

Financial lessons for your 30s

By Tamryn Lamb, head of retail distribution at Allan Gray

In the spirit of #WomensMonth, Tamryn Lamb, head of retail distribution at Allan Gray, looks back at her 30s and shares the the valuable financial lessons she learnt from reflecting over that period.

21 August 2020: Your 40s are known to be a challenging decade financially, typically balancing the demands of lifestyle costs, children and their education, ageing parents and making increased space for retirement savings. Establishing good financial habits in your 30s helps to deal with the crucial “financial 40s”.

So, what would I tell the 30-year-old me that may help you form successful, consistent, financial habits?

1. Take some risks

You likely have, at least, a 30-year accumulation period ahead of you, most of which will hopefully be in some form of gainful employment – self-directed or more formal. You can afford to take risks and make a few mistakes. This includes taking on an appropriate level of “good debt”, for example to get onto the property ladder. You probably don’t need to worry too much about market cycles: although they may hurt while you are experiencing them, most (not all) wash out over 30 years.

2. Work out early what your investing behavioural biases are

Most people start to save in earnest in their 30s. Yes, we know we should start in our 20s – but not everyone is in that position. Before you figure out how to invest, with who, and in what product and investment – it is a good idea to identify your behavioural weaknesses. Does your stomach drop when you see a decline on your statement? Do you overestimate your ability to pick that great idea? Do you worry when your friends tell you about an idea, and you think you might be missing out? Work out what will hold you back from making the right decisions, and then try to put mechanisms in place to “protect you from yourself”.

3. Don’t let your lifestyle increase at the same rate as your earnings

Combining my studies and a training contract at an accounting firm, I lived like a student for well over eight years. When I got my first real pay cheque, I felt like a glucose-intolerant kid in the proverbial candy store. While this is probably to be expected, it’s important to take control of your budget early on and try not to let your spending habits increase at the same rate as your earnings. Your retirement pot will thank you.

4. Don’t succumb to inertia or the excuse of “I don’t have time to sort out my admin”

Most people in their 30s are juggling a job, perhaps starting a family, managing their extended family and other broader responsibilities. There can be times when months go by and you realise you haven’t sorted out that tax-free investment for your child or upped your contribution rate. Don’t succumb to that excuse. Treat each important, non-urgent decision as if you were retiring in three months, not three decades.

5. Figure out where you want to go – seek advice

You may be a professional in your specific field, and be very smart – but seeking financial advice from a good, independent adviser helps you articulate your financial goals, introduces ideas that you may not have considered, puts a plan in place and then (hopefully) helps you get there.

7. Form professional *and* social networks, particularly with other women

We all struggle to put our hands up and admit we need help. Learning from other women can be a powerful tool, especially as you take off in your career or business and start earning more. This can inspire you to take ownership of your own financial plan. Instead of seeing female-led groups as just social occasions (e.g. book clubs), you could also join or start a women-only investment or savings club. Contributing to ideas in this type of forum creates a safe and fun space to gain confidence in investing through learning from other women's investment mistakes or successes.

6. Think about what you would say to the next generation about money

I have had to think hard about what I want my daughters to understand about money, taking risks, the importance of savings and the beauty of compounding values over time. Admittedly the latter can be a somewhat dry subject and is harder to teach when you are competing with online games, and friends and sports. I have tried to put decisions in their hands, rewarding them when they defer immediate consumption by doubling any value they choose to save, for example. We have also given them their own accounts, so they can see how the values can increase (and decrease) over time. These conversations have also been important for me as I often reflect on the lessons I wish I had learnt earlier.

After a few failed attempts, I was finally rewarded when my 11-year old was given a birthday gift of R200. She looked at it solemnly for a while and then handed it to me and said: "Please can you take it to work tomorrow and make it grow!" So, if there is someone in your life, or your community, that you think can benefit from hearing about your financial journey, then consider paying it forward.

My 40-something self would certainly like to pay some of these learnings forward to my younger self every morning as a reminder of what I should do regarding my own financial plan, and also as a reminder of the responsibility I carry as a steward of our clients' hard-earned savings.

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