BRANTAM
FINANCIAL SERVICES

5 things for the Next Generation to consider when investing…

Sometimes being part of the 'Next Generation' is so full of fun that you forget to take care of the less exciting stuff. If you know how to handle these 5 milestones before they occur, then you can boost your future wealth without even realising it. Treating each of these wisely, can make the difference of having a decent sized retirement fund, or not being able to make ends meet. And take my word for it…retirement catches up with you before you know it!

1) First Job

As soon as you sign your contract and receive your first pay check, it is wise to begin saving and investing. Any little amount can help in the long run. If your employer offers a pension or provident fund then ensure you are putting as much into that as you can afford to. It is tax deductible and it comes off your payslip before you even see it, so you can't spend your retirement money on that new suit or handbag you've been eyeing out.

2) Moving Jobs

As we all know, the younger generation is going to change jobs a lot more often than the previous generation did. There are more opportunities out there due to the 'internet of things' and the globe is more accessible than it was before. Be careful not to take your pension fund in cash when you leave a previous employer. Depending on the balance you have, the tax man will take his portion, and if not reinvested, you will be tempted to spend the money. No matter how small it is, rather transfer it to a preservation fund or a retirement annuity so that you can add to it down the line. R20 000-R40 000 odd each time you move a job can add up to R100 000 quickly and you don't want to waste this opportunity.

3) Buying a Car, Travelling or Studying

If you have started saving your spare cash from your first job, then it won't be long before you have a deposit for a car. Alternatively, you may be wanting to travel or study. The best route here is to save up for these things first and then pay for them in cash, thus eliminating the need to take out a loan. However, we know that in reality this is easier said than done. Having a deposit will go a long way in lowering your interest rate, and helping you get the loan approved. As soon as you pay off the loan, take that same monthly repayment and put it back into your savings. This way you will begin to earn interest on your monthly instalments instead of paying interest to the bank. You are becoming your own bank!

4) Self-employed?

Starting up your own business is tough and it takes a while until you start making any decent cash. However, when you do begin to earn some 'moola', use a retirement annuity to start saving for retirement. Contributions to a retirement annuity are tax deductible which is great (up to 27.5% of your taxable income)…and you know that you are making definitive plans for "one day" when you can no longer do what you are doing now.

5) Retirement Savings

As I said, retirement sneaks up on you and you want to ensure you have enough saved. The amount is not as critical as starting early. You can divide your savings into short term (deposit for a car), medium term (deposit for a house) and long term (retirement) to ensure your goals are set.

Published by Tarryn McDairmant 26/07/2018