



# women & money

creating good money habits  
is just one way to secure  
your financial future



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Some basic facts about women and money are well recognised: lower average incomes, broken work patterns – usually for family reasons – less time with compulsory contributions, and in the end, less super. Not only that, women's savings need to go further because we live longer than men.

If that wasn't enough, the increasing trend towards a 'single' culture is another reminder that we need to plan for financial independence.

The 2008 Financial Literacy report – Women understanding money<sup>1</sup> tells us that many women already have the budgeting and savings habits needed to put themselves in charge of their money. However, when it comes to investing, planning for the future and retirement - all the things that give us greater freedom in the long run – we are less confident.

The good news from the report is that most of us are willing to learn and want to get better at our finances.

If you are already good with money this booklet will reinforce that you are on the right track. If you are less confident, it will help you know your position, understand your money goals and get ahead.



## **The Australian Securities and Investments Commission (ASIC) provides these top 10 money tips for women\***

1. Start a savings plan: it's easier than you think
2. Train your credit card: keep debt under control
3. Learn about your super
4. Don't wait for prince charming
5. Invest in your super
6. Consider other types of investing
7. Plan ahead for life events that may affect your income and super savings
8. Talk about money in your relationships
9. Teach kids the value of money
10. Plan ahead for your retirement

Source: Financial Literacy – Women understanding money. Commonwealth of Australia 2008

\* [www.fido.gov.au](http://www.fido.gov.au)

# relationship with money

Our relationship with money can be at odds with how we are with the rest of our lives. We can be totally organised and successful, yet turn into procrastinators when it comes to knowing and organising our finances.

## money baggage

The way we were brought up, how we saw our parents handle money and the attitudes of those around us all influence our behaviour to money.

So what's your money relationship like?

- ~ Do you love it, do you hate it, do you fear it?
- ~ Do you think it's boring?
- ~ Are you a spender? Saver? Or a bit of both?

Understanding your relationship with money can help you identify where you are good with money, and where you are not.

Take a few seconds to do this quick money quiz.

**1. How confident are you that you'll have enough money for your future?**

- a. Very confident
- b. Somewhat confident
- c. Not confident at all

**2. For me, money...**

- a. is plentiful – I have more than enough
- b. comes in and out, but I manage to get by
- c. disappears as fast as it comes in, often in debt

**3. How I use my money is best described as...**

- a. I earn \$100 and typically spend \$90, saving \$10 for a rainy day
- b. I earn \$100 and typically spend \$100
- c. I earn \$100 and typically spend \$110

**4. If I had to measure my state of overall wellbeing right now it would likely be...**

- a. excellent, I feel in control and have a plan for the future that excites me
- b. fair, I'm working hard and enjoying life as much as I can
- c. Stressed - I feel like I'm struggling to stay in control and losing ground compared to others

If you answered mostly a's, then you definitely are a 'good with money' person, mostly b's, you are on your way to becoming a good with money person, and mostly c's – well you could do with some help.

Of course, this only touches the surface so you may want to take one of the numerous online tests or read [Your Money Personality: Unlock the Secret to a Rich and Happy Life](#), by Liz Koh.

# work out your goals

Writing out your goals and having a plan doesn't have to be scary or boring! It just takes time to think about what is important to you and your future wellbeing.

When writing your goals, remember to Make it SMART! Goals should be specific, measurable, attainable, realistic and timely. *Keep your goals with you, and along the way ask yourself – am I doing what I need to? Is what I'm doing helping me to achieve my goals?*

## the things that matter

**lifestyle goals** – what's important to your wellbeing? eg holidays annually? early retirement?

**career goals** – what's important to you in your career? more money? increased prestige? promotion? or are you working towards more flexibility?

**money goals** – what are the main things that will help improve your position? eg get out of debt, pay off mortgage, build wealth outside super, diversify investments, minimise tax

**other goals** – write down anything else that matters to you that falls outside of the above categories? eg, starting a family

It's also important to write down how you will feel when you achieve these goals and frequently remind yourself.

