



WHY STUDY INVESTMENTS?

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There are several reasons why it is worthwhile to study investments. First, in the current day and age, you can hardly go through life totally oblivious of terms such as swaps, bonds, yields and options. The understanding of such terms is of necessity to any investor who seeks to internationally diversify his investments.

Secondly, a thorough knowledge of investment and its activities boosts one's understanding of how to manage investments. Many people spend most of their lives trying to get additional income rather than focusing on properly managing the income that they currently generate. All individuals can save money by managing their personal finances well. Personal finance involves how keen you are in your personal expenditure, are you spending necessarily or unnecessarily? If unnecessarily, like going to the pub daily and getting drunk, save that money and open a new fixed deposit account or investing it in a money market instrument where the money will earn interest. In this context, interest is the reward you get for delaying current consumption in favour of future consumption.

Thirdly, studying investment is practical and can be applied in several ways. First, it assists in making informed investment decisions. These investments can be stocks, bonds, real estate investment trusts (REITs), mutual funds, treasury bills and other financial assets. Secondly, studying investments helps in future prediction of share prices and the investment cycle, as a whole in the economy. The example of the 'father of value-investing' - Benjamin Graham, would help us understand better. Benjamin Graham, one of the leading world investors and financial educator, believed that any investment should be worth substantially more than an investor pays for it. He believed in fundamental analysis and sought out companies with strong balance sheet and little debt. This understanding and conviction, propelled him to the league of the best world investors.

Fourthly, investment knowledge can lead to career opportunity that one can explore successfully. As complexity increases in our financial markets, job opportunities for professional investors increase. The firms and institutions are looking for people with specialized investment skills that will highly propel the firm to financial greatness. These jobs are highly rewarding in terms of salary and bonuses, intellectual challenge and even prestige. Job opportunities include: dealer at securities firms, investment analyst in investment firms and banks, asset manager/portfolio manager, auditors and financial controllers in government agencies or private firms.

By and large, being a successful investor requires investment knowledge, patience and more importantly confidence. So, never stop learning, do not be greedy and avoid fear of the unknown.

Abel Sichangi Watila

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