



Be a woman about it...

September 2008

Are you sick of hearing the phrase 'Be a man about it', particularly if you're a woman? This term generally relates to stepping up or showing courage and determination. These are all traits that women definitely possess. So, why not 'be a woman about it' - and sort out your finances like a woman would?

Approximately 85% of all purchase decisions are made, or directly influenced, by women and many of us also manage the household finances. Why is it then, that despite this, only a minority of women actually visit a financial planner or establish and follow a savings and investment plan?

With increased workforce participation, and the growth of small businesses owned and operated by women, it's time we took a more active role in securing our financial future. But what makes women's financial planning needs differ to men's?

Yes, we are different and we do face a whole range of issues that are often gender specific. These can threaten women's financial security, and require long term goal setting (and action) to ensure financial success.

Let's have a look at some of the financial issues that particularly affect us and what we can do to minimise their impact and achieve financial security.

1. In and out of work (and love)

Being the more 'caring' side of the sexual divide, we are the ones that are more likely to assume the role of primary caregivers to children (or elderly parents) resulting in long periods of broken employment - usually during the time where we would be at or approaching our highest money earning years.

On average, women only spend 17 years in the workforce, compared with 39 years for men¹. This greatly reduces overall earning capacity and means less superannuation for retirement.

And, unless there are some significant medical breakthroughs about to be announced, one thing that will never change is the fact that women are the ones who have the babies.

What can you do about it?

1.1 Save yourself by planning - As soon as you start working full time, start to prepare for time off and extended leave.

When you are working full time, don't just rely on the compulsory employer 9% super contributions.

Salary sacrifice a small additional amount into your super before tax. This can lessen your taxable income and increase your super balance. Even as little as \$10 a week (that's only 3 coffees) can make a huge difference to your financial future.

1.2 Learn to use the 'B' word - Nobody likes the word 'budget', but the value of knowing what your spending habits are can greatly help you make positive changes and avoid unnecessary expenses.

Set and stick to a budget. Be flexible and adapt your budget to suit your ever-changing circumstances.

A good trick is to keep a diary of everything you spend for a week or two. Separate items into the following categories: bills and essential spending, 'nice to have' spending (eg. dinner out on Fridays), and frivolous or wasteful spending (eg. magazines).

¹source: *Women achieving financial success*, AMP, 2007.

It's time to
get started...



You'll be amazed and probably a little frightened at what you discover. Think about it - if you buy two coffees a day x 5 days a week, you have a caffeine habit of over \$60 a fortnight!

1.3 What is his, is yours too - While you are at home raising the kids and not earning an income, make 'the other half' pay your super. While we can think of some really interesting things to call this, in financial speak they are uninspiringly known as 'spouse contributions'.

Basically, the partner earning money pays into their spouse's superannuation account, on their behalf. This can be a tax-effective strategy, as every contribution made - up to a total of \$3,000 per year, could be eligible for a tax rebate of up to \$540.

1.4 Debt is a four letter word - And, remember what used to happen to you as a kid when you used one of those!

Keeping debt - particularly credit cards, under control is important. If your debt levels are getting close to being uncontrollable, try consolidating them into one loan to make them easier to manage.

Paying off one big debt rather than several small ones may result in less fees and lower interest, which equals more money in your pocket, or more of your money going into repayments, so you will be debt free sooner.

If you can, always pay more than the minimum repayment, each week. This can have a huge impact on the term of your loan. Talk to your lender or visit their website - most have loan simulators.

2. Keeping it casual

In 2005, 72% of part time workers were women². We also do the majority of casual work which means that we are often at a disadvantage in terms of income, superannuation and security in retirement.

Less hours may mean more leisure time, however, it also means less entitlements and less money.

What can you do about it?

2.1 Make the government pay - If you work part time or casual hours, you need to get the most out of the money you do earn.

One of the easiest ways it to make voluntary contributions to super and take advantage of what is known as the Government Co-contribution scheme. Depending on how much you are earning and how much you put in, you could receive up to \$1.50 for every additional \$1.00 you contribute to super.

This scheme is especially designed to benefit those earning low to average incomes, to help them build up their retirement savings. If you contribute as little as \$20 per week out of your own pocket, you may be eligible for the maximum co-contribution of \$1,500 per annum, depending upon your income level.

Think about it this way - how often do you get 'free' money from the government and how many investments will earn you up to a guaranteed 150% per annum return?

Even better - there is no paperwork. All you have to do is contribute the money - the tax office matches your account with your tax return and pays the government's share directly into your super account for you.

2.2 Beware of Bill (s) - At some time during the year most of us arrive home to find the yearly insurance or car registration bills in the postbox - often on the same day. Suddenly, any thoughts of a small retail therapy session disappear as you stare at a couple of pieces of paper telling you, you owe hundreds of dollars within a week or two.

Plan for these expenses via a regular savings strategy. Include a little extra than you think you'll need, so that when unexpected bills pop up you're covered.