When I achieve \_\_\_\_\_ I will feel \_\_\_\_\_

Or by doing \_\_\_\_\_ I will accomplish \_\_\_\_\_

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# know your position

If you were embarking on a fitness program you'd want to know your starting point. Being good with money is no different.

Now that you know what your goals are, understanding what money comes in and what goes out can really help you to identify what is and isn't working for you when it comes to your money.

You need to get back to basics and record your spending plan. This can be paper based or a sophisticated online tool.

## take the first step to financial control

Managing your money well day-to-day is essential. Get it right and you'll take control and get ahead financially. You'll dictate how much money you have now and how much you'll accumulate throughout your life.

We've got a great online cash flow management tool called the smart money guide.

It's great because if you are not so big on all the details – you can still get a picture when you use the 'I Can Only Estimate' button, and if you are into details, the smart money guide covers all bases.

Visit: [www.smartmoneyguide.com.au](http://www.smartmoneyguide.com.au)



The banner features the 'smartmoney GUIDE' logo on the left. To the right is a 3x3 grid of icons representing various financial concepts: a dollar sign, a line graph, a house, a pie chart, a shopping bag, a car, a calculator, a mobile phone, and a group of people. At the bottom left is a yellow button with the text 'www.smartmoneyguide.com.au >>'. At the bottom right is the 'ipac' logo.

# 'good with money' habits

## savings

Good with money people always pay themselves first.

★ **58% of women save first and spend second**

Depending on your level of income, you can start by automatically saving 10% of your pay, as your income increases you should also increase the percentage of money you save.

Once you have created a decent size savings pool, you start to be in a position where you have options on how you spend/invest that money.

### TIPS

- ~ Internet banking makes setting up an automatic debit easy. Make sure you arrange for money to go out the same day your pay goes in.
- ~ Look at areas where you can create a surplus
- ~ Keep a spare change jar – it's amazing how that spare change really adds up.
- ~ Only take out the money you need for the week. Once that runs out – you can't go back for more.



## debt

Not all debt is created equal – good with money people understand this and use it to their advantage.

**Good debt** is debt on things that can make you money and that can be used to leverage wealth, such as a mortgage. Although you owe money, your property is likely to increase in value over the years.

**Bad debt** is a debt that costs you money to have it.

And downright ugly debt is debt that drags you down and seems impossible to get out of, like personal loans and credit cards.

### what can you do?

Keeping a lid on debt is about learning to control your money. An important first step in gaining control is getting back to basics and creating your own spending plan. The smart money guide can help you with this, but a paper version is just as effective in showing you where your money goes, and identifying ways to trim back spending. It will also highlight your potential to pay off and reduce outstanding debt.

★ **71% of women have a credit card debt, 55% have loans, and 23% have other debt**

Once you have established how much of your income can be directed to your debt, prioritise the balances you owe.

List them in order of the highest rate of interest and pay these ones off first. You will save more by paying off high interest loans while keeping up with the required payments on the remainder.

It's always tempting to pay off only the minimum required, but high interest rates on debt like credit cards could keep you in arrears for a lot longer than necessary.

If you have a number of debts with the same interest rate, pay off the smaller balances first as getting these out of the way will provide you with an incentive to keep going.

If you can, try and save at the same time as paying off debts, (even if the amount is very small), as this will get you into the habit - ready for when those debts are paid off! Once you are debt free you can shift your focus over to making your money work for you.

#### TIPS

- ~ Try to get rid of high interest debt first and pay more than the minimum balance
- ~ Only have 1 credit card – you don't need all those other store or loyalty cards
- ~ Start paying cash for items (if you don't have the cash you don't need the item)
- ~ If you can, increase the frequency of repayments and reduce the interest you pay



## investing

For some reason, women are less confident in their ability to invest, or find ways to avoid investing.

Good with money people take time to understand the risks and opportunities involved in making investment decisions and often seek advice before taking action.

