Understanding Shares and Dividends

Owning a piece of a company

When you buy a share, you own a slice of that company. It may be a tiny slice, but it makes you a part-owner. If the company does well, the value of your share can grow. If the company struggles, your share value can drop.

How dividends work

Some companies share their profits with owners. This payment is called a dividend. For example, if you own shares in a company that makes a profit, you may receive a cash payment each year. Other companies reinvest profits to grow, so they don't pay dividends immediately.

The risk and the reward

Imagine Thandi and her cousin buy shares. Thandi invests in a large company and holds her shares for 10 years. Despite ups and downs, she earns dividends and her investment grows. Her cousin buys shares but panics when prices drop and sells at a loss. The lesson? Shares reward patience.

Why shares matter

Over the long term, shares tend to grow more than savings accounts. A single R1,000 investment in shares today might be worth several times more in 20 years. But shares can also lose value, especially in the short term. That's why they are best for long-term goals.

Getting started

You can buy shares through a stockbroker or join a unit trust that invests in shares for you. Start small and think long-term.