SEVEN Investment Management

7IM Blog: Why 'generation sensible' might want to make way for 'generation cheeky'

- **Personal finance tips for 18 year olds, with Freshers Week in full swing**

By Michael Martin, Private Client Manager, Seven Investment Management (7IM)

As someone whose youth was spent burning the candle at both ends, I've had a morbid fascination with last Thursday's 'Being 18 in 2018' report by the Office for National Statistics (ONS).

Don't get me wrong – the parent in me is thrilled that my own kids might actually turn out to be more sensible than I was. Yet, I'd still hope they might balk at being dubbed 'generation sensible'.

Sensible or not, 18 year olds today apparently have a new found sobriety, drinking far less than my contemporaries ever did (although with Freshers Week underway, I'll be having a tequila and taking this with a large pinch of salt).

Whether sobriety is what's feeding into the increased longevity rates is anyone's guess. An 18 year old woman could now, on average, very reasonably expect to hit 90 (a 2 year increase on 18 year olds living in 2000), whilst men have gained an extra two and a half years and can expect to reach 87.7 years.

Whilst my inner 18 year old would probably say they can keep their extra few years – I'm off down the pub – at 43 years old, here's my take on the ONS data from a personal finance perspective, with some tips for today's 18 year olds.

1. **Rally against the horrible 'economically inactive' label**

   Students who aren't working or looking for work alongside their studies are classified as 'economically inactive' – how rude! And, according to the ONS, there are more of them than ever (presumably because student numbers have gone up).

   It is crude and simplistic to tell students to 'get a job!' Everyone's studies, timetables and commitments are different. But, if you are able to combine studies with work, it can have benefits far beyond helping you 'get by' financially. Experience of the workplace can be confidence building, illuminating and can help you on the employment ladder when you graduate. Which takes me to tip two.

2. **Never mind 'generation sensible' – be 'generation cheeky'**

   I got my first job as a project manager for a well-known insurance company having worked for them throughout my university holidays. When I left, I had only been a full time member of staff for 19 months, and since this was just lower than the two year qualifying period, I was told I had lost my pension rights.

   So in the spirit of 'if you don't ask, you don't get', I decided to be a little bit cheeky. I knew that although schemes have rules, all trustees have discretion. I knew my total service was a fraction over two years, including the temp time. I therefore asked if they could honour my temp time as well, and they agreed. When I asked for a transfer value a couple of years ago, it was worth £35,000. This is actually far more than I earned in those two years.

So I made this money from knowing a technicality and writing a letter. Not everyone will have the advantage of working in financial services, but it does prove that a little bit of knowledge can go a long way. So, read the personal finance sections of the newspapers (whether online or in hard copy) – you'll learn a lot.

3. Take advantage of auto enrolment

That first job out of university might not be the job of your dreams, but try to resist opting out once you have been auto enrolled into a pension scheme. You may find that you are there longer than you planned, but any length of time is too long to miss out on 'free money' – which is exactly what employer pension contributions are. And not much in life comes for free.

Make sure you know what your pension is being invested in. You won't be touching the money for a long time, so you have time on your side to help iron out some of the highs and lows, and benefit from the long term potential of the stockmarket.

You might also want to think about contributing more than the minimum amount, if you can – it means that even if you don't start entertaining a stocks and shares ISA for another decade or so, you've made a start via your pension.

4. Time out on going out

Apparently the amount of time 18 year olds spend socialising – meeting friends and family and visiting pubs and cafes, has declined by 27 minutes a day between 2000-2001 and 2014-2015, whilst screen time has gone up by 17 minutes a day.

Good personal finance, to me, is all about balancing 'living for today' (however you get your kicks) with 'saving for tomorrow' – and there are plenty of apps around now that can really help bring your personal finances to life.

Our own app, **7IMagine** was developed by the team behind GoldenEye and Donkey Kong – clients of ours who hated their traditional paper statements. They pitched to us, and 7IMagine was born.

You can plug in a range of scenarios in as little as 10 minutes, looking at how much you have saved each month, pension contributions etc, to help you see how your finances might be looking later down the line. It's not an exact science, but it can help illustrate how the 'little and often' approach to saving can, over the long term, go a long way. And help get you into good savings habits.

7IMagine illustration

5. You’re never too young to start saving

If the ONS is right about those longevity rates, you’re never too young to start putting a little bit of something away – although saving for a house might be more pressing right now than saving for your dotage, and also it is a good time to start trying to build up some cash reserves.

You don’t have to be ‘generation sensible’ to start thinking about your personal finances. A little bit of forward planning can help you along the way to a (hopefully) more decadent future.

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