

Investing For Your Children Will be Your Best Ever Decision!

Description

While the recent performance of the stock market may have been disappointing, the reality is that it has enjoyed a period of stunning growth. For example, the S&P 500 has risen by 3.5 times since its low during the financial crisis. And while this rate of growth may not be achievable in every year, its potential to deliver better returns than other mainstream assets appears to be high.

As such, the stock market could be the perfect means through which to invest for your children. In time, doing so could provide them with the foundation for a prosperous financial future.

Long-term potential

Since the time horizon when investing for a child is extremely long, it may be possible to generate excess returns through taking more risk than usual. Clearly, taking high risks without a commensurate increase in potential rewards is not a logical idea. But it may be possible for an investor to focus on more speculative areas of the stock market, such as smaller companies, since high volatility may not be a cause for major concern.

For example, even if a long-term portfolio experiences significant falls in the short run, history shows that a recovery is possible in the long term. This may create greater flexibility when deciding where and when to invest.

Global challenges

While interest rate rises are set to be a key theme of the next decade, they may fail to stop the continued rise in property rises across the globe. In recent years, property has become relatively unaffordable for many younger people. This trend looks set to continue, with population growth set to keep demand levels relatively high in the coming years. And with monetary policy likely to remain looser than the historic 'norm', property prices could continue to move upwards.

Therefore, a nest egg which can be used as a deposit for a first home could be a sensible goal when investing for your child. Even investing a relatively small sum of capital on a regular basis could lead to a significant end sum due to the impact of [compounding](#). And with stocks having a stronger historic performance in terms of total return than property, they could outstrip the performance of the global property sector in future.

Logistics

Clearly, there are various means through which it is possible to invest for a child. Many countries offer tax advantages in doing so, with this being a potential means of generating higher returns over a sustained period of time. And with there being the potential to avoid inheritance tax in some countries, the idea of gradually passing down wealth could be a tax efficient one.

Therefore, while it will take time to build a substantial nest egg for your children, doing so could be a worthwhile decision. Not only could it reduce the overall tax paid, it may also provide them with an easier route to owning their first home in what could prove to be a challenging property market for first-time buyers.

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