M&G Insights

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Investing as a family across different life stages

Life staging is a well-known approach to investing that largely centres around managing your finances and investments according to the different stages of your life. The premise is relatively simple, plan in advance and invest early enough so that you can essentially fund your big life stages.

While this might sound fairly straightforward in theory, the reality is that life doesn't happen in a "vacuum", in that there are a host of outside stimuli that need to be accounted for, particularly if you're investing as part of a family. Given that more couples are combining their finances together, we've decided to highlight four typical life stage events that families experience, and offer some insights into the various considerations that they should take into account when planning their investments.

Married without kids

While every situation is different, research suggests that there is a relationship between how old people are when they get married and how long they wait before they have children. Those who marry younger are more likely to wait longer to start a family compared to those who marry later. This means that some couples could have longer to invest than others. However, whatever your decision, using the time before you have kids to start investing is a good idea given that you're likely to have more disposable income.

But what exactly should you be investing for? While this is typically based on your collective investment goals, a good option to consider, however, is adding to your retirement savings. While it may seem very far away now, the earlier you start the better your chances of having enough income to live comfortably in your later years. Not only does starting to save for your retirement early allow more time for your contributions to compound, but it also helps build a buffer if at any stage you need to slow down your contributions. Ideally, you should invest between 15-20% of your monthly salary either in a company pension/provident fund or in a retirement annuity. Try our Retirement Calculator to see if you're still on track to reach your dream retirement.

Families with young children

From babies to pre-school years, being a parent is an expensive commitment, particularly in today's world where having a tertiary qualification has become an entry-level requirement for many careers. So once again, you need to think about the future and what you want for your children. Tertiary education can be awfully expensive, but starting to invest now will make it easier to afford the fees once the time comes. Our Education Calculator is a handy tool to gauge just how much you should be contributing on a monthly or ad-hoc basis.

A good investment to consider is a tax-free savings account, in your child's name. This can help pay for tertiary studies or can eventually be taken over as a personal investment by your child, enabling them to get a head-start in life, whether to buy a property or even start a business. We have a wide range of tax-free investment options to consider and our Tax-Free Investment Calculator will be able to show you just how much you'll save in taxes compared to a traditional investment.

Families with teenagers and young adults

As your children get older so they attain certain important milestones, such as turning 16, getting a driver's license, matriculating, turning 21, or graduating from university. A terrific way to celebrate these occasions is to start them on their investing journey by setting up a unit trust account on their behalf, which as they get older, they can take over for themselves and continue adding to. You can open up an investment with us for as little as R500 a month and either continue contributing until they take it over or pause your contributions until they can afford to cover them (put differently, you can stop and start your contributions at any stage without any penalties). However, with that said, you may want to caution your kids against dipping into their investments as the years go by. Successful investing takes time, and if you – and eventually your child - faithfully contribute and leave the investment to grow, it will be worth the wait.

Empty nest and retirement

Having finished their studies, your children have (hopefully) all left home, and are starting their careers. Soon they will be settling down, getting married and starting their own families.

At this stage, your financial burdens should have lifted somewhat, enabling you to continue boosting your retirement capital. Then, once you finally retire, you'll have enough money to not only meet your essential expenses but also to enjoy experiences such as travel or a new hobby in your golden years.

At this point in your collective lives, it's likely that you won't want to be bogged down with having to choose an appropriate asset allocation for your retirement income. Fortunately, there are many options available for investing your retirement capital and generating an income. A simple, stress-free option is our range of Target Income Funds which you can access via our Living Annuity. These funds have specifically been designed to provide the optimal asset allocation based on your income requirements, of either 2.5%, 5% and 7%.

In conclusion, families are ultimately a collective, and as such, when everyone has their finances in order everyone benefits. Working with a good independent financial adviser will help, no matter which life stage your family is in. Alternatively, we have a host of useful information on our website to guide you along your way.

For more information, please feel free to contact our Client Services Team 0860 105 775 or email us at info@mandg.co.za.