

African Bank Ltd press release

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### **Why you need to adapt your attitude towards money as you age**

Neil Thompson, Head of Product and Customer Value Proposition at African Bank, explains that age plays a significant role in personal finance and it is not only about how big your bank account is.

As we get older, we need to react differently towards windfalls and financial crises for the simple reason that it could be more difficult to recover financially - if at all - when you are older than when you are young.

Thompson says three of the most common scenarios people experience in their lifetime when it comes to money is windfalls, emergencies/crises and debt.

People in their 20s usually have debt which can be paid off over a relatively short term, like credit card debt, by tightening their belt for a few months. However, people in their 30s are likely to have amassed debts which are not that easily settled, like a home loan or car finance.

“This comes with having moved into the next phase of life which can include marriage, a home and children. Home loans stretch over a 25-year repayment period, cars up to seven years and expenses like university fees can be payable for up to five years.

“Money is a different ball game now as you juggle loan amounts of hundreds of thousands, perhaps even millions if you consider the cost of property today. Suddenly, there is no quick fix to simply get rid of debt over a few months; you are bound to it for years to come.

“Debt is a fact of life and as you get older your financial planning for this has to change. Your debts are fixed expenses which will require a more mature money mentality.

“My advice is to implement a tight budget and save at least six months of your home loan or other large debt. After six months, put the money into an investment account, like a fixed deposit or tax-free investment, towards your retirement planning.”

While it is necessary to become more financially mature as you age, Thompson says being financially successful and having a stress-free retirement requires strict internal controls.

“This is why engraining financial prudence in your lifestyle from a young age can be a great help later in life. Windfalls, for example, are easily blown on frivolous purchases when you are in your 20s. Later in life, however, you may realise it would have been wiser to put the money into an emergency fund or investment account.”

Thompson concludes the bottom line is that financial crises are larger and more expensive when you are older, and it is important to plan for these.

“We don’t like to think about things like the cost of education, ageing parents who need support, debt and retrenchment but these are all things which could impact your life and have long-term repercussions - if you are unprepared financially.

“You are in charge of your money when you are older. Nobody is managing your allowance any longer, nagging you to save money or refusing you large loans ... it is all up to you to make it work. It is very important, therefore, to adjust your spending to your lifestyle needs as you age and adopt good savings habits from an early age.”

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