PRUDENTIAL
INVESTMENT MANAGERS

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Investing for a home

Medium-term investing tends to focus on big goals, like saving for your children's education or other big ticket purchases. When it comes to the latter, there aren't many tickets bigger than buying a house. Your home is one of the most valuable assets you'll ever own – yet saving up for the deposit (or down payment) can seem like an enormous or even impossible undertaking. It shouldn't be. All you need is smart financial planning and the right approach to investing.

One of your first steps when buying a house should be to determine how much money you will need to invest for your deposit. Once you have this information, you can start using online tools like our Goal Calculator to find out how much you will need to put aside each month and how long it will most likely take for you to reach your goal.

Remember, the larger your deposit, the lower the interest rate you're likely to receive on your home loan. A lower interest rate means lower monthly instalments (10% of the property price seems to be a common target for most new home owners).

Hidden costs
Beware, however, of hidden costs. As most homeowners will tell you, there's more to the cost of buying a house than just the

purchase price. Those extra costs range from a few hundred rand (like the deeds office registry fee) to several thousands of rands (like the home loan application fee, property transfer fee, bond registration fee and transfer fee). All of which can quickly turn a R2-million house into a R2,1-million purchase. Factor those costs into your planning to avoid any nasty surprises. Those hidden costs – and we call them “hidden” because, while they’re no secret, very few first-time home buyers actually know about them – could change your investment goal from R200 000 to R300 000.

Investment planning
Once you know what your goal is and how much you’ll need to set aside each month, an accredited financial adviser can really make a difference by guiding you through the process and explaining, step by step, how factors like interest, inflation and investment returns can influence your investment strategy. One thing your financial adviser may well tell you is to avoid taking money out of your retirement savings. As important as it is to own a home and to enter the property market, the long-term impact of removing a lump sum from your retirement savings could be far more damaging than you realise.

Either way, it’s best to get your house in order by speaking to your financial adviser for good investment advice. Alternatively, for more information contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.