PERSONAL FINANCE

Winning women are money-wise

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Illustration: Colin Daniel

Women earn less and live longer in retirement, and most mothers in South Africa are single breadwinners. These challenges make it all the more important for women to take responsibility for their financial future.

"Taking responsibility is the first step to achieving financial independence," Eunice Sibiya, the head of consumer education at First National Bank, says.

Women often lack confidence or doubt their ability to manage family finances, Sibiya says. "This is a big mistake." Get involved and understand your family's debt situation, policies, insurances and savings.

Boitumelo Mothoagae, the head of retention and financial advisers at Liberty Life, says every woman needs a financial plan, an emergency fund, risk cover and a will.

* **Financial plan.** "Irrespective of marital status, age or income, every woman needs a financial plan. Develop a lasting relationship with a financial planner who understands your needs and unique circumstances. Be proactive and understand how your finances work," Mothoagae says.

On average, women live about seven years longer than men, so planning for retirement is critical. "A woman aged 65 will need about 15 percent more than a man of the same age to provide the same pension for the rest of her life," Mothoagae says**.**

If women want a financially sound retirement, they need a retirement strategy that is tax-efficient – in other words, one that takes advantage of the tax breaks offered by the government, she says.

* **"Rainy day" account.** Also known as an emergency fund, this is an account into which you save a small amount each month. It can provide you with instant cash in an emergency to cover anything from a burst geyser to tiding you over in the event of retrenchment. Ideally, have three to six months' worth of income in your rainy day account, Mothoagae says.

* **Cover your risks.** Make sure you have dread disease cover and disability cover. One in every 11 women aged between 20 and 59 years will be diagnosed with breast cancer, according to Liberty's 2012 critical illness claims statistics, Mothoagae says.

Andre Froneman, a product specialist at insurance company Altrisk, says the real challenge in surviving a disability or illness is being able to provide a future income for yourself and your family. "Effective financial planning is all about insuring your most valuable asset – your ability to earn an income," Froneman says.

Altrisk's statistics show that women are significantly underinsured, and submit almost twice as many critical illness claims as men.

Cancer is the leading cause of life, disability and critical illness claims among women, according to Altrisk's assessment of its critical illness, disability and life insurance claims made by women between May last year and April this year.

The average age of women submitting a critical illness claim for cancer is 43. Cardiovascular disease is the second leading reason for life claims by women. The average age of women claiming for cardiovascular disease is 55.

* **A will.** "Create a will and review it on an annual basis, updating beneficiary nominations to reflect your wishes. Make sure that it is in a safe place but also easily accessible in the event of emergency," Mothoagae says.

Angelique Visser, the chairperson of the Fiduciary Institute of Southern Africa (Fisa), says that at the very least, you should review your will annually and make sure that provision is made for minor children, whether this be through a testamentary or an inter vivos trust. "Expert fiduciary advice should be sought, ideally from a Fisa member, as they are required to adhere to a code of ethics and a minimum high standard of service," she says.

Visser says women should make sure that family affairs are up to date and not left to their partner or husband, "as is often the case".

Focused but not arrogant

Warren Ingram, a financial adviser at Galileo Capital, says divorced women and widows constitute a significant portion of his company's client base. He suggests his female clients are successful at managing their money because they are focused, but not arrogant.

"They know what they don't know. They're humble enough to ask for help, they understand the value of good advice and they're disciplined enough to follow it," he says.

Financial planning is best done with the help of a qualified financial adviser who has a Certified Financial Planner (CFP) accreditation. To find a CFP in your area, go to the Financial Planning Institute's .

JULIA: UNMARRIED CAREER WOMAN*

Everyone's talking about Julia, the young woman who was interviewed by Bruce Whitfield on the radio programme The Money Show a fortnight ago. Julia started investing in a few index-tracking funds seven years ago. Today, at age 32, she has almost R2 million. The savvy management consultant is well on her way to "financial freedom", that holy grail of financial planning. The big question on everyone's lips is: how did she do it?

It all started in 2007. Julia says: "I had finished paying off my student loan (R100 000 owed to my dad) and had saved R60 000. I didn't know what to do with it. I was on holiday with my aunt, so I asked her for advice – because she retired at 55."

Julia's aunt is a client of financial adviser Warren Ingram of Galileo Capital. "She said I should go see Warren."

Julia can't remember the cost of her consultation with Ingram. "I could afford it, but it felt like a lot of money at the time. It was enough to make me pay attention," she says laughing. "Looking back, it was the best money I've ever spent."

Ingram drew up a plan for Julia to attain her goal to retire at 50, financially independent. His advice to her was simple: save a quarter of your pre-tax salary (Julia was earning R20 000 a month at the time) in Satrix [index-tracking exchange traded] funds; and save three months' worth of income in an emergency fund.

