



Brandon Johnson
Communications Manager
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Are you creating the right investment legacy for your children?

One of the greatest legacies parents can leave their children is to raise them to be happy, productive, and self-sufficient individuals.

This involves teaching them important life lessons, one of which is the importance of working wisely with their money. Fortunately, life lessons and money lessons aren't mutually exclusive. In fact, there are numerous studies to suggest that there's a strong correlation between the values associated with "good" money habits and those of raising well-rounded children, especially when it comes to investing. So, in the spirit of Father's Day this year, we take a closer look at what some of these values are, and how we as dads can pass them on to our children.

Think long-term

Planning with the future in mind can make a big difference in many aspects of a child's life. Having set goals in place can help them establish a sense of purpose for their actions, in addition to improving their decision-making, self-confidence, independence, and teaching them the importance of perseverance.

These are all particularly good qualities to have when it comes to investing. Being able to teach your children the importance of long-term thinking will help them remain focused on their investment goals. This reduces the risk of knee-jerk reactions to negative financial events, while also helping them with prioritising the allocation of their capital. For example, whether to spend their extra money on items that have short-term value (like exorbitant toys or the latest tech), or to allocate it to their long-term investments (especially if they are saving towards something special), which would effectively help them reach their goals sooner.

Patience

There's a saying in the investment world that goes: "*successful investing is not about **timing** the market, it's about **time in the market***".

Simply put, this means that investors who try to time the market by buying assets at their lowest point and selling them at their highest often get it wrong, and consequently end up destroying their capital. History has shown us that it is usually far more effective to stay the course and ride out the inevitable market volatility that comes with investing. This, however, requires patience and some degree of emotional resilience.

Having patience is a great quality to teach your children and usually leads to better outcomes later in life. One study suggests that teaching your children patience can improve important developmental attributes such as discipline and the ability to apply themselves, while later in life it decreases the probability of accumulating large levels of debt and reinforces the ability to make better, less impulsive life choices.

Investing can be tough, and your children will be challenged time and again when things don't go their way, especially when markets are down. However, having the patience to sit tight and ride out the ups and downs usually pays off, particularly when investing for the long term.

Humility

Humility helps teach your child the importance of listening to the ideas and perspectives of others, thereby allowing them to expand their own frame of reference. Teaching them that asking for guidance is a strength, not a weakness, is a valuable lesson to learn. Blindly trying to find their own way can mean coming up short, especially in investing, which can at times be a fairly complex undertaking.

We live in a time where we can access information on just about anything at a click of a button. While this is certainly a good thing, it's also worth remembering that a few hours on the internet doesn't necessarily make you an expert on a particular subject (no matter how much information you're able to gather). Getting your investment decisions wrong could result in a significant erosion of your capital.

This is where being able to ask for guidance is so important. If you are in any way uncertain about your investment goals or options, it's a good idea to consult a professional to help guide you along the way. Fortunately, there are professional financial advisers that can help shed some light on the best path for you and your children to take in terms of your collective investment goals. It's also important to partner with a fund manager you can trust, one with a solid long-term track record and that puts their clients first, such as M&G Investments.

As parents, it's understandable to want the very best for your children. This, however, is often focused on other aspects of their lives, with little emphasis placed on the values that we pass down to them in terms of being able to manage their money responsibly and efficiently. Fortunately, there's a strong connection between raising well-rounded young adults, and teaching children healthy financial habits. The good news is that by doing the one well, you'll inadvertently be creating a legacy with the other.

For more information on investing with M&G Investments, please feel free to contact our Client Services Team on 0860 105 775 or email us at info@mandg.co.za.