Alternatively, most major bills have a monthly payment option, so you can arrange to pay big bills monthly instead of having to find the cash all at once.

²ABS, 2006, *Labour Force, Australia*, detailed - electronic delivery cat. No. 6291.0.55.001, Canberra.

2.3 Pay yourself - Set up a high interest savings or investment account that cannot be accessed by ATM. Temptation is most easily overcome if you just avoid it!

Automatically transfer a portion of your income into it each pay day, to ensure that you stick to your savings plan. As a rule of thumb, try to save 10% of your income.

3. Relationships, Divorce and Sexually Transmitted Debt

1 in 3 marriages end in divorce and over 1 in 5 women remain unmarried³ or co-habitate long term rather than marry. So how does this affect financial security? When a marriage or long term relationship ends it can become a financial battle over who gets what.

Essentially, many women could end up with what is commonly referred to as 'Sexually Transmitted Debt'. Yes, it is as painful as it sounds, as it may mean you are left holding your ex's debt, particularly if you signed on as guarantor of any of his loans.

What can you do about it?

3.1 Get it all in writing before you say 'I do' - Make sure that you have a financial agreement with your partner that clearly states who gets what in the event that the relationship ends.

3.2 Remember super, if there's a split - When a relationship breaks down and he goes from being 'my darling' to 'you %\$*#!', many of us often forget about super when it comes to 'divvying' up assets.

Super is an asset that needs to be considered in any financial split when a long term relationship ends.

3.3 Always read the fine print - If you haven't read it or don't understand it - don't sign it, especially if you are going guarantor for any loans. Ask lots of questions and query anything you're unsure about.

Otherwise you may end up being responsible for the payments.

3.4 Educate yourself - While you are 'kissing those frogs waiting for your prince', spend your time wisely - learn more about your finances. Education is the key to independence, and you can improve your financial literacy immensely by attending a course, reading books or speaking to the experts at financial seminars.

4. We need more (& more & more)

Women tend to live longer than men - on average we outlive them by at least five years⁴.

So, this means we need more super and savings to live a comfortable life in retirement. Unfortunately, because of time out of the workforce and casual employment, this means that we often have to play catch up with super contributions.

What can you do about it?

4.1 Unlock the mystery of compounding - Even more powerful than botox, the principle of compound interest makes the money you save today far more valuable than money contributed later in life. Use this to your advantage.

If you see 'I do', children and time out of the workforce in your future, make additional contributions now - prepay into your super. Salary sacrifice is a great option for this as the money is deducted from your salary before the tax man takes his share - it can reduce the amount of tax you pay. Talk to your employer or HR department about arranging this.

Remember, every little bit counts! The more you save now the greater the benefit you'll receive later on.

³Parliamentary Report: *'To have and to hold': Strategies to strengthen marriage and relationships*. Commonwealth of Australia 1998.

⁴Australian Institute of Health and Welfare. *Life Expectancy*.

Accessed at www.aihw.gov.au/mortality/data/life_expectancy.cfm on 27/03/07



Dream big.
Invest well.

4.2 Invest in U - Put some of your money towards an investment. Think outside the square, you don't need a lot of money to invest, and direct shares are not the only answer.

You can start investing as little as \$20 a week in a managed investment fund and access shares, property, infrastructure or cash, or a combination of any or all of these.

4.3 Don't just be fashion forward, be investment forward - Throughout our lives we take risks with fashion, hairstyles, hair colour and even love, so how come we are generally more conservative in our approach to investment choice?

If time is on your side, you may consider a more aggressive or 'higher risk' investment style.

If you're nearing retirement, it might pay to stick to a conservative approach. Remember, investments fluctuate over time, so the more time you have, the more risk you may be able to take.

5. Pick a planner - make a plan

Surveys show that women often report that they feel unwelcome by planners, ignored by the financial planning industry, and are less likely to seek advice.

What can you do about it?

5.1 Speak to friends or colleagues - They might have seen a good financial planner. Make the most of the free consultation most reputable planners offer. Above all, ensure that you find a planner that you trust and feel comfortable with.

5.2 Consider your goals - Before you see a financial planner, consider your goals and make your expectations known from the beginning. If you're not happy or unsure about any advice given, tell your planner. Finally, don't be afraid to ask questions. A good financial planner will be happy to answer any questions you may have and assist you with reaching your goals.

In Summary

It's never too late to 'be a woman about it' - and take control of your finances. There are a range of strategies that you can easily implement to help keep you on track to achieving your financial goals. The ideas in this flyer are all straightforward approaches, which you can benefit from: Government Co-contributions, budgeting, saving, investing and debt consolidation can make a huge difference to your lifestyle and future financial situation. Education and time invested in gaining the skills to become financially savvy will greatly assist you in achieving financial independence.

Want more info on these topics?

Look at these useful websites:

www.iffp.com.au

www.asic.gov.au/fido

www.membersequity.com.au (financial calculators)

www.understandingmoney.gov.au



Investment Funds

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