevent criminals from making money. Because of this, you need to provide proof of your identity and address before you're able to invest so they can do a background check and ensure that you are who you say you are.

You'll need the following documents before you're able to open an account:

- Proof of identity (id book or passport)
- Residential address (this can be a number of things but common ones accepted are utility bills, bank statement or a valid tv license document)

## Some exceptions:

If you live with someone and your name isn't reflected on any of the documents required you need to provide some proof that you are in a relationship with your husband/wife/partner, for example a marriage certificate or written confirmation from the homeowner.

\*Remember that all these documents need to be **certified copies and they need to be posted to the broker!** The application forms usually specify in detail what is required by each broker, so please follow those instructions carefully.

## **Who's involved?**

Sharenet is the **link** between you and your broker. We provide you with information that enables you to make investment decisions. Once you've decided what shares to buy/sell, you'll place the orders on the Sharenet website and we in turn send this into the market via the relevant brokers trading systems.

## **The broker**

The stockbroker you choose is a **member of the JSE** and is the only person who can directly trade on the stock exchange. This offers you some protection because a broker has to adhere to certain rules and regulations that the JSE sets out for them.

Because you're just using the broker to carry out your instructions, you'll only be paying a **brokerage fee** based on the value of the transaction.

## **Your account**

Once you've sent all your documents through and they've been approved, you'll be sent your broker's **banking details** so you can transfer money into their account.

The money that you send will be kept in an account called the **JSE's Trust Account**. This ensures that your money is protected if anything happens to your broker.

If you already own shares and wish to **transfer them to your new broker** you'll need to fill in a form on our site - see **Trade/Trade Admin/Transfer Shares** which will generate a letter that you'll send to your new broker with the relevant details. They will, in turn, contact your old broker and cancel the account you have with them.

You will have to pay some **admin fees** to transfer your portfolio from one broker to another.

## Clearing periods

Once you've transferred your money or shares to your broker's account, you'll have to wait a few days for the money to clear. It might take a bit longer for shares but have a look on your portfolio and it will indicate once everything is clear and your account has been activated.

## Chapter 4: How to choose shares

- Define your individual goals – short and long term
- How many shares you should buy
- How to choose shares
- How to handle advice wisely

We discussed **goal setting** briefly in the first chapter. Let's have an in-depth look at why this is so important **before** you start investing.

Like most things in life, before you set out to achieve something you need to set yourself individual goals so that you have something to work towards. The same applies to investing – before you decide to invest you need to know why you're doing it in the first place – this makes it easier to determine what type of investments you'll choose to make your goals a reality.

Let's have a look at various possible scenarios: You might have a short term goal of saving up for a holiday in a year's time, a medium term goal of saving for your child's education in the future or a long term goal of saving for a comfortable retirement.

Depending on what you want to achieve by investing, it's a good idea to write down what your goals are and how long you're planning on investing for to achieve them.

People who invest for the short term are generally people who know quite a bit about the market and want to trade daily and make money quickly. This is **not advised for beginner traders** as it takes experience and an in-depth knowledge of the market to do this.



The stock market is not a place to make a quick buck. However, if you aim to invest for the medium to long term then you're setting yourself a very achievable and realistic timetable for success. Your returns over time are **not guaranteed** but it's been proven over the years that the stock market gives you returns consistently higher than inflation.

Always remember the saying: **"It's not timing in the market but time in the market that counts."**

## **Your Portfolio and Risk**

Setting up and maintaining your portfolio of shares is an integral part of investing. It's a good idea to pick about **4-5 shares**, preferably in different sectors so that you **minimize risk** in your portfolio.

What's the thinking behind this? Well, as an investor, you need to try and minimize as much risk involved in investing in shares as possible. By choosing different shares you will be minimizing **market risk** which is the risk of the market losing money as a whole. This is not something you can control but you can protect yourself by **spreading this risk** amongst the shares in your portfolio.

By staying in the market for the long term and by **diversifying your portfolio**, you will be minimizing most of the risk associated with the market.

Another type of risk that's worth looking at is **market sector risk**. This will explain why it's useful to choose different shares in different sectors. If one sector in the market goes through a bad patch (for example: the retail sector) and another sector (for example: the banking sector) moves up, and you have shares in both these sectors, you are inevitably going to have a "balanced" portfolio.

