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What women can do to become financially secure

Women earn less, on average, than their male counterparts, take time out from their careers to look after children, and typically live longer than men. All of these factors compromise their financial well-being. So what's a woman to do? **Angelique Ardé** has five suggestions.

1 BOOST YOUR INCOME

Women in South Africa earn about 25 percent less than men, on average, according to the most recent statistics from the South African Revenue Service. If you are not being paid what your male counterparts are being paid, you need to negotiate an increase. This can be challenging, particularly if you've been taught that it's not "ladylike" to talk about money.

You can find out if your earnings are below par by contacting a recruitment consultant who specialises in placements in your industry, or a company that specialises in research on salaries.

Debbie Marshall, a human resources consultant, says the best time to have a conversation with your employer about your salary is when you have your annual performance review or when your salary is increased annually.

"We know that not all people with the same title are doing the same job, so go into the meeting armed with facts; the discussion must be around your contribution relative to your peers and the value that you add to the company. But the key is to negotiate hard from the get-go, before you accept a job, because trying to catch up later is very hard," Marshall says.

If you want to boost your income, you first need to believe in yourself and in your capabilities, Logie Govender, a Certified Financial Planner (CFP) professional and the regional manager at NMG Retirement Funds, says. Understand your strengths, have the courage to be tough and see the bigger picture, she says. The "bigger picture" is loss of earnings. If you earn R15 000 a month and you're earning 25 percent less than you should be, you're losing R5 000 a month, or R60 000 a year.

Even if you are not underpaid, you should consider ways in which you could increase your income. Consider whether you could work overtime or do freelance work.

Soré Cloete, a CFP professional and senior legal adviser at Old Mutual, says any extra income should go first to paying off expensive debt (personal loans, an overdraft, and credit card and store card debt) and then be channelled into a savings vehicle, such as a retirement annuity (RA), which has significant tax advantages. Make sure you choose an RA that does not charge penalties if you aren't able to maintain your contributions.

2 COVER YOUR RISKS

Half of all the women surveyed for the latest Old Mutual Savings & Investment Monitor defined themselves as single mothers, suggesting that they alone are carrying the burden of rearing children, even if they might be receiving maintenance from the father of their children.

If you're a single mother with dependent children, you need to make sure that your children will be provided for if you die prematurely or if you become disabled. In other words, you need risk life assurance that will pay out when you die and/or lose your ability to earn an income.

Logie Govender says you should consult a qualified financial adviser, who can help you to analyse your financial goals and address any shortcomings in your financial plan.

Govender says an adviser should check the benefits on any cover you have taken out, as well as whether your company-sponsored retirement fund provides group risk cover. The adviser should also determine whether you are under- or over-insured for death or disability relative to your and your dependants' needs.

Soré Cloete says single moms should make insurance against disability and death a priority. Once that is covered, other financial needs, such as medical cover, saving for retirement and short-term insurance, should be considered, she says.

3 CHECK YOUR MATE

If you are married or living with your partner, you need to know about your partner's financial affairs, Soré Cloete says.

If you are not married but in a relationship and your relationship is not governed by the Marriage Act, you must have an attorney draw up an agreement that protects your financial interests in the event of your partner's death, or if the relationship fails.

"Alternatively, you could have your relationship registered as a civil union, to enjoy the same rights as a married person. Even if you have lived with someone for many years, it does not automatically mean that you have rights in terms of his or her assets. Therefore, if you are not married, either have an agreement or convince your partner to have your relationship registered in terms of the Civil Union Act. Remember if this is done, your partner will also have the same rights as you and may have a claim against your pension fund, for example."

Logie Govender says women have a tendency to defer to their spouses. When women leave all money decisions to their husbands, it renders them vulnerable in the event of death or divorce.

"Women need to educate themselves on money matters and understand the implications for the family if their husband were to die or divorce them. What would happen if your husband were to become disabled? Would you still have medical scheme cover? The message is: be involved in all financial planning and understand your marriage contract."

Juliet Deschamps, an advisory partner at The Wealth Corporation, says couples need to decide together on their family's needs and goals in both the short term and the long term. And they need to agree on, and take ownership of, their financial plan if, ultimately, it is to work for them both.

