

Managing Money Wisely

Women manage money differently from men. Women's financial needs are also different – in ways that make getting the right advice imperative.

According to a report published in April 2008 by the Australian Government-run Financial Literacy Foundation, the good news for women is that they live longer. This means they will have longer to enjoy their retirement. The bad news is that in comparison to their male counterparts, they will need to accumulate more retirement funds over a shorter working life. Moreover, the child-rearing years – when many women take extended breaks and return to fewer hours and reduced earnings – coincide with the critical early years when their super savings could most benefit from compounding returns. Divorce and widowhood also all take their toll on financial health.

The report also found that most women demonstrate good budgeting skills and savings habits, but have little confidence in their ability to invest their money and plan for a comfortable retirement. Sound familiar? All it takes is a little guidance.

It is important to understand that financial independence does not come from what you earn. It comes from what you do with what you have. There's a big difference between making a good living and enjoying a good life. You demonstrate respect and appreciation for money the same way you would anything else of value in your life, be it an heirloom rug, a piece of jewellery, a close friend, or cash in hand. If you want it to last, you must take care of it. Throw it around carelessly or ignore it completely and guess what will happen? When you manage money wisely, you will be given more money to manage.

Making conscious, deliberate choices about what you do with your money is key:

- 1. Spend Less** (Only buy what you can easily afford)
- 2. Save More** (Pay yourself first)
- 3. Invest Wisely** (Put money in assets that grow in value over time)
- 4. Give Generously** (Use your money to make a difference).

1. Spend Less

First, don't spend money you don't have. That does not mean "feeling DEPRIVED" where your emotional and/or physical needs are not being met. Spending less does not require either scarcity thinking or severe self-denial. Financial prudence does not imply forsaking necessities, or even some pleasures. Otherwise, budgeting becomes like crash dieting. Deprivation creates a hunger that will drive you right back to the stores on a buying binge.

Next, make sure there is something left over for savings. Do not add to your debt. In our opinion, debt drains your energy and lulls you into a false sense of sufficiency. It drains your peace of mind and quality of life. Until you get rid of your credit cards (tear them up and start paying down your bills), you'll have a tough time going forward.

"Debt is the cruellest form of poverty. It gives you the illusion that you have far more than you do." (Jerold Mundis, author of "Earn What You Deserve").

2. Save More

Budgeting is only the beginning. Paying yourself first is the next step. Make sure that you set aside a portion of your monthly income towards long-term investing. What if you don't have extra money lying around? You don't need a lot of money to create wealth if you consistently set aside small amounts over a period of time. Mere pocket change compounds quickly when you're earning interest on your earnings as well as on your original investment. For example, if you aside \$1 a day into a managed fund earning eight percent, in 20 years, you'll have \$15,347.09. (Assumptions: actual value is shown, inflation 4%, all income reinvested, investments made at the beginning of the year.)

3. Invest Wisely

You may need to take some risk to gain a bit. In our opinion, your biggest financial risk is not losing your money, but to do nothing at all. Sure, the market's ups and downs are scary, but due diligence, a long-term approach and adequate diversification can assist you. If all your cash is sitting in the bank—or worse, under your mattress—your purchasing power will shrink like a bunch of steamed spinach. Unless a portion of your savings is in assets that grow faster than inflation and taxes, your greatest danger is that you'll outlive your money.

4. Give Generously

Give wisely, just as you would invest wisely.

Common-sense tips to help you get started

1. Come early to the party, and stay late.

Begin investing as soon as you can. Be patient, and allow your investments to grow over time.

2. Keep adding to your investments.

Each month, invest as much as you can afford, and maybe increase the investment amounts whenever you can.

3. Spread your investments around.

Think about investing in cash, shares, managed funds and property.

4. Invest in superannuation.

Superannuation is perhaps the most tax effective investment, so don't neglect it.

5. Don't let the bad news get you down.

Don't panic and sell low. Let a bad market run its course. History has shown that investment markets eventually recover.

6. Keep your balance.

Rebalance your portfolio regularly, particularly after a large market shift, upward or downward.

7. Don't expect miracles.

Your investment decisions won't be right all the time, and some of your investments will underperform your expectations. However, seek advice to ensure your investments are on track to meet your overall goals and objectives.

8. Buy-and-hold, don't cut-and-run.

Don't change investments every year to acquire last year's hot performer. It may be a flash in the pan. By tossing it from the frying pan into the fire, you might miss the sizzle altogether.

9. Think before you leap.

Don't buy an investment without analyzing it carefully. Don't invest in something you don't understand.

10. Ask the experts.

Seek professional help if you need it. Even if you are a do-it-yourselfer, consider a periodic checkup with a financial adviser to confirm that you are on the right track.

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