Investing in you 30's

Your 30's are usually the time where you likely start thinking about the future and what you want out of life. Things such as purchasing that first property, starting a family, settling down or exploring the world are probably on the horizon.

With 35 plus years of active working life left, this is the time when you should start planning for those big commitments and organising your financials. You are creeping closer to the midpoint of your career, and statistically approaching peak earnings potential.

If you are just starting out, it's not too late to get serious. You still have enough time to play catch up, but not enough time to mess around. If it is all too overwhelming, consult a financial professional, we're here to help. Check out our previous weekly on Investing in your 20's↗ to help you get started, or contact us on 9268 1118 or ahenderson@shawandpartners.com.au.

If you are already on track, congratulations! Use these years to do some serious planning and portfolio building, reaching out to a financial professional is still worth considering, as there are strategies you may not have considered. You don't know, what you don't know.

With that in mind, here are a few tips to think about as you reach your 30's.

Budget

Most 20 somethings probably have played around with the idea of a budget, likely as a guide to save for a big-ticket item. Your 30's is the time to take this tool to the next level. This means, adjusting your spending or income. The overall point of budgeting is to know where your money goes, and manage it in order to make better choices. The biggest hurdle is usually lifestyle inflation, which can get the better of us as possessions and experiences, craved in our 20s but couldn't afford, become a possibility. That's not a problems - make provisions for these as long as they fit within your budget.

Look through your budget and see where your income is flowing. Cut out unnecessary spending and put limit on others. Knowing where you are, will help you plan for where you want to be.

Check your Debts, ongoing or upcoming

Many individuals accumulate and take on significant debts once they reach their 30's. This could be in the form of HELP loans, mortgages, credit card debt, personal loans, or all the above. Arguably not all debt should be treated equally. HELP loans and mortgages are a way to gain skills and assets, whereas credit card debt and personal loans may be used to obtain depreciating assets or consumables.

Creating a budget should help you avoid accumulating unnecessary debt as you focus on the important ones. Paying off unnecessary debts (credit cards and personal loans) will keep you motivated and managing significant ones (student loans and mortgages) will give you more breathing room to put spare funds to better use.

Depending on the type of debt, there are a variety of credit providers that offer competitive rates, cash back offers and even interest free periods. Shop around. Re-financing may reduce interest charges and clear these quicker.

It's important to not fall back into old habits. It can be very tempting to build up unnecessary debt again once your pay down others. Don't end up back where you started.

Review Investments

In our last weekly we talked about keeping it simple by sticking to a well-diversified portfolio, as well as building a safety net. This is still a solid strategy to continue into your 30s; however, you may want to start thinking about branching out from this as your income and expenses increase.

You may be looking to start generating more income or capital growth, and by doing so, means adjusting the construction of your portfolio. Speak to us for specific advice that is personal to you and how we can assist.

Now is also a good time to start provisioning for raising kids if it's on the cards. The average cost to raise a child starts from $12,823** per household, and it only increases as they get older. Creating a separate share portfolio for the purpose of funding these costs is a common strategy that can alleviate an already tight budget in the long run.

**Source: Choosie Cost of Kids Report 2023↗

Review Superannuation

Most individuals likely follow their parents when picking a superannuation provider or stick to the provider their first employer puts them in without considering the fees, performance, risk being taken or alternatives. Review your super and see if it is in line with your own risk appetite and stacks up against other providers and industry averages. There are plenty of online comparison websites that will let you compare providers on performance and fees. If you can't find what you're looking for, a possible alternative that requires you to be more involved is a Self-Managed Super Fund.

Review Insurances

Your 20's is when your old enough to know better but probably too young to place any priorities. By your 30's, you may be cut you off from your parent's insurance which means it's time to start thinking about paying for your own. This could be for health, home or car. There are plenty of comparison websites that assist with preferences and fees, with many providers now offering attractive discounts for 'bundling'. Review your current insurers (if applicable) to ensure they are competitively priced and meet your insurance requirements.

It is worth noting if you don't take out Private Hospital Cover before 1st July after you turn 31, you'll pay a 2% loading on top of your normal hospital premium for each year you don't have hospital cover (up to a maximum of 70%).

Goals and Planning

What are your goals? Whether it's paying off a significant debt or saving up for a home deposit, write them down and figure out how to make them a reality. You are less likely to achieve goals if you don't write them down and even less if you don't create a plan to get there.

Life, like investing, never goes in a straight line, there are many twists and turns out of our control. But the principle of cause and effect also reminds us that the actions we take, and the choices we make, will determine the outcomes we experience. Staying disciplined in the long term will reward you.

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