The saying: **"Don't put all your eggs in one basket"** is very appropriate in this regard.

## **Choosing shares**

There are so many shares out there, how do you decide which one to invest in? You obviously aren't going to do well as an investor if you just listen to the first person who gives you some advice. You need to do your **own research** first: Is the share in a **growth sector**? Is the **management** of the company sound? Is the share **well priced**?

These are just some of the questions you should be asking yourself when you go about choosing which shares to invest in.

Choosing your **investment strategy** plays a vital role in this process as it will narrow down what type of shares you'll invest in.

If you're a **value investor**, you'll be looking to invest in companies that are cheaper than the market. This means that you'll be focusing on the company's dividend yields, price-to-earnings ratios and any other **fundamental** information that drives the individual company.

If you're a **growth investor**, then you won't mind paying a higher price for a share because you believe that the company's share value **will increase** in the long term due to improving market conditions for the company, product or sector.

Whatever your strategy, we cannot emphasize the fact that research plays a vital role in choosing which shares to invest in. You should ideally look at both the **company's fundamentals** as well as the fundamentals of the **economy** and the way it will impact on the specific sectors in the market.

If you're investing for the long term then you'll have chosen shares with a good long term growth potential as well as a solid track record. This way you don't have to keep a **constant eye** on your investments and will have the peace of mind that you've made a good decision.

## **Handling advice wisely**

There are so many sources of financial advice and information out there – how do you know what advice to listen to and what to just take with a pinch of salt? There's no right or wrong answer to this question as it's probably best to take all advice as a starting point for further research on your part.

Remember that if you read an article in FinWeek detailing a company that looks good to invest in or is the "hot pick" for the month, thousands of other investors are also going to be reading this information and acting on it. It seems obvious that if a whole bunch of investors react to a piece of information about a particular share that the market will be saturated with orders for this share – and that in turn could push the price up to more expensive levels.

The best way to handle advice is to do as much **research** you can about a certain bit of information you've received. Say for example you hear that the construction firm Group Five is a good choice as an investment because of the upcoming World Cup and the fact that the construction industry is strong at the moment. Before you just act on this information, it's a good idea to have a look

at the company's **history and fundamentals**. Ask yourself the questions posed at the beginning of this chapter and make sure that the company fits in with your individual investment goals. If you're in the market for the long term – do you see the share as a **good growth investment** - one that will reap rewards for you over time? If yes, then you can certainly act on this information received.

Don't act on impulse and just buy a share because you received a "hot tip" – this is a form of gambling and not a good investment strategy to adopt!

## Chapter 5: How to Trade

- Trading costs
- What's a fair price?
- Discover the ins-and-outs of SIMEX
- The Trading process
- How money changes hands
- How investors are protected

Once you've decided which shares to buy/invest in, it's time to tackle the actual process of trading.

### Trading costs

Trading costs are unfortunately an important aspect to look at when you decide to start investing. There are a variety of costs involved so we'll have a look at how you can minimize them and make the most out of this experience.

The main cost involved is the **brokerage fee** and is based on the value of the transaction. When you use an online vendor like Sharenet, you are minimizing a lot of the costs involved as you don't take up too much of the stockbroker's time. You pay a brokerage fee every time you buy or sell shares as well as a monthly fee for holding your shares. This fee structure differs from broker to broker so make sure you find out details from your individual broker.

Sometimes if you spend more than a certain amount in brokerage fee then the broker will waive the monthly fee.

## What's a fair price?

"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price" – Warren Buffett.

Before deciding what a fair price is for a share let's look at some basics:

The market for a share (or its trading price) is based on its **buy** and **sell** prices, not the last traded price.

If you place a market order, you'll be asking for the **market price**. This means that you must either buy at the lowest sell price or sell at the highest bid for the share.

You are looking to buy shares at a **fair value** – this is the value that is considered to be reasonable in light of all the circumstances – how the shares are performing, what the growth prospects of the company are etc. There isn't a right or wrong answer as to how much you should pay for or sell a share at.

Remember that if you are investing for the **long term**, you shouldn't be too concerned if you see some **fluctuations** in the share price – if you see a bit of a dip don't stress out and immediately sell your share – look carefully at why the share price has dropped and then decide whether it's worth selling.

