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# Explaining "Real loss" vs "Paper Loss"

**Investment markets are usually volatile - they have a tendency to rise and fall through time. Your retirement fund savings are usually linked to the returns on investment markets. So when markets rise or fall, you may see the value of your savings also rise or fall.**

**As a long term investor, you may experience what is typically called "paper losses" when markets fall, and you should not become spooked by it.**

## What is meant by "paper profits" or "paper losses"?

These are terms used to refer to unrealised profits or losses. Paper profits or losses only become real or actual money profits/losses when an investment is sold. Therefore you should not be tempted to make hasty changes to your investment portfolios. The risk is that you will miss out on any market recovery, which may have a devastating effect on your savings over the long term.

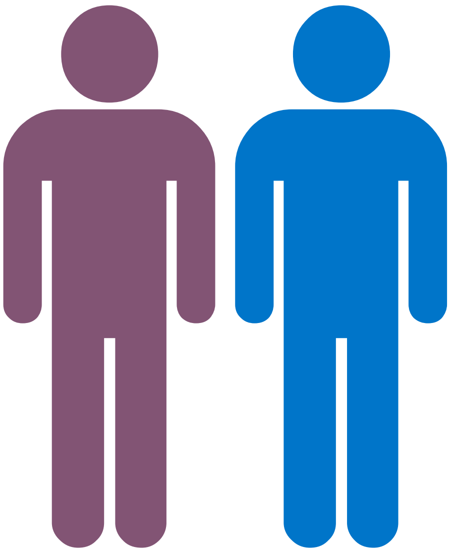
## Real loss vs. paper loss

### Furniture prices drop: at this stage this is only a paper loss, not a real loss.

### Shop owner A

**panics, and sells off all his furniture at reduced prices:**

he makes this paper loss real - he has lost actual money.



### Shop owner B

**waits until prices recover in a year:**

he retains all of his furniture and can now sell his full stock of furniture at the recovered price. The paper loss of last year never became real for him.

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Sanlam, 2 Strand Road, Bellville, South Africa I **www.sanlam.co.za**