Prudential Investment Managers
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Why having a baby shouldn’t ruin your investment plans

Congrats! You’re expecting. You’ve now got nine months to prepare your life for your new bundle of joy. While this should be a time of consolidation of your finances and a re-examination of your budget, for most couples it’s a time when your expenses skyrocket. There’s the inevitable “we need to renovate and make a baby room”, and then all the things you “need” - from that designer cot to 4x4 pram. Parent24.com estimates it costs R90 000 a year to raise a child.

One of the first things that gets erased from the household budget when it’s being reviewed – but shouldn’t – is the mother’s investment contributions. This compromises your investment portfolio at a stage in your life when compound interest is really starting to work for you. Instead of stopping those contributions, here are some alternatives:

Get some sound advice from a financial adviser

Meet with your financial adviser once you find out you are pregnant to discuss the impact your change in family status will have. He or she can look at your portfolio as a couple and advise you on how to restructure it. It’s also a great time to talk about how you will save for your child’s education, and complete that irritating-but-vital paperwork like a will and guardianship.

Start saving before you are pregnant

Although you can't know for sure when you will become a family of three, you can start planning for it once you decide it's the right time for you to start trying. This, coupled with the nine months before your little one arrives, should give you some time to save the money you need to cover the investments you may miss over your maternity leave period, or for the first couple of years when you can be sure to have unexpected baby-related expenses.

Given the short-term nature of your savings goal, you could place this in a unit trust fund focused on capital preservation such as the Prudential Income Fund, where returns should offset the impact of inflation over the year. Unit trusts like income funds are flexible and easily accessible, and they experience less volatility than funds exposed to equity, which means you are exposed to less risk should you need to withdraw your funds right away. Having a separate "baby" investment also helps you keep track of your expenses and may prevent you from overspending.

For longer-term savings goals like your child's university education, tax-free investments are worth considering for the longer-term boost in returns that comes from the compounding of your tax-free interest and dividend payouts over time. Prudential offers a range of different tax-free unit trusts that suits a variety of investor needs. Try our Tax-Free Investment Calculator to see how much tax you could save compared to conventional unit trust investments. Our Education Calculator is also a great way to check just how much you'll need to save for your child's education.

Think of your future

It's a fact – women live longer than men. So even though you will be preoccupied with the baby's arrival, you should in fact spend some time planning for your financial future. Your longer life expectancy means your investment portfolio will likely need to be able to support you as a widow, potentially into your nineties! This needs to be taken into consideration when you are looking at your investments as a couple. It may be 2020, but there is still a gender pay gap which affects the amount many women are able to save and invest. If you are taking a break from work to be a mom for a few years (or indefinitely), you should discuss with your partner the option of setting aside a portion of their salary for your own retirement needs. Our Retirement Calculator will give you a good idea of the type of adjustments you'll need to make to be able to retire comfortably.

For more information on choosing an investment solution best suited to you and your family, be sure to speak to a qualified financial adviser. Alternatively, please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.