



Prudential Investment Managers

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# Moms and money: Three top tips that stand the test of time

As we celebrate Mothers' Day this weekend, we acknowledge the powerful role moms play in guiding us to develop a value system in life. The things we care about, prioritise, and put energy into are often shaped by the example set by our mothers, and this includes our approach to money. How we save, spend and invest is influenced by what we saw modelled to us, and we in turn influence our children through the financial habits and decisions we demonstrate. Here are some of the best behaviours we can learn from our moms and model to our kids.

## 1. Spend less than you earn

If you are spending more than you earn, you are accumulating debt and it will catch up to you eventually. This is a high-risk approach to finance, and the consequences can be devastating to your long-term financial wellbeing. US financial expert Suze Orman is known for her philosophy of "people first, then money, then things".

Demonstrating that financial security and responsible financial habits, such as monthly savings, are more important than “things” is one of the most important values we can live by and pass on to our kids.

*Top tips: Say goodbye to those clothing store credit cards with sky-high interest rates. Show your kids that if you can't pay for something outright, you need to save up until you can. Also, don't fall into the trap of “needing” to have the most expensive brand of something.*

## **2. Have an emergency savings fund**

Ideally, you should be able to cover your monthly expenses for three to six months in case of unforeseen events. This has always been a must-have aspect of financial planning, and during the lockdowns last year many people realised why. When the truly unexpected happens, having emergency savings to fall back on can be the difference between a tough patch and bankruptcy. According to Orman's philosophy of putting money before things, being financially responsible means that you need to get a savings fund in place before spending on nice-to-have things. At Prudential, we have a range of interest-paying short-term investment options to choose from. Try our [Fund Selector Tool](#) to find out which Prudential fund is best suited to your investment goals, risk profile and time horizon.

*Top tip: An emergency fund should be easily accessible and should earn a return that keeps up with inflation (at a minimum). Money market and other fixed-income unit trusts are good options as these generally earn a higher rate of interest than traditional savings products like bank deposits and you can access your money within 48 hours without any penalties. Interest earned should be reinvested to help the fund's value compound over time.*

## **3. Don't aim to shoot the lights out**

Investing does not need to be complicated. You don't need a finance degree, and you don't need to be “good with numbers”. What you *do* need is a little bit of common sense and commitment. Trying to find *the best* fund with *the best* returns to invest your hard-earned money in will only result in analysis paralysis. Instead of

making a decision and taking action, you'll be spending time and energy second-guessing yourself. Similarly, don't be tempted to switch from your current investment fund to last year's top performer because you think you're missing out. Almost all funds will underperform at some point – even last year's winner – and constantly switching from one fund to another may lock in losses for good.

*Top tip: Choose a reputable fund manager with a solid, long-term track record and select a fund that is aligned to your objectives, risk profile and time horizon. Then stay put and ride out the short-term ups and downs of markets unless there are significant changes in your needs or circumstances. In that case, consult a financial adviser before making big changes. Our [Past Fund Performance Tool](#) can help you find out how much your investment would have been worth if you stayed invested when markets were volatile.*

By acting on and modelling these behaviours, you'll be putting yourself and your children a strong position from which to build up a healthy financial future, as well as a healthy attitude towards money that will last a lifetime.

For more information, please feel free to contact our Client Services Team on 0860 105 775 or email us at [query@prudential.co.za](mailto:query@prudential.co.za).