



Wealth Adviser

FINANCIAL PLANNING
for women

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Before you get started

This digital handbook contains general and factual information only, and is part of the Wealth Adviser library, published by:

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

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Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

It is quite possible that the title of this eBook might strike people as slightly strange.

- Why produce something on financial planning that is specifically aimed at women?
- Are their financial needs and aspirations not exactly the same as that of men?

The short answer to these questions is ‘Yes, but...’!

Allow us to explain: Women, like men, desire to be financially secure both now and in the future. This does not mean, however, that an eBook like this is not needed. Women may be aiming for the same destination as men; it is just that they often face more complicated and obstacle-laden routes in getting there!

This eBook will begin by focussing on some commonalities (i.e. the things that we will all have to get right if we want to enjoy financial security).

We will then briefly discuss some of the factors that can complicate financial planning for women. This will be followed by some suggestions for managing the main areas of your ‘financial life’.

We trust that you will find the information presented in this guide helpful and that it will make a meaningful contribution to your financial future.

Basic principles

Before we can begin our discussion on financial planning issues that are particularly relevant to women, we will briefly focus on some of the basic financial principles of which we should all be mindful, regardless of our gender. What follows may perhaps be nothing new to you, but reminding ourselves of the ‘basics’ every now and then is never a bad thing.

These basics include the following:

Take the ‘long view’ when it comes to wealth creation

Far too many people believe that they will gain financial security from a kind of ‘get rich quickly’ scheme. Such schemes are, unfortunately, often more likely to lose you money than the other way around. On the other hand, you are far more likely to secure your financial future with a ‘get independent slowly’ approach where the emphasis is put solidly on careful planning and wise investing.

Consistently spend less than you earn

The following observation, made by Charles Dickens in his book *David Copperfield*, is still as relevant today as it was in 1849:

“Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds’ nought and six, result misery.”

Although Dickens’s prescription for happiness may seem overly simplistic there is no denying the fact that limiting expenditure to match income is still one of the surest ways to limit long term financial headaches.

Minimise risk as far as possible

There is no such thing as a totally risk free financial decision. You should however take care to keep risk at acceptable levels by. You need to first understand risk and decide what parts of it to minimise.

‘Start early’ to take advantage of compounding

Compounding describes the process whereby interest is earned on interest. Compounding is bad news if you are in debt but fantastic news if you have something to invest. The key to making use of the ‘magic of compounding’ is to get the process started as soon as possible for, as someone once said: “The benefits of compounding are not retroactive!”

Simply put: The longer you can hang on to an investment the more likely you will be to show healthy returns. This does not mean that profitable investments cannot be made later in life, they just take a little more

planning then!

Specific challenges women investors face

We now turn our attention to some of the issues that can complicate financial decision making for women.

Not all of the things mentioned will be relevant to every woman reading this, but this section should certainly leave you with an increased understanding of why women need to take extra care when it comes to securing their long term financial future.

The major factors complicating financial decision making for women include the following:

Longevity

Australia enjoys some of the highest rates of life expectancy in the world, with a 45-year-old woman expected to live 40 years (to 85). That is an average that includes healthy and unhealthy women (everybody), if you take the healthy half and understand that half the women will die before life expectancy and the other half after, you will reach the conclusion that a large portion of women today will reach their mid-nineties and beyond.

At the heart of this statistic is a simple financial reality: The average Australian woman will need extra retirement funding.

The 'Gender Pay Gap'

It may be a very unpalatable fact but it is a fact nonetheless. Women earn, on average, much less than men.

The Australian Bureau of Statistics currently estimates the average full time weekly income of males at \$1,726 while the figure for females is \$1,485¹.

There are many reasons for this disparity (most notably the fact that women tend to work fewer hours than men) but the bottom line is that women will earn, on average, less than their male counterparts over a lifetime. This leaves them with less 'to work

with' when it comes to planning for their financial futures.

Irregular working patterns

Their roles as mothers and primary caregivers (in most cases) mean that many women are likely to leave the workforce for extended periods over their lifetime. Although these times may be very fulfilling and yield many happy memories, they also exact quite a heavy financial toll. This can be subtle (e.g. less experience leading to reduced prospects for promotion) as well as direct forms (e.g. less years working means less years contributing to your pension).