## Practice, practice, practice!

Any Sharenet subscription includes access to SIMEX – our **real-time stock trading game**. It's the perfect place/tool for you to learn how to trade and because no "real" money trades hands, it's completely **risk-free!**

Test out your investment theories and strategies with Simex and you'll get the peace of mind that you're reading to start trading in the real market before you know it!

Simex is a virtual trading environment with the exact same market conditions and prices as in the actual stock exchange. You can set up your own portfolio and keep track of investments the same way you would if you were actually trading. Trading is like everything in life – the more you practice the better you'll get!

To create your own simex account log on to [www.sharenet.co.za/simex](http://www.sharenet.co.za/simex)

## The actual trading process

Once you're ready to actually buy and sell shares on the market it's helpful to understand how the JSE's trading system actually works.

The JSE's order system (also known as the JSE SETS system – Stock Exchange Trading Service) is a computer program that **matches buyers and sellers** for each listed share.

\*Refer to Module 5 in the JSE course for more detailed info and examples

The **SETS system** continuously looks to match bids and offers, comparing the new orders and those on the system to each other and executing trades whenever they match.

This process is organized on the principle of **price and time**. Orders are ranked firstly on the basis of the best price and secondly on the basis of time of entry and this occurs continually in real-time unless the market is in an auction period.

**For example:** Let's say someone makes a bid (offer to buy) for a share of 100 cents and there are not any sellers in the market at this stage. If you come along and decide you want to buy the share at 101 cents – you'll automatically jump the queue and get placed above the order for 100 cents, even though you placed the bid much later. As soon as a seller places an order in the market for anything from 101 cents or less (although he would be silly to sell for less than 101 if he has looked at the best bid price), your order will match first.

**Market depth** is an important term in this process – this is when you're able to see the **volume and price of all buyers and sellers** in the market for a particular share. Viewing this information will help you analyse how that share is performing over a period of time.

Also have a look at the **bid/offer spread** on the share – basically what the buyers are prepared to pay and what the sellers are prepared to sell at. Once you have established what the last price traded was and what the above “spread” is, you'll be in a good position to decide what price you can bid for the shares that you want.

Once you've decided on the price, you need to decide whether you're going to place a **price limit** on your order or if you're going to place an “**at market**” order. A price limit means that you tell your broker what the **maximum price** is that you're willing to pay for that share, while the “at best” order is based on what the

sellers want. It is generally recommended that you place a price limit order as prices can change very quickly and you don't want to receive a nasty surprise if you pay way more or less for the shares you want.

Once you've bought your shares, you'll receive a **broker's note** as confirmation of the trade. The funds will be automatically deducted from your account on the **settlement date**.

## How traders are protected

- The JSE established a **Guarantee Fund** which has assets to the value of over R80 million and which was specifically set up to **protect investors**. If you choose a stockbroker who defaults or commits fraud, you'll be able to lay a claim against the firm and get paid out by the fund.

This fund obviously doesn't cover market-related losses!

- When you open your account with a stockbroker, they will open and maintain a separate trust account at a bank which is separate from their own funds.
- All cash held by your stockbroker on behalf of you is be paid into the JSE Trustees (Pty) Ltd. Bank account
- All stock brokers use the JSE's central accounting system known as the BDA. This allows the JSE to monitor all activities constantly.
- Stockbrokers are all subjected to a full annual audit
- When you open an account with a stockbroker you also have to fill in mandate forms which prevents criminals from using the JSE to launder money

You can have the peace of mind that the JSE has put in all the necessary regulations in place to protect you – now it's up to you to carefully manage your investments!

## Chapter 6: Keeping Track of your shares

- How to monitor your shares (and how often)
- Using Sharenet to keep track

- Setting stop losses
- Where to look for information

Once you've chosen a few shares and opened a portfolio online you'll find it easy to keep track of what's happening with your investments. This process depends on what type of investor you are what strategy you've adopted.

If you're a **long term investor** you won't worry too much about keeping track of each individual investment. Fluctuations in the share price and the market in general shouldn't bother you as you have a long term view and are aware that over time, the market corrects itself.

