The best investment opportunities in your 40s and 50s

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You’ve reached what is probably the busiest time of your life, and are hopefully seeing some of your financial goals already coming to fruition. On the investment front, are you making the most of the opportunities suited to your needs?

Entering your 40s or 50s calls for a mindset shift when looking at what you want and need out of life, and the role your financial situation plays in it. After all, you could be contending with an array of expenses, including debt, unforeseen emergencies, medical expenses and co-payments, school and university fees, child maintenance, bond repayments and home renovations, to name a few.

With sound planning in your 20s and 30s, you may have already set yourself up for a fruitful prime; if you're behind, you may instead be looking at a financial 'mid-life crisis'. If you haven't started yet, managing your financial position is one of the fundamental exercises that will afford you a liberating lifestyle beyond your 50s, without which you stand the risk of experiencing a financial crisis.

Are you on track to retire comfortably?

One of the most important investments anyone in their 40s and 50s should be thinking about is retirement savings. It is important to remember that the optional retirement age in South Africa begins at the age of 55. People are living longer. Longevity risk – the risk of outliving one's retirement savings – is a reality, with many people not saving adequately. As scary as it sounds, the time horizon to retirement for someone in their 40s or 50s is much shorter, but a recovery can still be made.

If you have not yet started saving specifically for retirement, don't delay. Explore the option of investing in a pre-retirement solution, such as a retirement annuity, which gives you the benefit of a tax deduction based on your contributions. Alternatively, if you have begun saving through your current employer, you may be reaching this life stage worried about whether your savings will cover you in retirement. If you end up with too little at retirement, Glacier has some post-retirement solutions to help alleviate the problem because they are specifically geared towards investors with limited capital, with solutions offering a guarantee with capital protection.

If you are contributing enough towards your future, are your savings enjoying the best exposure to growth that is appropriate to your goals? Ask yourself whether you are investing too conservatively, or are open to investing in growth assets that will yield inflation-beating returns and preserve the value of your money over the long term. This question would also be applicable to other investments in your portfolio.

This stage of your life is also one in which you should contemplate reducing your expenses and start thinking about investing more for your post-retirement needs.

Bracing for the unexpected

An emergency fund is important to start building as soon as you start earning a salary, and ideally, you should aim to have as much as six months' worth of expenses covered in the event you lose your main source of income. As you sail into your 40s, you've likely begun to accumulate assets such as property and household contents, and with those assets comes the responsibility of maintaining them. Now, not only does your emergency fund need to serve the purpose of being a buffer should you lose your job, but it needs to cover you for property maintenance and repairs.

Setting your loved ones up for success

If you have high schoolers in the house, before you know it, they will be applying to study at their chosen tertiary institution. To get yourself ready to cover this expense, a tax-free investment plan is worth consideration.

Alternatively, look at a fixed return investment if you are a more conservative investor. A fixed return investment is a five-year lump sum plan that is aimed at cautious investors looking to grow their capital at a fixed return over the investment term.

The importance of reducing your tax bill and protecting your capital as much as possible. Endowments are five-year investments that offer tax benefits for investors with higher marginal tax rates. Both solutions offer peace of mind with a tax-efficient investment.

Foster financial independence

Too often, people get into a relationship in the belief that they will retire together as a couple and rely on or share each other's finances that they've accumulated over the years. Historically it's been women who depend financially on their partners to take care of housing, groceries, school fees, vehicle upkeep and a host of other family expenses. When life takes an unexpected turn – a death, separation or job loss, for example – a lack of financial independence can have a devastating impact on dependants. The importance of understanding your marital regime (if you're married), and ensuring both you and your partner have updated wills so that you can be prepared for any eventuality that could financially hit you hard.

On that note, don't put your financial independence on the backburner. Investing independently when you're in a relationship gives you the freedom and peace of mind of stability and continuity for yourself and your children should the unthinkable happen. But don't go it alone. If you are financially independent, do you have a qualified professional who can help you use your disposable income optimally and equip you to build a sound financial plan?

Get on track

Words of wisdom for investors in their 40s and 50s looking to set themselves up for future success:

Don’t delay

“Investing is a long-term game, and the market often produces opportunities one can take advantage of. Starting to invest as soon as possible and staying in the market allows you to benefit from the power of compounding.”

Partner with an expert

“Entrusting your financial circumstances to an expert has shown to be highly recommendable, especially in the context of financial and estate planning.”

Stay in the know

“Lacking understanding of how markets and asset classes work is not an excuse for not knowing what is happening in your investment portfolio. Ask a professional your pressing questions, and read up on investing and other aspects of financial planning.”

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