Investing in your ‘dear’ little things

Women and investing

Our research report **Understanding Women's relationship with investing,** found that having children living at home affects women's financial wellbeing today. It also affects their financial priorities for the future. Here we look at why that might be and how investing could help you to take control.

Financial wellbeing today

Here's what the women who took part in our research told us.

Money worries keep me awake at night

- 19% who have children at home agree
- Compared to 9% of those who don't

The state of my finances is a source of general worry or stress

- 32% who have children at home agree
- Compared to 17% of those who don't

Top financial priorities for the future

A comfortable retirement

- For 32% who have children at home
- Compared to 62% of those who don't

Supporting children

- For 35% who have children at home
- Compared to 6% of those who don't

Financial pressures

Of course, bringing up children costs money. The most recent data from the Child Poverty Action Group puts the cost of raising a child from birth to 18 at £157,592 for a couple, rising to £208,735 for a single parent. [1]

Many parents are also very aware that the next generation has less financial security than they did. Housing and education costs are many times higher, while the workplace is generally less secure. Parents tend to end up supporting their children for longer, have them at home for longer and are often on the hook for higher education costs.

What can be done?

Worrying about money and your children's future can take up a lot of headspace. It might be better used for dealing with broccoli wars or smartphone negotiations.

Getting your own finances sorted is one way to do the best for the children in your life. That means starting with the basics: paying off expensive debt, building an emergency fund and insuring yourself against unforeseen events. Our article **getting your financial house in order** looks at this in more detail. The other way is to save for their future.

What are you saving for?

For shorter-term future needs, like paying for school trips or funding that smartphone they've negotiated for, cash savings work best.

If you've got all that and your day to day essentials like food and housing costs covered, you can start to think longer term. Investing might be a smarter option if you want to build a nest-egg to help as they grow into young adults and help with things like university or a deposit on a first home.

Regular investing over a period of 5 years or more can offer more potential for growth than using a savings account. It's a good way to get started with investing generally. It gives you time to build confidence and experience. It also helps smooth out the effect of market ups and downs on your pot over time.

[1] Child Poverty Action Group. The cost of a child in 2022.

You can start small

If you're unsure about investing, the trick is to think small – at least to begin with. Even investing just £25 a month can make a real difference over time and grow to a decent nest egg.

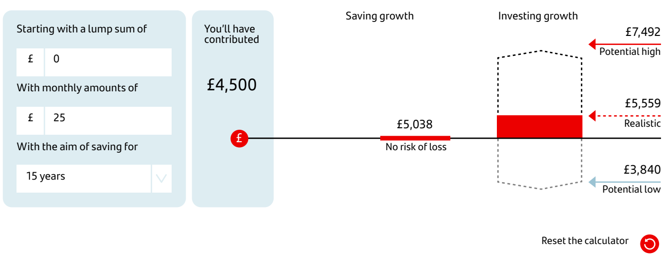
Investing regular, affordable amounts can help you build a good habit. If you're working, schedule the Direct Debit to leave your account on the day you get your salary. You may not miss it as much and you'll find your children's nest egg starts to take care of itself.

It's worth reviewing the amount regularly too, say once a year or if your financial situation changes. Whenever you can afford to put in a bit more by upping your regular investments or paying in a lump sum, it all helps to add up.

Just imagine...

Our savings and investments calculator can help you see the possibilities. Below you can see what it shows for starting small with £25 a month over 15 years.

After 15 years, you'll have paid in £4,500, but your child could end up with a lot more by the time you take investment growth into account.



The amounts shown are for illustrative purposes only, they are not guaranteed returns. The projected investment returns are based on a medium risk investment fund. Amounts for lower or higher risk investment funds will differ. As the figures show, investments can go down as well as up and you may get less back than the full amount you invested. Forecasts and past performance do not guarantee performance trends of future returns.

To explore how your children's nest egg could grow, go to **santander.co.uk** and search for savings and investments calculator.

Ways to invest

If you want to invest for a child, it's worth exploring the tax-efficient options open to you. These include ISAs and pensions.

Junior ISAs are designed for saving or investing on behalf of children under 18. You can put up to £9,000 in a Junior ISA each tax year. In the 2020/21 tax year, the most recent year for which statistics are available, 245,000 of them were used for investing with a total of £458 million paid in[2].

Anyone can pay in to a Junior ISA, including parents, grandparents, godparents and friends. All the income and capital gains generated within the ISA are tax-free. The funds cannot be accessed until the child turns 18.

A pension? Really?

A pension may sound like an odd choice for a child. Based on current rules it's unlikely that they, as the scheme member, will be able to access their pension until they are 57. And you won't be able to access it at all, so bear that in mind. However, the potential compounding effect of starting a pension at birth is phenomenal.

You can put in up to £2,880 a year for a child. The government will put in another 20% in tax relief, bringing the total to £3,600. They may not thank you when they're young, but they will when they're old enough to realise the head-start they have.

In some cases, money given to a child by a parent outside of a Junior ISA or Child Trust Fund could be taxed as the parents income if the interest earned is over £100 in the tax year. HMRC has more information about interest and tax on savings for children.

[2] Figures taken from HMRC annual savings statistics 2022.

There's no time like the present

Building up a nest egg can help remove some of the financial anxiety associated with having children. It can also help to reassure you that your children will be able to take advantage of the opportunities available to them. Getting started may be easier than you think.

Explore more

Do you want to learn more about investing? Get inspired by other women's stories through our women and investing series. Including many articles, and our research report, **Understanding women's relationship with investing**.

If you're ready to think about investing, visit **santander.co.uk** and search Investment advice, to see how we can help you.