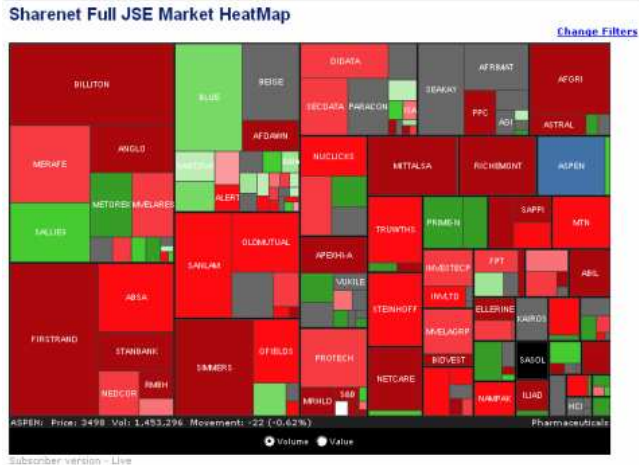
If you're a **short to medium term investor** then you're more likely to want to keep a regular eye on what's happening in the market. Making use of technical analysis software and various other tools and services that Sharenet has to offer will make keeping an eye on your investments that much easier!

## Using Sharenet to keep track

There are various ways of keeping track of the shares in your portfolio. Sharenet has a number of features and services that help you once you've set up your online portfolio. Depending on what type of subscription you've signed up for, the following services make it easier for you to not only choose but keep an eye on your shares:

- A **heat map (link)** is a graphical representation of data where the share's value is represented as a colour and size. The **size** of the blocks are representative of the **volume of shares** traded during the day and the **colour** indicates how the **share price** is performing.

In the below example you will see for instance that BHP Billiton (dark red) has had a lot of volume and the share price has dropped, while Sallies (light green) has had less volume but the share price is on the upward.



- The **Major moves** section provides you with detailed information about the share prices that have increased or decreased (in percentage) over the course of the day.
- **Quickstream** is a dedicated software application that brings all your JSE information and individual portfolio requirements directly to your desktop. This is extremely helpful in monitoring your portfolio as all the info you need is available in one place! (This product is an optional extra)
- The **Stock Exchange News Service (SENS)** brings you all the company news as it's delivered to the JSE. By keeping an eye on the company you've invested in, you'll be able to keep track of any changes in the company and any potential effects this might have on the share price.
- You can request that your portfolio of shares be **emailed** to you at the end of each day (or hourly if you prefer!), this will give you the peace of mind that you're constantly in touch with your portfolio's status.
- If you're away on holiday or aren't able to access a computer to see how your shares are performing, Sharenet's **sms service** is perfect for keeping in touch! Get prices, alerts, indices and more via sms. Simply send the share code you want to **34019** and we will reply with a detailed share price quote. (SMS's are charged at R2 Vat incl.)
- **Sharenet alerts** (email and sms) enables you to set a certain trigger – whether your share price reaches a certain price or a news item is released (SENS) for that particular share, you never need to be kept out of the loop!



These are just some of the ways you can keep updated on what's happening, both in the market and in your individual portfolio. For more info visit our website and explore the menu options available to you!

## Setting a stop loss

Setting a **stop loss** is vital if you're investing in shares! A stop loss can also be seen as an "exit strategy" and limits you from making a loss on a position you have with a certain share.

It's important to note that there are two kinds of stop losses: a **fixed price** stop loss and a **trailing price** stop loss.

A fixed price stop loss is when you set a fixed price level. A sell order is set on your behalf when the fixed price level is crossed by the current ruling price.

A trailing price stop loss is less risky as the stop loss order is set at a percentage level below the market price. It's generally acceptable to set it at 10%.

So say for example you buy a share for R100 and the share price drops to R90 (it's now lost 10%), the stop loss will automatically be triggered and a sell order will be made. An important thing to keep in mind is that if the share price goes up to R150 and then turns around and falls to R135, the stop loss will be triggered and will sell your shares as it's lost 10% off it's high of R150. This 10% always trails behind the market price which means it moves upwards but is never adjusted down.

## Advantages and Disadvantages

The main **advantage** of a setting a stop loss is that you don't constantly need to monitor your shares on a daily basis. This is very handy if you're going away on holiday or don't have the means to keep an eye on your portfolio all the time.

However, you need to be careful when setting a trailing stop loss. It can be detrimental if you don't set the correct level (%) initially. It could be activated by a short term fluctuation of the share price and if the stop loss is triggered, you'll lose your shares unnecessarily. It would be silly to set a stop loss level at 5% if a certain share's price often fluctuates by 10% or more each week.

There is no definite rule for what level you should choose to set your stop loss at. A short term investor (or daily trader) might set it at 5% while a long term investor would set it at about 15%.