Transfer of financial responsibilities

Studies have shown that many women in committed long term relationships take responsibility for the day-to-day household finances while transferring the responsibility for long term planning to their husbands or partners. Unfortunately, this means that it is quite common for women to be in the dark out the plans that are in place to secure their financial future.

Potential financial vulnerability during times of relationship breakdown

It is well known that a large portion of women who go through a divorce are financially worse off afterwards. In many cases this has to do with the fact that women often contribute to marriages or relationships in 'non-earning capacities' (Read: Staying at home to raise the kids!) Moving from such a role towards earning a good income again can be very difficult, especially after spending several years outside of your chosen profession. All of the above underlines the fact that many women would benefit from financial planning that takes their unique circumstances into account.

The rest of this guide will focus on different areas that should be considered as you draw up your financial plans for the future. However, it should not be seen as a complete set of answers.

Every person is unique; it is therefore highly

¹ <https://www.wgea.gov.au/data/fact-sheets/australias-gender-pay-gap-statistics>

recommended that you discuss your personal situation with a competent financial adviser. Your adviser will help you to prepare a financial plan that will take all the relevant data into account and that will be tailor-made for your individual circumstances.

Savings and investments

Many people react with a mixture of fear and bewilderment when the word 'investment' is mentioned. This is because they are convinced that it is such a complicated area that 'mere mortals' will never be able to make sense of it! This need not be the case.

At its heart, investment is simply the discipline of using your present resources to ensure future growth. There are of course many different investment vehicles that you can use but the basic rationale remains the same.

Before we move into a discussion of some sound investment strategies it might be appropriate to make a few 'big picture' comments on women and investment.

It may sound like a bit of a generalisation but it is generally true that women investors tend to be more conservative than men. In some cases, this may work in their favour (e.g. through the fact that they will tend to hold onto investments longer causing them to benefit from long term growth). On the other hand, it can also harm women, especially when hesitation causes them to pass up on potentially lucrative investments due to being a bit too risk averse.

The different ways in which the sexes approach investment can be clearly seen in the fact that women tend to be uncomfortable with shares (preferring property instead) while many men are sometimes a bit too comfortable with riskier share investments. One implication of this is there might be investments you are not considering at the moment simply because of your investment profile. It would, therefore, be a great idea to enlist the services of a competent financial advisor to help you understand your investment profile and to provide you with an overview

of 'what's out there', thus enabling you to make truly informed choices.

Let's now turn to some general principles of investing.

Adhering to the following basic principles will make solid returns more likely:

Do your homework

Far too many people fall for extremely risky ventures disguised as responsible investments. Make sure that you are not one of them by carefully researching all the facts about any investment that you are thinking of making.

Remember the following basic principle as you do so:

"If something sounds too good to be true, it probably is too good to be true!"

Set clear goals

Those who aim at nothing hit it every time, especially when it comes to investment. If you do not have clearly defined financial goals, it is unlikely that you will save significant amounts of money over a long period.

Save something every month

You may say that the above is all well and good but that you have nothing to invest. We are convinced that this is only very rarely the case and would like to encourage you to go over your budget with a fine toothed comb to identify possible areas where small savings that can be channelled into investments, can be made.

Budgeting

A personal budget is absolutely essential for anyone wanting to secure her financial future.

Such a budget should be built on the following basic principles:

Always spend less than you earn

This may seem like a complete no-brainer, but the disregarding of this rule sits at the heart of most budget related woes. It would perhaps be possible to live beyond your means for a few months or even years, but this kind of lifestyle will exact its toll

sooner or later, usually in the form of crushing financial difficulties. The basic function of a budget is therefore to ensure that you do not cross the line into spending money that you do not have.

Avoid unsecured debt as far as possible

It is totally unrealistic, for most people at least, to think that you will be able to go through life without ever taking on any debt. The important thing to remember is that not all debts have been created equal. Some kinds of debt (e.g. a mortgage) can have positive effects on our long term financial health as it helps us to secure capital assets. There are, however, also other kinds of debts (e.g. high interest unsecured loans, credit card debts and pay-day loans) that are almost guaranteed to keep your personal budget from balancing.