"Warren said I should buy low-cost instruments, do it myself and start with a staggered approach. So I did. I went onto Standard Bank's Online Share Trading site and invested R10 000 a month over six months."

Since investing the initial R60 000, Julia has diligently added to her savings every month. She is now saving one-third of her pre-tax earnings – and she's now earning R70 000 a month.

Julia concedes that she can save at this level because of her circumstances – she earns well and has no dependants. But she insists she doesn't live like a pauper. "I just don't spend excessively. For example, I won't buy Prada, but I will buy leather."

Julia says that if she has a "secret" it's that she has learnt to live on little to save a lot. "As a student I had a super-low income and a loan to pay off. When that was paid, I was in the habit of saving and I haven't stopped. I've also kept my cost of living simple." For example, Julia drives a five-year-old Opel Corsa Lite and and lives in a rented apartment.

Aside from her Satrix funds and her emergency fund, which is in the bank, Julia contributes to a company-sponsored retirement fund, which also provides death and disability cover. She has no other investments. No property, no retirement annuity (RA) and no endowment policies. Julia says she's not partial to RAs because "they're expensive and inflexible".

Julia says she's comfortable sticking with this plan until her circumstances change. "I can't see how marriage would impact my plan, because my costs wouldn't change much. But I do see how children would. I’m also happy to rent for now, because it’s the most cost-effective option for me.”

The only time she questioned her plan was in 2008 when the markets crashed. “I felt a bit exposed. But, having been through the recovery, I was able to withstand the recent dip,” she says.

Her advice for single women: Don’t get caught up in conspicuous consumption. Don’t have debt. And don’t be afraid to invest on the stock market.

NISHA: STAY-AT-HOME MOM

Nisha is a 36-year-old stay-at-home mother of two. Being married to a successful engineer and enjoying the luxury of full-time motherhood can make you the envy of your friends. But such a state of dependency can also render you vulnerable if you aren’t careful.

Seven years ago Nisha and her husband decided that she should give up her job as a hairdresser and dedicate all of her time to raising their first child. She has subsequently had another child and has no immediate plans to return to work. “I need to be available to the children and my husband travels a lot, too,” she says.

Around the time that they started growing their family, Nisha and her husband decided they needed a financial adviser.

“Our financial adviser is Prem Govender of Mosswick Investments. She is also my husband’s accountant. She helped us put together a financial plan.

“Our plan is to work towards providing well for our children while also ensuring that we have enough for a comfortable retirement. However, we also want to enjoy the journey to retirement by having regular family holidays and having a nice home.

“It’s a shared plan, but I have my own retirement savings – a retirement annuity – and policies for death and disability. We both have sufficient death, disability and sickness insurance, which we review annually.”

Nisha is at all times fully informed about the couple’s financial situation and appreciates the value of saving and planning. “I started saving as soon as I started working. I started off with a savings account, but now I have life assurance products and investments.

“The bulk of our wealth is in retirement savings products and fixed property – we own investment property that we let. We’ve also registered a family trust, of which I am a trustee and our children are the beneficiaries.”

She says she is confident that she has all of her bases covered and doesn’t feel vulnerable about not earning an income herself nor fearful about her financial security should her marriage end in divorce.

“Our marriage contract makes provision for accrual and since all our assets have been acquired in the marriage, I’m not worried. And I can always go back to working if I need to, so I don’t feel vulnerable.”

If her husband were to die suddenly, in addition to his life policies paying out, so too would the buy-and-sell agreement that he has with his business partner, so she would not inherit a business that she can't contribute to or run, or need to sell.

Nisha's advice to other stay-at-home wives: "Play an active role in your husband's affairs, especially if he owns a business. If he's owner or part-owner of a business and he were to pass away, you need to know who to call and what to do. Prem is the person I would call. Be a part of all meetings that he has with your financial planner, so that you can ask questions. It's your future and your children's future, so you can't afford not to be involved. As a housewife, you are more than a cook and cleaner and carer of children. You are a partner. You have a voice. So use it."

JOY: SINGLE MOTHER

Joy is a 63-year-old mother of three and survivor of domestic violence. Sixteen years ago, after a near-fatal incident, she left her husband with nothing and she had a dependent child. Today she is what financial planners call a "high net worth" client. Her home is paid off, she owns a thriving business and has more money than she could spend in her lifetime.

Says Joy: "I was 47 and my youngest son had just started university when I left my husband. I realised that the only way out of the marriage was to leave without making any demands. It was like starting again, but once you've made up your mind, you get on with it."

Joy had prepared herself for divorce and was not entirely financially dependent on her husband at the time. A teacher by profession, she branched into IT consulting and worked throughout the marriage, bar a few years.

