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Prudential Investment Managers
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10 Financial mistakes to avoid in your 30s

Your 30s are an exciting time, often punctuated by a series of life-changing events. You might get married, have your first child, buy a home, advance in your career… and along the way you'll have to make several important financial decisions that will lay the foundations for your financial future. Here's a look at 10 mistakes to avoid in your 30s, to help ensure that your 40s (and beyond) are happy, healthy and on track.

Mistake #1: Living beyond your means

You may look at your friends' big-ticket purchases, and (without knowing their real financial situation) wish you had the same nice things. Or… you may think about your parents' home, and (forgetting that they're a generation ahead of you) wonder why you're not at the same level. Keeping up with other people's standards of living is an easy trap to fall int. It's also a quick ticket to losing money and accumulating debt, at exactly the time in your life when you should be building your wealth. Make sure you have a household budget, keep track of your expenses and live within your means.

Mistake #2: Carrying too much high-interest debt

Store cards and credit cards can be useful for online purchases and for establishing your credit record, but the truth is, the interest rates on those plastic cards can be astronomical. Find out what interest rate you're paying and look to pay off your debt with the highest interest first. The last thing you want to do at this stage of your life is acquire unnecessary debt.

Mistake #3: Delaying your retirement planning

As you diligently report to the office every day during your 30s, or even if you're part of the "gig" economy and work for yourself, your retirement date will seem an eternity away. Don't be fooled. The earlier you start putting money away for your retirement, the better. Even a little bit is better than nothing, since compounding interest works its magic over the long term. Speak to your financial adviser about the best plan for your needs, and have a look at our Retirement Calculator to see if you're on track.

Mistake #4: Cashing out your retirement savings when you switch jobs

It's a fact that today's younger generation is switching jobs much more often than their parents have in their careers. While this can be a great way to gain valuable work experience, it also gives you many more opportunities to access the cash you're building up for retirement when you leave. No matter how much you're tempted, don't spend this money when you leave your job. Keep it invested, moving it from under the umbrella of your company's pension fund to a preservation fund instead. This will "preserve" it, keeping it tax-free until you can access it from age 55 onwards.

Mistake #5: Investing too conservatively

Consider your risk tolerance, and speak to your financial adviser about how much investment risk you can take on. In your 30s you still have time on your side, which allows you to take on more risk than you might in your 50s or 60s. This means you can allot more of your portfolio to more volatile investments like equities and listed property, which require time (generally 5-10 years) to deliver strong returns – and your long-term investment horizon – might allow you to rethink your financial planning.

Mistake #6: Failing to set up an emergency fund

You may think taking out life insurance is enough protection when you're healthy and feeling invincible in your 30s. Your company may even offer it to you as part of your employee benefits. But while life insurance is certainly good protection, it doesn't earn you money and you can't use it to protect your financial future. Creating an emergency fund does. This type of lower-risk unit trust investment will give you accessible funds when you need them quickly for life's unplanned expenses like vet's bills, a new roof or car repair, while offering returns at the same time. Then you won't have to go into debt, or borrow from other investments, to afford them. The Prudential Income Fund is designed to offer an accessible, lower-risk solution with returns that beat those of a typical money market fund.

Mistake #7: Avoiding the pre-wedding money talk

It's not fun or sexy to talk about your finances with your partner or future spouse… but if you're going to live together, it's a good idea to plan together – and that includes financial planning. Money is a leading cause of conflict between couples, so have the hard conversation early in your relationship, before bad habits and irreconcilable money differences set in. Learn about each other's financial background – including investments, debts and spending habits – and start working together towards common financial goals.

Mistake #8: Spending a fortune on your first child

Babies are fun. Babies are exciting. Babies are cute. And – if you're not careful – babies are monumentally expensive. Here we're not just talking about medical expenses (though those will add up quickly); instead we're talking about you or your partner, in your excitement, spending far too much on top-of-the-range cribs, bottles, toys, clothes, etc. Slow down, use the money sensibly, and invest in your child's future, when they – and you – will really need the cash.

Mistake #9: Prioritising their education over your retirement

This is an even bigger mistake than overspending on baby shoes. Your child’s education and financial security are obviously very important, but your top priority in your 30s should still be your retirement. Focus on your long-term plan, and secure your financial future so that you’re able to look after yourself, and not become a financial burden on your child. Remember, if you fail to set enough aside for your retirement, you’ll look to your kids to take care of you… and that could end up being far more expensive in the long run.

Mistake #10: Assuming you’ll be richer in the future

You’re young, and you’re still building your career. A decade from now you’ll hopefully be all set, earning top dollar and probably running your own company. At least… that’s the dream. Don’t fall into the trap of overspending in your 30s, based on the assumption that you’ll have loads of income in your 40s to pay off your debt. Save, invest, and do your future self a favour by living within your means and not digging a bottomless pit of debt. Your 40-something self will thank you for it.

As always, if you need more information please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za