Make the most of what you have

One of the most common financial mistakes that people who are not in debt make is to simply assume that a lack of debt will automatically translate into a secure financial future. Nothing can be further from the truth! You will still have to take care of your money with long term investment goals in mind. Not doing so is akin to simply leaving your cash in a box under the bed!

Be prepared for emergencies

Even the best laid plans of mice and men can go awry and there are usually some financial implications when they do! You should do your best to protect yourself against unforeseen circumstances by taking out adequate insurance and the creation of a 'rainy day fund'.

(The discipline of budgeting is discussed more fully in a separate Wealth Adviser eBook entitled A Brief Guide to Budgeting).

Bereavement and divorce

Thinking about the end of a relationship, either through divorce or through death is never easy. It is however something that you will have to force yourself to do, especially if you are not currently earning your own income.

It is not our intention to make light of very difficult circumstances but it can still be stated that of the two scenarios mentioned above, bereavement is arguably the one that is 'easier' to prepare for. You can do so by making sure that both you and your spouse/partner have excellent life cover policies in place. You can further strengthen your position by ensuring that both of you have up to date, professionally drafted wills.

When it comes to divorce the picture is a great deal murkier since most women will find it very difficult to actively 'plan' for the failure of a marriage. This means that most divorce planning takes place only when it is clear that a marriage will definitely be dissolved.

Some of the steps that you should take to 'divorce proof' your finances as far as possible include:

Enter into a 'Binding Financial Agreement'

Entering into a pre-nuptial agreement (known as a 'Binding Financial Agreement' in the Australian context) regarding the division of assets if the marriage should come to grief is perhaps not the most romantic thing to do but it can help you to avoid a great deal of 'messiness' further down the track. It should be noted that the ability to enter into such an agreement is not restricted to married couples; de-facto couples (both same and opposite-sex) can also sign them. The biggest benefit of BFA's is that they can provide a certain measure of comfort and certainty since both parties will know exactly where they stand should the relationship head for the rocks.

Be prepared

Making sound financial decisions will be extremely difficult if you do not do so based on solid information. You should therefore spend some time to get a clear picture of your obligations, assets to which you have a claim to, your tax liabilities and your legal position.

'Disentangle' your personal finances

If you are fairly certain that you are heading for a divorce you are also heading for an independent financial future. You should

prepare for this by gradually withdrawing from joint financial instruments (e.g. bank accounts, credit cards, insurance etc.) and setting up alternatives in your own name.

Establish an independent credit record

An aspect of 'disentangling' your financial affairs that is often overlooked is the establishment of your own credit record. This is especially important if your spouse/partner took responsibility for most major purchases involving credit. The first step towards bettering your credit score is to analyse your current position.

You can order a credit report from <http://www.checkmyfile.com.au>.

Get the best possible representation

If your divorce will be contested it will be in your absolute best interest to get a legal professional with a track record of obtaining satisfactory financial settlements on your team. Disregarding this piece of common sense advice could have definite negative financial implications in the long run.

Divorce/separation and superannuation

It is often the case that there is a significant level of disparity between the superannuation balances of divorcing/separating couples. More often than not it will be the female partners who will have much less saved up for retirement. There are two main reasons for this:

- The 'Gender Pay Gap' (as discussed above)
- Women often spend significant chunks of their career looking after children. This does not only result in lower lifetime incomes but also in lower super balances.

Retirement savings in the form of super will be regarded as an asset during the process of working towards a divorce settlement and any disparities will be noted. This may in certain cases eventually lead to some form of what is known as 'super splitting' (i.e. where funds are removed from the super fund of one party and deposited in

that of the other). Dealing with super as part of divorce settlements can be a very complex area and it is highly recommended that you get the best possible legal advice (even if the divorce is amicable) to ensure that everything is done correctly. You will, in fact, be asked to provide proof that such advice was sought before a binding agreement can be ratified.

