African Bank Limited press release

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Don’t become the cheese in the Sandwich Generation squeeze

While it would be nice to think the Sandwich Generation refers to those who enjoy a lip-smacking, mayo-melting sandwich from time to time, the real definition is not so enjoyable. People who find themselves in the uncomfortable position of having to financially support their children and their parents at the same time, are members of the Sandwich Generation.

“This is not a new issue,” says Mellony Ramalho, African Bank’s Group Executive: Sales, Branch Network, “and not a South African problem alone either.”

Results from a Savings and Investment Monitor study done in SA by Old Mutual in 2017 showed that 58% of respondents have a high expectation that they will have to support their family and parents in the future. This increased from 48% in 2013/14.

“The reality is that it is very difficult to break out of this cycle because Sandwich Generationers find it extremely difficult to make their finances stretch to cover their children and their parents while still finding money to place into savings for their own financial future. Which means that they will ultimately put their children in the same position as they currently find themselves in,” says Ramalho.

“However, the cycle can be broken and the answer lies in good financial management from an early age. Saving for retirement needs to be a priority for South Africa’s young people,” she says.

So where to start? She highly recommends calling on the expertise of a financial advisor. “You are not the first person who wants to be financially savvy but has no idea of how to start. Financial advisors are clued up on how to help you get the most out of your money in the short and long-term. Don’t be afraid to ask questions and explain your situation. By investing just a little from a young age in the right product you can enjoy big returns when it comes to retirement.”

She says having a good idea of where you stand financially now is also a good starting point. “Sit down and put all your income and expenses on a list. Get a budget going. Cut back on unnecessary expenses and think carefully about how you can prioritise your short, medium-term and retirement plans. Find out if you are paying into a provident or pension fund automatically through your employer. If so, find out what the deal is and get educated on how this will affect your retirement plans. You may find that having a provident or pension fund is not enough and having an additional investment product makes sense for you.”

With many investment options out there, she says it’s important to do your homework. Some basic things Ramalho suggests you should look into include:

- What kind of account suits your needs - is it a fixed deposit account, notice deposit account, tax-free savings etc? With a fixed deposit account, for example, you deposit your money into the account for a period of time at a fixed interest rate with a preferred payment option such as monthly, yearly or at the end of the term. A notice deposit works in a similar way, except that your money is available for withdrawal and the account does not have a maturity date, which means it can be used to either build up savings or used as an emergency fund. You need to give a notice of withdrawal before making the withdrawal.
- What interest rate are you getting? Is it market related?
- How available is your money if you need it?
- What are the penalties for withdrawing your money early?

“Ultimately, the product you choose needs to add interest to your investment and assist you in setting investment goals for yourself,” she says.

Another point to ponder is how to get the most out of your retirement lumpsum when the time comes to retire. “The current retirement age is around 65. What’s interesting is we are seeing an increase in life expectancy which means that the savings you have at retirement needs to last longer and cover a more expensive lifestyle as costs increase. It is really worth looking into investing your retirement lumpsum pay-out to enjoy the monthly interest on your capital or to consider reinvesting the monthly interest to grow your investment. Once again get good financial advice on what makes the most sense for you."

Ramalho believes that with July being Savings Month now is a great time to start breaking the cycle of the Sandwich Generation. "Don't accept that there is no way out. You have options and can make smart financial decisions. Let's work together to bring about a savings culture change in South Africa," she concludes.

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