If you keep putting-off taking action towards building your financial security, you could be missing out on opportunities to secure your future. You will be missing out on what Albert Einstein called 'the 8th wonder of the world' – compound interest.

When you are in debt, compound interest is the interest that is regularly added to that debt. Conversely, when investing, compound interest is the profit regularly added to your investment. This explains why \$200,000 invested at a rate of 10% per year can grow to more than half a million dollars over a period of 10 years.



**68% of women want to know more about how to invest**

## getting started – making informed decisions

With all the investing options open to you today, it can be confusing to work out where to start and a little daunting to part with the money you have worked hard to save. It can be difficult to know what type of investing style will suit you and provide you with the returns you need. That's where a financial adviser can help you.

## what will work for you?

The strategy that's best for you will depend on your financial goals, the amount you have to invest and your attitude to risk. It might also depend on your personal values and attitudes to money. Some options available to you are:

- ~ term deposits
- ~ super
- ~ investing in property
- ~ shares
- ~ gearing (using debt to create long term wealth)

Research by the Financial Literacy Foundation indicates that most women do not consider risk and return when making an investment decision.

While all investments do involve an element of risk, there are two important points to keep in mind:

1. if you take little or no risk, you get little or low return
2. you should not be afraid of risk as it is a fundamental part of the investment equation

The key to successful investing is not to avoid risk, because by doing so you will also avoid a reasonable return, but rather to sensibly manage the risk.



## protecting yourself and your family

Good with money people also know the importance of protecting what they have worked so hard to achieve. Even the best wealth creation strategies can be ruined if they're not supported by a back-up plan.

Building your financial strategy without adequate protection is like building a house without laying foundations. It makes no sense to build wealth and not protect it. Don't be the person who thinks it'll never happen to them.

## it actually might happen to you!

There are two fundamental areas that need protecting, your possessions and yourself. Most people understand the need to protect their assets but surprisingly not many bother with personal insurance (which includes your life, income and health), under the mistaken assumption 'it won't happen to me'.

### did you know<sup>+</sup>:

- ~ you have a 1 in 3 chance of being diagnosed with cancer before age 75?
- ~ breast cancer is one of the most common cancers diagnosed, and ovarian cancer is the 9th most common cancer diagnosed in Australian women?
- ~ cardiovascular disease affects one in five Australians, and affects two out of three families?
- ~ stroke kills more women than breast cancer?

<sup>+</sup> <http://www.aihw.gov.au/cancer/index.cfm>, [www.ovariancancerprogram.org.au/info/statistics.htm](http://www.ovariancancerprogram.org.au/info/statistics.htm)  
[www.cancer.org.au/Newsmedia/factsfigures.htm](http://www.cancer.org.au/Newsmedia/factsfigures.htm) , [www.heartfoundation.org](http://www.heartfoundation.org)



### not a luxury, a necessity

At different times of your life you will have different needs for insurance. In your 20's, it may be enough to insure just your car, in your 30's you'd probably add health insurance, and when you buy a house you are likely to insure it and the contents inside.

Life insurance is easily overlooked as life expenses add up. But it is worth taking a moment to consider what would happen if an extended illness, injury, or worse – your premature death stopped your ability to work and earn an income.

It's hard to imagine losing your health and your ability to work but it is easy to imagine the practical impact the lack of an income would have.

Without insurance could you still pay the bills? Enjoy your current lifestyle? Fund your retirement?



### make sure you place value on being the homemaker

If you are taking a break from the paid workforce, insurance is just as important for you.

Many women and couples forget about insuring the person staying home to look after children. If something should happen to this person, the family can suffer financially, as well as emotionally. Hiring someone to provide home help and child care services can cost a lot of money.

To protect your household (and avoid putting a big dent in the budget) it's important to include the homemaker when developing suitable insurance strategies for your family.

### everyone needs a will

It's not easy to think of our own mortality, but at some stage we have to think about what would happen to those left behind if we were no longer around. Would everyone be looked after? How would they know who you wanted to leave your things to?

