

DO YOU TALK TO YOUR CHILDREN ABOUT MONEY?



NIC ANDREW

EXECUTIVE HEAD OF
NEDGROUP INVESTMENTS

Money issues should be discussed and made real. It is really important for children to understand the value of things and that trade-offs are required.

As a dad of three wonderful children (dads are allowed to be biased) and an investment professional, a regular conundrum I face is how best to teach them about money and investing.

Much research has shown how our attitude and approach to money are shaped by our parent's attitude to money. Just think of your own experience. Whether or not your parents spoke freely about money; whether they were part of the war generation hoarders (where all discretionary spending is considered excessive); whether they were entrepreneurial or if they were constantly over-spending and running into financial problems, would have had a significant effect on you.


Advances in technology and the ease of moving money or airtime digitally, coupled with society's increasing wealth and instant gratification mentality as opposed to the previous generation's weekly cash, piggy bank and savings deposit book regime, has made our job as parents even less tangible and more challenging.

With this enormous responsibility, how do we best teach our children good money management skills? What can we do to begin to help lay down the knowledge and create habits that foster future financial success? Here are three practical suggestions:

Make it real

Money issues should be discussed and made real. It is really important for children to understand the value of things and that trade-offs are required. Starting an allowance is a useful tool - be sure to set clear rules for what it is expected to cover and what behaviour is required to "earn" the allowance.

Then comes what is probably the most difficult part. Both parents then need to have the discipline to stick to



the agreement - including when the child runs out of money. As hard as this lesson can be, realising that money is finite and that one needs to budget and make choices is an extremely valuable lesson to learn early in life when the stakes are low.

Exercise delayed gratification and learn the benefits of compounding

Just as households need to budget and save for large capital expenditure such as cars and holidays, children should be encouraged to start saving for larger items rather than waste their money on impulse spending (how many fidget-spinners or World Cup stickers do you really need?).

Research at Stanford University in the US, the much referenced "marshmallow test", showed that the ability to display patience and delay gratification at a young age correlated strongly with better life outcomes.

Of course, delayed gratification, self-control and patience are essential components to deliver compounding – and developing a true understanding of the benefits of compounding is one of the most powerful financial insights you can provide for your children.

Be a good example

Our children consciously and unconsciously mimic our behaviour – whether we want them to or not! So, from a financial behaviour point of view, living within our means, saving regularly and making sure we are educated about

financial matters is imperative. As children get older, introducing key investment concepts such as asset classes, inflation, risk and reward, time horizons, compounding, diversification and the importance of costs add additional layers to their understanding.

Encourage them to ask how businesses and the economy work, to start small ventures and be inquisitive and confident about money.

A sensible, practical way is to open an investment in a tax-free unit trust and contribute a regular debit order (from as little as R500 per month) on their behalf. Children love to see their investment growing, especially when they start realising that in the future they may have a meaningful lump sum for their university education or deposit for a house or car... ignoring the fact that by then we will all probably just hail a self-driving uber!

As with all investing, teaching children about being responsible with money sounds simple but is not always easy to implement. But it is no doubt worth the effort as giving your children solid financial skills and nurturing good habits are amongst the most valuable gifts a parent can offer.

Good luck!

Nic Andrew

Nedgroup Collective Investments (RF) Proprietary Limited is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust Portfolios. Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. For further information on the unit trust funds, including awards, fees and charges, please visit our website www.nedgroupinvestments.com

A money market fund is not a bank deposit. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument held. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of a capital loss. The Nedgroup Investments Money Market Fund aims to maintain a constant price of 100 cents per unit. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Excessive withdrawals from the fund may place the fund under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments.

This document is of a general nature and intended for information purposes only. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis,

Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this document.

Nedgroup Investments MultiFunds Plc / Nedgroup Investments Funds PLC (the Fund) is authorised and regulated in Ireland by the Central Bank of Ireland. The Fund is authorised as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended from time-to-time. This document is not intended for distribution to any person or entity who is a citizen or resident of any country or other jurisdiction where such distribution, publication or use would be contrary to law or regulation. Nedgroup Investment (IOM) Limited (reg no 57917C), the Investment Manager and Distributor of the Fund, is licensed by the Isle of Man Financial Services Authority. The Prospectus of the Fund, the Supplement of its Sub-Funds and the KIID are available from the Investment Manager and the Distributor or from its website www.nedgroupinvestments.com