

”Mandy Hale: She has to have four arms, four legs, four eyes, two hearts, and double the love. There is nothing “single” about a single mom

PERSONAL FINANCE



Edited by Maya Fisher-French

personalfinance@citypress.co.za

lifestyle

THE FINANCES OF A SINGLE MUM

City Press reader Nozuko Basson is a single mother to three-year-old Siyamthanda and took the necessary financial steps as soon as she found out she was pregnant. As a single mother, what are the financial considerations you need to take into account? **Neesa Moodley** finds out

According to Stats SA, just 33% of children younger than five live with both their biological parents, and nearly half of all mothers are single, one of the highest rates of single motherhood in the world.

These statistics are backed further by recent research by the Old Mutual Savings & Investment Monitor, which shows that 51% of working mothers consider themselves single and are financially responsible for both themselves and their children.

Lizl Budhram, the head of financial advice at Old Mutual, says single mothers unfortunately tend to postpone their retirement saving plans, preferring to spend the money on their children's education costs.

“The expectation is that their children will look after them when they retire. However, the biggest gift you can give your child is ensuring that you are financially independent in your retirement so they are able to financially provide for their own families,” she says.

As a single mum, you need to consider the following:

Emergency fund

According to debt counsellors, a high percentage of their clients are single mothers who are simply struggling to meet their debt repayments. One of the main reasons for taking on debt is due to unexpected expenses. As a single mother, your first priority is to build up an emergency fund so that you are able to withstand any financial shocks without having to take on expensive debt.

You can kick-start the emergency fund with any bonus or 13th cheque you receive in December.

Plan ahead

As a single parent, you are likely to be faced with astronomical school fees and the cost of school uniforms in January - which you have to manage on one salary rather than two. You might need to use a portion of your December bonus to fund these expenses in January, but also ask family members who might be buying your child Christmas gifts to provide practical presents such as school shoes or clothing.

Education

The costs of educating your child or children have skyrocketed to the extent that you now need to save for primary and secondary education, as well as tertiary education. Nozuko's approach was to start investing when she found out she was pregnant.

“My thinking was that I would need funds available for Siyamthanda's education when she starts primary school. Although I know I will have enough money to pay for her schooling out of my salary, the extra cash will come in handy if there are any additional events that require funds, such as international school trips or additional lessons or extramurals,” she says.

Life assurance

Your life assurance needs will differ depending on the ages of your children. For example, if you have children who are still at school, you need to factor in the cost of their education as well as the finances required to run a household when you're calculating your life assurance needs.

“I took out a life insurance policy that included education as part of the cover. This will make funds available for Siyamthanda's education right through to and including tertiary education in the event of my death,” says Nozuko.

Once your children are older and financially independent, your life assurance requirements are significantly reduced and the money you would have paid towards a life assurance premium can be channelled towards your retirement instead.

Retirement

While you might have to contribute less than the recommended 15% of your salary to your pension fund to meet other day-to-day expenses, once your child is independent, make sure you boost your retirement funding. Never give in to the temptation to cash in your retirement fund.

Your lump sum will be decimated by taxes and you will find yourself financially vulnerable in retirement. The best gift you can give your child is not to depend on them in your retirement.

Annual review

You should have an annual financial review with your financial planner. Budhram says 69% of women say they do not consult a financial planner because they don't believe they can afford one.

“A financial planner is well worth the money. He or she can help you identify changes in your financial needs. For example, if you choose to remarry, you should maintain the original life insurance policy that you took out to provide for your children's needs and take out a separate life insurance policy to provide for your new

husband,” she says.

Do not change your policy to name your new husband as the sole beneficiary. You have no way of guaranteeing that he will financially provide for your children after your death.

A financial guardian or trustee

This is an important consideration for single mothers, particularly if the father is no longer alive. When you draw up your will, you need to name a financial guardian for your children. This does not have to be the same person you name as the person who will actually take care of your children.

Ideally, the financial guardian must be someone who can be proven to handle finances and not someone who will mismanage your children's money.

Angelique Visser, the chairperson of the Fiduciary Institute of Southern Africa, says another option is to set up a trust that will provide for your children's financial needs.

“The appointed trustee will liaise with your children's legal guardian on a monthly basis to determine the financial needs of the child and pay over monies when funds are required,” she says.

STATISTICS

A common concern

Research from local digital research company Nudge shows that 66% of single mothers across South Africa, Kenya and Nigeria are concerned about their finances.

A priority for South African mothers was funeral cover - 51% opted for this type of life cover. Nigerian mothers put more emphasis on education, with 74% having education policies in place.

Across all three countries, education was one of the biggest expenses single mothers faced, followed closely by medical and clothing costs. Forty-one percent of single South African mothers had retirement savings in place and 51% had life insurance policies.

The Nudge survey was carried out over five different African countries and featured 3 000 respondents.



PASSIONATE
Nozuko Basson took the right steps when she found out that she was pregnant
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