In general terms the process of dealing with the super component of a divorce settlement can be approached in the following way:

- Collect all relevant information on the super funds of both parties. This may entail a formal request to the super fund of your spouse to disclose details.
- Obtain a formal valuation of the super interest. Professional help may be required with this step as you will not only be dealing with present values but also possible future benefits.
- Attempt to reach an agreement. If this is not possible it may be necessary to apply for a court order.
- Send a copy of the agreement (or court order) to the super fund trustee. Funds will then be dealt with in line with the agreement.

When it comes to the possible content of agreements there are three main options that both parties will have to consider.

They are the following:

Split the Super via a 'Payment' or 'Interest' Split

In the process of preparing for an agreement the total value of the super fund will be calculated. It can then be agreed to split the super in line with what was agreed in the overall settlement (a court can also order such a split if the divorce settlement is contested).

There are two ways in which this split could be handled:

The first is a payment split. This is where payments from the super fund are split

once a condition of release (e.g. retirement) is reached and benefits are paid out from the fund. More common is an 'interest' split where both parties receive an interest (or share) of a superannuation fund. The division can happen straightaway and it is not necessary to wait until retirement (although this is also an option, see below). Once such an interest is agreed on (or ordered) the spouse nominated to receive it can transfer it to her (or his) own super fund. It should be noted that it remains 'super money' and can therefore only be transferred into superannuation funds and accessed once general conditions of release are reached.

'Flag' the Super for Later Action

By 'flagging' an interest couples defer the division of the super fund until such time as a key event (e.g. a condition of release) is met. At such time a full evaluation of the value of the fund would be possible and couples can come to an agreement on how it should be divided.

The main benefit of 'flagging' is that the split can be done on actual value at the time of retirement rather than on projected values.

Strict conditions govern funds that are flagged for division and the risk of the party in whose name the fund is withholding any benefits (e.g. by moving money out of the fund before division) is therefore very low.

Take Super into account but leave funds undisturbed

If a divorce is amicable it may be possible to take the value of funds in super into account when a settlement is calculated without actually splitting the fund. In practical terms this may mean that one spouse will receive a larger cash settlement or a larger share of assets (e.g. the family home) to 'make up' the value of a super fund that will be left intact.

The information above should simply be seen as a basic introduction of how super may be treated in times of divorce or separation.

We want to emphasise again that this can be a very complex area and that you should,

therefore, get the best possible advice before you commit to a certain course of action.

Insurance

Taking a long hard look at your insurance needs is a very important step in ensuring your long term financial well-being. This is especially important if you are emerging from a divorce, if you have children or if you are heavily in debt.

The insurance market is crowded with a vast array of products and with many companies wanting to make a quick buck! It is, therefore, vital that you take a good hard look at the precise nature of insurance products that you are considering before signing on the dotted line. You should also not hesitate to get outside advice before committing yourself.

You should, in our opinion, at the very least have policies for the following in place:

Life insurance

By taking out a life insurance policy you will be insuring your life for a specific amount, thus providing for those whom you leave behind. Premiums will obviously rise in line with the insured amount.

Careful planning should go into the amount that you insure your life for; with your general level of indebtedness and the numbers of dependents you have being crucial factors in making a final decision.

Trauma Cover

If you take out trauma cover you will be paid a lump sum if an insured medical event occurs. Money can be used to fund specialist care, necessary home modification or to tide the family over during the treatment and recovery phase.

Examples of insured events include being diagnosed with cancer, heart attacks, strokes, bypass operations, loss of limbs etc. It is obviously not pleasant to think about such things occurring but adequate insurance cover may help you to minimise the negative fallout.

Income Protection

The purpose of income protection is to replace income that may be lost if you are unable to work due to illness or an accident. Most policies will kick in when the insured is unable to fulfil general occupational duties. Payments can be up to 75% of regular income.

As with all forms of insurance you need to be aware that products can differ significantly and that many policies may include coverage restrictions. It is therefore very important that you read the fine print in order to avoid some nasty surprises down the road. Your financial advisor should be able to assist you in the selection of products that would fit your particular circumstances.

Planning for retirement

Planning for retirement should be one of the cornerstones of personal financial management. You should therefore take the time to do a few projections of the likely state of your finances in retirement.

