

## What is stopping you from saving?

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Whether you're a Yuppie, Dinky or Guava, you can take control of your finances – and your future – by understanding the pressures and expectations that divert saving to spending at different stages of life.

Here are some of the typical issues facing you and your partner at each stage of your lives and suggestions for changing your financial behaviour so that you make the most of each stage.

### **YUPPIE YEARS: 20 – 30 years old**

You are young, up-and-coming and you want to show the world you have arrived. For many younger people, driving a top-of-the-range car or buying the latest phone is a way to express this. However, an over-commitment to car finance is the main reason for banks turning down mortgage finance applications.

#### *What you need to be doing:*

Don't focus only on the external ways of measuring your progress in life. You need to start thinking ahead. Work on developing your career and your personal financial goals. Maybe a solid financial plan and slow build-up of wealth is not as sexy as the latest car or smartphone, but you will have the last laugh when you enter your late 30s without debt and with a healthy asset base.

When buying a car, if you chose the R120 000 model rather than the R200 000 one and invest the difference in repayments each month, you will have saved R135 000 after five years – enough for a deposit on a townhouse.

### **DINKY YEARS: 25 – 35 years old**

Your Dinky years (Dual Income No Kids Yet) are a great time to build a strong financial base. Your career progresses and your joint income increases, yet you have not taken on the financial burden of a big family home and raising children.

The most common mistake people make at this age is to cash in their pension fund when changing jobs or taking time out to have children. If you cash in your entire pension at age 35, you will have to save 40% of your salary to have the same retirement value at age 60 as if you had saved 15% of your salary from age 25. This will be almost impossible to do during the next phase of your life if you have children and a mortgage.

#### *What you need to be doing:*

Do the work before the kids and mortgage. Don't cash in your pension. Learn to live on your monthly income less savings. Don't upgrade your lifestyle in line with your new promotion; rather, use your higher salary to build real wealth.

### **SITCOM YEARS: 35 – 45 years old**

Once you hit the Sitcom years (Single Income, Two Children, Oppressive Mortgage) you will have less of a chance to build your savings. You may be tempted to take on too much debt to maintain the lifestyle you

enjoyed during the Dinky years, or rely on bonuses to pay the school fees and mortgage, especially if you only have one income now.

#### *What you need to be doing:*

Talk about your money with your partner. If one of you is going to take time out from work to raise the children, you need to sit down and work out a realistic financial plan. Even if you both continue to work, you need to put together a budget for the day-to-day running of the home and a savings plan for the education of your children.

You each need to have separate savings and retirement plans. This is something that is often neglected by the stay-at-home parent.

Do not look at your bonus as part of your income. Make sure your salary covers your basic needs including your mortgage and school fees. Use your bonus to boost your savings and for luxury items like holidays.

#### **CATCH UP YEARS: 45 – 55 years old**

In an ideal world, you used your Dinky and Sitcom years to become a Guava (Grown Up and Very Affluent). Unfortunately not enough people are in this position. As mortgage debt decreases and the kids leave home, there is the temptation to use the extra cash to improve one's lifestyle.

It is at this time that most people suddenly realise that they need to start taking their retirement provision very seriously.

#### *What you need to be doing:*

Use your freed-up cash to secure your future. You will find it easier to be disciplined if you sit down and work out what you want for your life in retirement and how you are going to fund it. Do you want to retire early and start your own business? Will you be in a position to cut your hours but work until age 70? Do you want to travel more?

There are always excuses not to save, but in hindsight we realise we missed great opportunities to save. Secure your future by paying yourself first, then enjoy living on the rest.

**Remember, your financial adviser can help you make the most of your finances by helping you develop a financial plan that suits your circumstances and making sure that you stay on track with your finances.**

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