### **How to set a stop loss**

To set a stop loss on the Sharenet site you can either log in to the “**Trade**” page and click on “stop loss” in the left hand column OR you can **search** for a certain share, click on the share’s name and then find an icon with an “**S**” at the top of the page – that will automatically take you to the stop loss page.

### **Other sources of information**

You can also keep track of your shares by looking and subscribing to certain business **newspapers or magazines**. The Business Day is a good source of information for this purpose.

You should study the **general stock market** (the JSE and overseas markets) as often as you can as they can give you an indication of a certain trend reversing. Remember that the stock market is a reflection of thousands of investors/brokers etc (their sentiment) and may not always be accurate. It’s important that you do your own research before following the general market’s opinion – if you choose your shares wisely you won’t have to worry about constantly checking up on the market’s behaviour.

## **Chapter 6: Tax implications**

Thinking about the tax implications when it comes to your investments is an important part of setting up your portfolio.

The way you are taxed will vary according to whether you're deemed a regular trader or long term investor. How you're distinguished isn't exactly clear and centers around your intent – are you looking to invest for the long term or looking to make a quick buck? There is a lot of gray area regarding this distinction so the best way to figure out how you're going to be classified is to speak to a trained tax consultant.

## **The difference between normal tax and Capital Gains Tax (CGT)**

Capital gains tax is the tax you pay on any profit you make when you sell a share. Remember that there are two ways that you can make a return on an investment – through **capital growth** or **dividends**.

Prior to 1 October 2001, South African taxpayers enjoyed a position where all **capital gains were tax free**.

The Income Tax Act does not define what a capital gain is as compared to a revenue gain. This has resulted in numerous court cases where the taxpayer has tried to contend a certain gain as capital (and therefore free of tax), with the Revenue Authorities contending otherwise. The onus is on the taxpayer to prove that gains made are **not** made in the course of running a business or a profit making scheme.

The sale of shares in a company is a classic scenario. In some cases the gain could be of revenue nature, (for share traders / speculators and therefore taxed as income) or capital in nature and therefore not taxed prior to October 2001 or now taxed at the more favourable CGT rates.

The introduction of taxes on capital gains did not change the rules for determining whether gains are capital or revenue in nature, but only reduced the benefit of having a gain classified as capital. Shareholders need to therefore be extremely vigilant when realising assets and cannot assume that all gains are capital in nature and therefore taxable at the lower tax rate (maximum of 10% for private investors).

The far higher marginal rate (40% for most private investors), provides plenty of incentive for SARS to want to tax gains as revenue. Some of the main points that SARS will look at to determine whether profits are revenue or capital include:

- **Intention** of the original purchase. Buying a share with a view to selling at a higher price will result in a revenue profit.
- Did the investment generate a **revenue stream** in the form of interest and or dividends? If not, then the proceeds are more likely to be classified as revenue and fully taxable.
- **Length of time** that the asset was held. The shorter the time period held, the more likely the profit on sale will be revenue in nature.
- The **frequency** of transactions. Once-off sales tend to be (but not necessarily) classified as capital in nature. As the frequency of sales escalates, so the likelihood of being classified as a trader increase.

### Some recommendations

- **Separate** your capital portfolios from your trading portfolios by having two separate stock broking accounts.
- Keep the turnover in the capital account to less than 25% of value per year. This is not foolproof as there is **no specific** cut off percentage.
- Record valid reasons for any **sales** on the capital account.
- The focus should be on **income generating investments** so try and avoid companies that will not be paying a dividend for the next few years.

| Income Tax  | Capital Gains Tax  |
|---|--|
| Income tax is paid on <b>earnings</b> . It is only payable when you get the money or become entitled to it. All interest is taxable, but a total interest below a certain amount is tax-free. | Capital Gains Tax (CGT) is payable on any <b>profit</b> you make when you sell an asset. It must be paid when you receive the increased value. It is generally <b>lower</b> than income tax. |

## **Conclusion**

We hope this guide to getting started on the JSE was helpful! We hope it's also made you realize that investing isn't that intimidating process you've always thought it was. By following the correct steps and procedures you're well on your way to achieving financial success and peace of mind!

If you have any suggestions or comments on this booklet please email [marika@sharenet.co.za](mailto:marika@sharenet.co.za).

