

Financial tips FOR WOMEN

Money management
advice for the different
stages of your life.
By Melody Tan



STARTING YOUR CAREER

This is probably one of the most exciting stages of your life as you take that step towards financial independence. While it is perfectly fine to splurge and treat yourself with your first (few) pay cheques, make sure you don't set yourself up for a lifetime of debt and worry. As Marion May, founder and CEO of the Thalia Stanley Group, a wealth advocacy firm in Melbourne, says, "This is the most important time to be focusing on forming good budgeting, saving and investing habits."

AUTOMATE YOUR SAVINGS

Marion believes women at this age should aim to save a minimum of 10 per cent of their weekly income. The best way to achieve this is to automatically debit the amount from your salary, so it goes into a designated savings account separate from your regular spending one. "Proactively invest your saved 10 per cent into assets that gain value over time," Marion says. Also, make sure you create a budget so you can keep track of your income and expenditure, avoiding spending leakage.

SALARY SACRIFICE INTO YOUR SUPER

Your retirement is probably the last thing you're thinking about when you start your first job, but thanks to compound interest (interest calculated on the initial principal and also on the accumulated interest of previous periods of a deposit or loan), saving at the start of your career to support yourself when you've stopped working will probably be one of the wisest financial decisions you'll ever make. If you're planning to have children, the extra (it can be as little as \$50 a week) you put into your super now will go a long way to adding to your retirement funds for when you stop work temporarily. This is on top of the 10 per cent you're automatically saving from your weekly pay.

AVOID DEBT

"Avoid 'buy now pay later' schemes at all costs as these can quickly lead to unnecessary debt," says Marion. For big-ticket items such as cars and furniture, she advises, "These should be saved up for then purchased, rather than bought or done on lay-by. And, if borrowing money, ensure the minimum possible interest rate and a set time-frame for repayment."



DINKS (DOUBLE INCOME NO KIDS)

Ah, the married life. Isn't it amazing to wake up every morning with the love of your life next to you? Your focus financially should be on saving as much as you can, especially if you are planning to have children. With two incomes, you will also have a little more flexibility with your budget, so try to make some smart investment choices with the extra money.

LIVE ON ONE INCOME

"If you are both earning the national average wage, given economies of scale—the living costs of two people are only slightly higher than one, not double—the goal should be to save all of one salary and live off the other," says Marion. Living like this will not only boost your savings, but will be great practice for when you need to live on one income, be that an unexpected retirement or when babies arrive.

REVIEW AND NEGOTIATE

Get into a habit of spending within a budget as a couple and it will be easier to manage your family's finances when children come along. As Justin McWilliam, a wealth coach from Perth, Western Australia, advises, you should have an annual audit of expenses, just so you know what you are spending more (or less) on and adjust your budget accordingly. Also, service providers often rely on your tendency to "set and forget," so put aside a day every year to review and renegotiate your contracts with phone, insurance, power and gas companies—you may just get a better deal!

GET INVESTMENTS IN PLACE

You are less likely to be approved for loans when you are on one salary and have dependents (the non-working spouse and children), so this is an ideal time to either purchase your family home or an investment property. "This is a critical time to make further investments of a substantial nature, such as shares or properties," says Marion. At the same time, she warns, "The financial structures that underpin your assets are critical to financial success. So ensure safety buffers, that you are not too heavily geared and that you have a built-in safety back-up plan in place."

SETTING UP PASSIVE INCOME SOURCES

Passive income is money derived from activities in which you're not actively engaged, such as rental income or share dividends. We all love getting money for nothing, but passive income is especially important for when we are no longer able to work, be that because of parental duties or retirement. If you purchase an investment property pre-children (don't wait till you're pregnant, as banks assume you'll be out of the workforce once bub arrives and will be less likely to approve a loan), the hope is you would have gained sufficient capital growth by the time they're in high school. The benefits of investment properties for parents, according to Marion, "are tax minimisation, security and peace of mind around the child's future. In addition, channelling the additional income from the tax savings and the rental income into personal or bad debt (home loan) can accelerate debt reduction."



GIVEAWAY
Win a personal consultation with wealth advocate Marion Mays or a seat in her financial literacy workshop. Also, watch her interview in Season 3, Episode 3 of the show. More info at www.tabletv.com/MarionMaysGiveaway



THE MOST EXHAUSTING TIME OF YOUR LIFE (WITH KIDS)

Your children are going to take up most of your time and focus (and expenses)—and rightly so—so this isn't the time for risky financial decisions. Instead, take time to manage and stick to your budget and ensure you have all the adequate insurances in place, such as income protection, life cover and home and car insurances.

CONTINUE INVESTING

Helen Baker, a financial adviser based in Brisbane, Queensland, and author of *On Your Own Two Feet: Steady Steps to Women's Financial Independence*, believes while there may be additional expenses with children, it's still necessary to make some sound investments during this time. "There may not be a lot of money left for investing, but the problem if you don't is 10 or 20 years later when your children are grown up, you'll be behind the eight ball when it comes to retirement planning," she says.

SAVE FOR THEIR EDUCATION

While you may think it's years away before your newborn goes to school, starting to save for your child's education now makes it easier to meet the necessary expenses later, especially if you are considering private schooling (which could be as much as \$35,000 a year). Justin suggests setting up an investment bond or there are other options such as education savings plans, family trusts or the good old high-interest savings accounts.

SUPERANNUATION

You may not be contributing as much into your superannuation at this stage, but what you can do is determine how the funds are invested. "Get control of your super, make sure nominations are set up and review if your insurances should be inside or outside your super," says Helen.

ESTATE PLANNING

It's something most people prefer not to think about, but with dependent children, it is critical you determine what happens to your assets should you unexpectedly die. Writing a will is essential, and according to Helen, there are also ways to stretch out money from a will so that they are paid out in a way that reduces your tax.



FUN RETURNS (ALMOST EMPTY-NESTERS)

Yes, lazy Sunday morning sleep-ins are about to return and you will finally have food in your fridge that doesn't mysteriously go missing the second you put it in. Your children are just about to leave home and retirement is on the horizon.

REDUCE DEBT

Now is the time to catch up and also make additional investments based on what your shortfall is for retirement. It's also a critical time to ensure you have up-to-date wills in place and have all insurance needs and coverage reviewed.

MAKE SUPERANNUATION YOUR FRIEND

"Superannuation is possibly the most tax-effective structure in which you can save for your retirement," Helen says. So investigate ways in which you can contribute more to your superannuation—and how it's invested—so you can convert it into a pension and income stream when you retire.

What are the most important financial skills parents can impart to their children?

"Teach them to save 10 per cent of everything they earn and invest it in assets that grow in value over time," says Marion. Helen agrees, adding that children need to learn to "spend less than you earn and borrow less than you can afford."

It also doesn't hurt to (and encourage your children to) see a financial adviser at the different stages of your life. After all, as Helen says, the earlier you do so, the sooner you can make investment plans, which often yield better results over the long term.