4 YOUR WILL BE DONE

Most women don't draft a will or know what the impact will be if their partner or spouse dies without leaving a will that provides for them, Angelique Visser, the director of Baraza Wealth and a national councillor for the Fiduciary Institute of Southern Africa, says. More than 75 percent of South Africans die without a will every year, she says.

If you die without a will, the Intestate Succession Act applies. In terms of the Act, your estate devolves according to a formula. If a single person dies without a will, her estate will pass to her children, and if she doesn't have children, to her parents, and failing that, to her siblings, Visser says.

If she is in a relationship, the type of relationship will determine if she will be allowed to inherit when her partner or spouse dies without a will, Visser says.

"A woman married in terms of the Marriage Act or the Civil Union Act will inherit her deceased partner's entire estate when the deceased has no children. If there are children, the spouse will inherit R250 000 or a child's share, whichever is greater. A child's share is calculated by dividing the estate between the total number of children and the spouse of the deceased."

Soré Cloete says that if your will is poorly drafted, the execution of your will after you die will become tricky, particularly if you have dependants. Your marital regime plays a role here, because it may determine which assets are included in your estate on your death.

Logie Govender says if you're a member of a company-sponsored retirement fund, make sure you regularly fill out your beneficiary nomination form. The trustees of your fund are reliant on you for this information and are guided by it when they pay out your retirement savings to your dependants or beneficiaries.

5 SAVE, SAVE, SAVE

Whether it's a vet's bill or the excess on an insurance claim, a sudden expense can land you in the red. Saving for emergencies is as essential as saving for retirement, because debt compromises our ability to save for retirement. Saving for retirement is particularly important for women, because we have a longer life expectancy than men.

We all need savings to cover our short-, medium- and long-term expenses. A short-term expense is typically a sudden or once off expense, such as the excess on an insurance claim. An "emergency fund", which may be a savings account, is best for such expenses. Medium-term needs are foreseeable expenses, such as servicing your car or saving for a deposit on a car or a home. Unit trusts are good investment vehicles for these needs. Long-term needs include paying for your children's education and an income in retirement.

For longer-term savings goals, Soré Cloete recommends you consider a tax-free savings account, which allows you to invest up to R30 000 a year and up to R500 000 over your lifetime, free of tax on interest, dividends and capital gains. If you exceed these limits, you will pay tax of 40 percent on any amount above the limit.

These investments also have low costs and allow you a great deal of flexibility, including the ability to withdraw your money at any stage, with no penalties, unless you have committed to an investment term.

If you're a member of a company-sponsored pension or provident fund, Logie Govender says your financial adviser will be able to go through your annual benefit statement with you once a year to work out if you're saving enough for retirement.

Your annual benefit statement will provide a fund credit (how much you have saved in the fund). It may also show your net replacement ratio (in other words, your income, as a percentage of your monthly salary, if you were to retire tomorrow).

You need to decide what income you can live on in retirement relative to the income you are receiving. Then check that you are on track to reach that income goal. You may have to resolve to boost your monthly contributions to your fund, or start contributing to – or increase your contributions to – a retirement annuity.

Saving is all about planning, Cloete says. "We need to find the money to save. Start by taking stock of what you are spending your money on. Even if it means you write down every single expense, do it. There are apps and computer programs that can analyse your spending for you. Once you have a clear idea of what you spend money on, you can begin a budgeting exercise to determine what expenses are essential and what you can cut."

Cloete says the magic of compound interest should inspire us to save over the long term.

"Compound interest is interest on interest. The longer you invest, the better your return. For example, if you saved R1 000 a month for 10 years from age 24 and then stopped completely, never saving a cent again, you would have R2.5 million at age 60. This is assuming you left your money invested and earned interest at a rate of 10 percent a year.

"If, however, you started saving R1 000 a month from age 35 until you turned 60, you would have only R1.4 million at retirement, based on the same returns. In spite of the fact that you saved for longer – 25 years versus 10 years – you never enjoyed the effect of compound interest, which gets more powerful the longer the investment term," Cloete says.

Govender says one of the biggest destroyers of savings is our failure to preserve our retirement savings when we move jobs. "Don't ever spend that money; invest it." Consider a retirement annuity, a preservation fund or your new employer's occupational retirement fund.

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