

The curious case of millennials and their money

 By [Nicci Botha](#)

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To the older generations, millennials are an enigma. They are the first true digital natives, and in South Africa they are also the first generation to bear the fruits of democracy and empowerment.



Elize Botha, managing director, Old Mutual Unit Trusts

But what are they looking for when it comes to their money? This is where they differ quite substantially from their parents. They are not looking the white picket fence, 2.4 kids and a job for life. Instead, they want financial independence and personal fulfillment.

“Millennials want to be financially secure. However, most of the research on what this means is US based, we wanted to do our own,” says Elize Botha, managing director of Old Mutual Unit Trusts.

The research showed that 24% of millennials are currently invested in a unit trust – versus only 2% among older generations – with 57% of millennials saying they invested in a unit trust with the purpose of increasing their net worth (1st)

and 47% saying they looked to invest to reach financial freedom (2nd). However, the survey also revealed that 35% of millennials were saving money to pay back debt – this number was 13% for older South Africans.

Entrepreneurs

Mapalo Makhu, personal finance coach and founder of financial coaching firm, Woman & Finance, said that millennials are facing unique financial challenges that makes them susceptible to debt. “Many first-generation middle-class South Africans, millennials are playing ‘asset catch up’ - purchasing appliances and motors vehicles on credit.

They are also the sandwich generation, meaning they are caring for children, while also providing financially for their parents which creates a tension between the expectations of family and dreams millennials have for their own financial future.

Makhu points out that millennials are also far more entrepreneurial than previous generations. “They want to own their own time, and working for a corporate doesn’t fit. Many of them have a sidehustle – a sideline that they hope to grow into a business of their own.”

Research also showed that millennials are more likely to save money – in order of priority – towards travel (37% versus 10%), their education (31% versus 4%), a motor car (32% versus 11%) or starting their own business (23% versus 3%) – than older generations.

“This shift in priorities speaks to the bigger differences in the way millennials and older generations view money and the unique challenges they face,” says Botha. “Complete financial freedom – and the flexibility it offers us to travel, or to be our own boss – comes when the income from your assets exceeds your expenses. Only by reducing debt in tandem with investing in investment vehicles which offer growth assets and returns can millennials hope to reach this goal.”

Pitfalls

Botha explains the four pitfalls millennials face on their journey to reach financial freedom:

1. High levels of debt

Debt, typically in the form of personal loans, are often used to buy things that will be consumed – like appliances, clothes, or items that tend to depreciate over time. The survey revealed that 64% of millennials – compared to 14% among older generations – had a personal loan and 35% (versus 13%) of their income was spent on servicing the interest on debt.

2. Saving, rather than investing

According to the research, an alarming 47% of millennials – nearly half – did not know what a unit trust was. Others,

who said that they could further define the collective scheme investment vehicle, tended to have difficulty in articulating their understanding of it. However, almost 61% of millennials in the survey were saving money in a bank account, suggesting that millennials do not understand the difference between saving and investing.

“Unlike saving – which is setting money aside with the intention of spending tomorrow – the second step to reach financial freedom is rather to invest and build wealth by creating a second source of income to supplement your salary,” says Botha.

3. Keeping up with the Kardashians

The third pitfall is overspending – here social media plays a massive role – to buy the things we absolutely ‘need’ to appear successful.

4. Not defining your values

“Without a clear goal most people will find themselves spending rather than saving,” says Botha. “every person is unique, and our relationship with money is often complex. An understanding of your intrinsic values is also essential to find the resolve to achieve financial freedom. When we’re working towards something that’s important to us, we’re often more willing to work harder to reach our goal.”

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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