You can do so by estimating the value, in your case, of the following common sources of retirement income:

- Employer-funded superannuation
- Government age pension
- Personal savings and investments including personal superannuation contributions.
- The factors, mentioned above that can limit a woman's lifetime earning capacity should be taken into account when you plan for retirement as a lower income will almost certainly mean lower superannuation contributions and therefore a lower income in retirement if you are not careful.
- The possibility of a lower retirement income is further strengthened by the fact that having children can

have significant consequences as far as the value of your super is concerned. This fact was confirmed by a study published by the Melbourne Institute of Applied Economic and Social Research entitled "The Impact of Children on Australian Women's and Men's Superannuation"². The results show that for women there is a clear inverse relationship between the value of superannuation and the number of children they have.

- We also need to emphasise, once again, the fact that women tend to live much longer than men. This means that they will have to prepare for a longer retirement

All of the above makes it of the utmost importance that you do your very best to maximise your retirement savings. One of the most fundamental ways in which you can do this is by paying close attention to the management and growth of your superannuation fund. Some suggestions for doing so are the following:

Stay up to date

Make sure that you keep all documents relating to superannuation in one place and that you carefully read all correspondence and statements. This will allow you to have a consistently accurate picture of where your fund is heading.

Locate 'lost' super contributions

A surprising number of people have 'lost touch' with super contributions that they have made in the past.

You can make use of a service like 'Find my Super' <http://www.findmysuper.com.au> to check whether there is a 'lost' super fund somewhere with your name on it.

Keep your details up to date

The best way to prevent your super from 'getting lost' is to make sure that your fund has your latest contact details.

² The full text of the study can be found here: http://www.melbourneinstitute.com/downloads/hilda/Bibliography/HILDA_Conference_Papers/2007_papers/Parr,%20Nicholas_final%20paper.pdf

Make sure that your super fund has your tax file number (TFN)

You may be paying more tax on your super than you have to, giving your fund access to your TFN will reduce the likelihood of this happening.

Consolidate your funds

If you have worked for a few different companies, it may be the case that you have small amounts of super in a few different funds.

It is worth investigating whether you will not be better off by combining these funds into a single super fund. This will make your funds easier to manage and will also, in most cases; reduce the fees and charges that you are required to pay.

The key questions you will need to ask before you consolidate funds is whether or not you are losing valuable insurance cover by doing so or if the funds that you belong to charge such high 'exit fees' that moving will not be worth your while.

Keep a close eye on your fund

It is very important that you carefully read all correspondence from your fund. This will, among other things, help you to understand the investment approach that governs your fund. You should also benchmark the performance of your fund against that of similar funds.

If you are unhappy with either the investment approach or performance (or both) it might be a good idea to move to another provider. It is highly recommended that you get professional financial advice before doing so.

Make personal super contributions if possible

Making personal contributions into your super fund is one of the most tax efficient ways to save for your retirement. You can make these contributions, even if you are not formally employed at present and even small amounts paid over extended periods can make a significant difference to your retirement 'bottom-line'.

Investigate possibilities for boosting long

term earning capacity

It has already been noted that women will, on average, have to prepare for an extra five years of retirement. Saving for it is one way of doing so but it may also be possible to look at ways of maximising your earning potential well past retirement age. One way of doing this would be to develop skills during your prime productive years that you can use later in life to generate income. Preparing for retirement in this way may enable you to enjoy a slower pace of life while still engaging in income generating activities 'on the side'.

Conclusion

It is our sincere hope that the information presented above set you thinking about some of the issues that you will have to pay attention to in planning your financial future. It would be impossible, however, to present a complete guide to all your financial planning needs in a document as brief as this.

We urge you continue your explorations by making use of some of the other resources and eBooks from the Wealth Adviser stable.

We also stand ready to serve you with professional advice, so please do not hesitate to contact us if we can be of further assistance.

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

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We look forward to meeting you soon.

Appointment booking request form

About the Adviser

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Our services

Preferred appointment day and time

Day

Date

Time am/pm

Contact details

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email

Your Details

Title

First name

Last name

Mobile



Wealth Adviser

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