

What should I do with my annual bonus and pay rise?

Savings and investment tips for expats in the UAE

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Some of us are lucky enough to receive an annual bonus and a pay rise each year. It is very tempting to spend this annual windfall on luxuries like holidays, new furniture and experiences. It is equally tempting to increase spending in line with our new salary. However, a recent Friends Provident International survey suggests we may end up paying the price in the long term.

For example, there is a significant gap between our vision of a comfortable retirement and what we are actually doing to make it a reality. We want to retire between 61 and 65 on average, but more than half of us spend all that we earn, saving nothing.

This year, why not spring-clean your finances?

- Earmark your annual bonus to meet future goals – put the cash towards future medium- or long-term goals such as children's education, funding a business or retirement to make sure they happen.
- Consider investing your bonus in real assets that beat inflation – equities tend to outperform cash or bonds over the long-term but you should diversify your investment into a wide range of assets such as equities, bonds, property, commodities etc. to smooth the peaks and troughs of the different markets.
- Invest your bonus in a [single premium insurance bond](#) for access to all the above mentioned asset classes under one roof – you may get tax benefits in your home country and you will definitely benefit from administrative simplicity, with a single valuation for all your holdings.
- This year, instead of adjusting your lifestyle and spending to the level of your new salary, invest your salary increase in a [regular savings plan](#). It is very likely that you won't miss what you never had. If you already have a savings plan, consider increasing the amount you pay each month to match your salary increase.

- If you are from a high tax country, consider saving some, or all, of the amount you would have paid in tax on your salary back home. Not paying tax in the UAE isn't a reason to spend more than you need to.
- Read our ['Beginner's guide to investing'](#) so you can maximise the opportunities for investing your new found wealth.
- Finally, talk to a well qualified and [licensed financial adviser](#) – there is evidence from the UK that great financial advice can make a very positive difference to your wealth.

Our research shows that over 80% of expatriates are attracted to the UAE for the opportunity to earn money/for work, but it takes discipline to make sure that you maximise that wonderful opportunity.

All information contained within this article is correct at the time of publication, March 2018.

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