A Will ensures that on your death, your wishes are carried out. Everyone should have a written Will, even if only as a safeguard against the unknown. The reality is that when someone dies, squabbles among family members over the estate is not uncommon.

For a Will to be effective it must be valid at the time of your death and you must have an estate to pass on. To ensure your Will remains relevant, you should review it at least once every three years or when there is a major change in your circumstances. For example, a marriage may revoke a previous Will and a divorce may also invalidate aspects of your Will.

# your financial personal trainer

Completing the goal-setting exercise lets you know what you want, and by using the smart money guide you have a pretty good picture of where you are at.

To be good with your money, it's really about making informed choices. There are number of ways you can do this. One way is to go it alone, and read up on the latest research available on the internet and the many investment publications.

The other choice you have is to seek professional advice.

What is financial advice? To some people it means investment planning. To others, it means tax planning. Or estate planning. Or insurance. Many firms specialise in one or two of these areas.

We focus on you as a person – on your total situation and needs. You can't look at your investments without considering tax. You can't consider your tax without managing your income, debts and expenses. And every one of these things affects your lifestyle.

Our advice aims to help you make the right choices for all your important financial decisions throughout life – so you achieve your chosen lifestyle.

Sounds simple enough but making the right choices is difficult because the rules are always changing. So are your needs and priorities. So are your investments. And so are the options open to you.



# your money make-over

get your finances in order

action plan	yes	no	by when
<b>work out the things that matter to you</b> Write down your goals, and how you are going to achieve them	<input type="radio"/>	<input type="radio"/>	
<b>know your position – do you have a current budget?</b> If not, create one and stick to it. Aim to create some surplus funds.	<input type="radio"/>	<input type="radio"/>	
<b>understand your debt – how long since you reviewed your debts?</b> Review your current arrangements and compare with others available in the market to make sure you are getting the best deal.	<input type="radio"/>	<input type="radio"/>	
<b>reduce your debt</b> – get rid of high interest debts first	<input type="radio"/>	<input type="radio"/>	
<b>make-over your finances</b>	<input type="radio"/>	<input type="radio"/>	
Review your estate plan ~ update your will and if you don't have one – create one!			
Update your beneficiaries and next of kin on your ~ super ~ insurance			
Review your insurances ~ make sure there are no gaps and everyone is covered			
Set up a rainy day account – just in case			
Examine the way you pay tax ~ you may save tax if you structure things differently			
<b>review your retirement plans – are you on track?</b> ~ Do you have a retirement plan? ~ Are you actively saving? ~ How much is enough for you to maintain your current lifestyle?	<input type="radio"/>	<input type="radio"/>	

## have your circumstances changed?

Life is full of ups and downs, and there can be times where it is more important to pay attention to your finances than others.

For example:

- ~ getting married/remarried
- ~ death of a loved one
- ~ suddenly single – divorce
- ~ transitioning between work and leisure
- ~ raising children
- ~ when you are nearing retirement
- ~ birth of a child, or a grandchild whom you want to financially provide for
- ~ when you pay off your family home, and start to have surplus income
- ~ becoming an empty nester, when is the right time to downsize.

Financial advice can really make a difference to your financial position, so if you are experiencing change – speak to your financial adviser and find out whether you are making the right choices with your money.

# about ipac

While money and investing are the first things most financial advisers talk about, at ipac the focus is different. It's on people, their dreams, aspirations and ultimately the lifestyle they want to lead.

We believe that smart money management and investing are a means to an end - without linking them directly to how people want to spend their lives, they mean little.

This sounds simple enough, but making the right choices can be difficult because the rules are always changing. So are your needs and priorities.

At ipac we understand what many women face when it comes to investing and we aim to take away any apprehension. Here's your chance, without obligation or pressure to sit with a professional who can help to align your goals.

Contact us today for your FREE personalised appointment.

ipac, a leading financial advisory firm, has been helping people get the most out of their money and their life for more than 25 years, and we can help you too.



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