She says it took her a couple of years to plan her exit. "I set up a small IT business – a close corporation – in my name. This enabled me to quietly gain financial independence, to open my own bank account and start taking out my own policies."

Joy says that, due to her age, taking out life assurance policies was costly and attracted medical penalties, so instead she invested in unit trusts. "This enforced some measure of commitment to saving incrementally on a regular basis."

Joy's business took off and provided her with leverage for independence. "By the time I left my husband, I had some stable corporate clients and was earning a reasonable income."

Nevertheless, Joy faced a financial and emotional mountain with one child at university, two older children who had just graduated from university with hefty student loans and no maintenance from her ex-husband.

"It was difficult on many levels. I had to get a restraining order against him to keep us safe and he never paid any maintenance. But I was able to get by. I used to manage my money using envelopes, and when the money was finished, it was finished."

Soon after the divorce, Joy sold her business, which is now a highly successful listed company. With the funds from the first business, she bought another business – also IT related.

Joy loves what she does and has no intention of retiring.

She says she has covered all of her bases, with risk policies for disability and critical illness and the small unit trust investments that she made in what she calls “the survival years”, which have grown handsomely.

“This year I decided to enlist the help of a professional financial adviser (Warren Ingram of Galileo Capital). I should have done it a long time ago. I might have done better. Planning financially is very important. Warren understands it like I understand software and IT. I believe in pulling people around me and drawing on their skill and strengths,” she says.

Joy says her financial plan is to make sure that she can maintain and improve her lifestyle. “And to make wise and informed investment decisions with the help of people who know what they’re doing.”

Sticking to the plan is not a problem for her. “I guess it’s a question of being organised. I get comfort from being organised and planning ahead.”

She says financial planning presents an exciting learning opportunity. “It’s empowering and if you put your mind to it, who knows where it’s going to go.”

Joy’s advice to single moms is: “Acknowledge yourself – good and bad – work hard and focus on being the best at whatever job you do. Be motivated. Believe in yourself. Save for yourself. And never get into debt.”

JILL: WIDOW

Jill is a 56-year-old widow. Her husband died 16 years ago. At the time her daughters were eight and 13. Jill’s late husband had been diagnosed with cancer 13 years before he died. He had cancer when he took out life cover, so his policy carried a loading and didn’t pay out much when he died. Nevertheless, Jill managed to put her daughters through university and today has significant assets under management.

For many women, the devastation of losing a husband is exacerbated by financial shocks – an outdated will, no life policy or one that provides insufficient cover – and the burden of having to take over the family finances, often without insight or preparation.

This wasn’t the case with Jill. Knowing that her husband was sick enabled her to plan for his death. But aside from that, they had always pooled their money and managed their finances jointly. And they had a financial plan. One of their goals was to pay off their home before Jill’s husband turned 40, which they did.

“It was huge that we were able to stay in our home. It gave stability to the children,” she says.

A qualified teacher, Jill went into commerce and is now the financial director of a large private company in the wholesale and retail sector.

She says that soon after her husband’s death she overheard one of her daughters saying: “I know my mom knows what to do.”

On her husband’s death, Jill set up a trust for her children in the event of anything happening to her.

“The main thing was to make sure that there was security for the children. Imagine the uncertainty for children who lose their father and their home and then their mom has to start working.”

Jill has always worked, but she had to make adjustments to run a home on one salary: “Your expenses don’t decrease; costs always increase.”

She says that although she has always been remunerated well, there were other sacrifices that had to be made. “It was harder in the beginning. I probably over-compensated: I’d work longer and harder, as women in business tend to do – to prove themselves. It cost me emotionally,” she says.

As a financial director Jill appreciates the value of working with a financial adviser and had engaged with one long before her husband died. About five years ago she started seeing adviser Pat Blamire of Chartered Wealth Solutions.

“I started saving the day I started working, and I’ve always contributed to a retirement fund. I have local and offshore investments: two share portfolios. I have a preservation [retirement] fund. I own my home and investment property.”

She says sticking to her plan takes discipline and hard work, but these are character attributes she learnt early in life. “I started earning my own money when I was 14 and in varsity I had three jobs.”

Jill’s advice to young widows is: “The sooner you get working, the better.”

To women: “It doesn’t matter how well-off you are, you need to understand your financial situation. I couldn’t think of anything worse than losing a husband and being surprised by your financial situation. You have a right to know. So few husbands share information with their wives.

“Ignorance leaves you at sea emotionally and financially. [Death of a spouse] can happen to anyone, so the importance of financial independence is something I’ve impressed upon my daughters – and the importance of saving and avoiding debt.”

*To protect their privacy, the names of the four women have been changed.