



THE POWER OF INDEPENDENT ADVICE

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FINANCIAL PLANNING FOR WOMEN

THE BRENTHURST GUIDE ON HOW TO BECOME A FINANCIALLY INDEPENDENT FEMALE.

By Michelle Burger, CFP®

As we celebrate **National Women's Day** this month of August, Brenthurst would like to take this opportunity to raise awareness around the topic of Female Financial Independence. At Brenthurst we realise that men and women require a different approach when it comes to financial planning; not just in terms of their differing circumstances and priorities in life, but also because of their emotional responses and instinctive behaviours when it comes to money and investments. It is a well-known fact that women all over the world face a great deal more difficulty when it comes to saving for their retirement, but hopefully we can empower the ladies to overcome some of these challenges by highlighting a few interesting behavioural patterns when it comes to money, and provide an ideal investment strategy that takes into account their unique circumstances.

In a 2013 study done by Prudential in the United States, it emerged that while the top financial priority for men is to "maintain lifestyle in retirement" for women the number one goal is to "not become a financial burden to loved ones." This statement alone puts the problem perfectly in perspective for us. Women generally first focus on their families or loved ones before considering their own financial well-being and often this is to their own detriment.

Juggling family responsibilities and personal finances is more of a challenge for women, but unfortunately women face a whole host of other challenges, making their retirement planning a bit more of an uphill battle. Many feel that there are just too many expenses that should come before saving for retirement or investing for themselves—such as the day-to-day costs of running a household or providing for the children's education, for example. By the time they reach retirement age, having already lost their husbands, many women face severe financial hardship and either have to work far into their old age, or they have to depend on their children for financial assistance.



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Firstly, the fact that women generally make less money than men has a significant effect on the amount of money they are able to save. On top of that, women spend an average of 12 years out of the workplace to raise children, earning little to no income during those years and often return to the workplace at a lower income bracket as a result of the “lost” years of experience. Women thus need to work longer and save more just to match the savings rate of their male counterparts and because they live longer, there needs to be extra provision for those elderly years.

And it's not as if women can simply rely on their husbands to take care of them, not with the divorce statistics being as high as they are. Although divorce can be financially hard on both parties, women face a much bigger financial burden than men, especially if they receive custody of the children (which is most often the case) which also negatively impacts on their retirement savings. Even when there are no children involved, the consequences can be just as dire. A non-working housewife who has never earned an income can suddenly find herself out on the street with no roof over her head because there isn't much one can do with “half” the proceeds from the sale of a small house.

It is estimated that 85% to 90% of women will be on their own financially at some point in their lives—either by not marrying, by seeing their marriage end in divorce, or they will outlive their husbands. This means that it is essential that all women, no matter where they are in their lives, receive a good solid financial education and seek the help of a qualified financial advisor. Financial planning is to be considered a risk management strategy, more than anything else.

“No matter how much women prefer to lean, to be protected and supported, nor how much men prefer to have them do so, they must make the voyage of life alone, and for safety in an emergency they must know something of the laws of navigation.” Elizabeth Cady Stanton, 1892.

It is extremely important for women to understand the basics of their money not only in the event that they become widowed or divorced, but more so when these life events occur. One would not want to add any additional anxiety or distress to an already-difficult situation by not being financially adequately prepared.

An interesting fact that should peak the interest of any financial advisor is that more than 70% of women leave their financial advisors following the death of their husbands. Meaning, they leave the advisor whom the husband had created a relationship with because perhaps they did not feel the same connection with that professional as their former spouse did. Often, couples will go see a financial advisor together, but the entire conversation might be directed at the husband alone, leaving the wife to feel a little left out of the process. This is where the financial advisor needs to realise that men and women often have different viewpoints but also different investment styles.

Although it is certainly not a bad thing that the wife accompanies her husband to a meeting—in fact, it might even be necessary for the wife to have her very own meeting on a separate occasion. It is most likely that she will have a different approach to the finances of the household, often have more concerns and questions to cover, and the entire direction of the meeting could be completely different. Also, it might be slightly uncomfortable for a wife to ask one of the most pressing questions such as “what happens if and when my husband dies?” or “what happens if he runs off with another woman?” Having a separate meeting with the financial advisor to focus on her financial needs could be hugely beneficial in alleviating those concerns.

Where men tend to focus more on the bottom line and how to get to “fixing” the problem, the women don't necessarily want to get to the bottom line right away. There is more emphasis on building the relationship with the financial advisor, and getting comfortable with the professional who will ultimately have to “take care” of them in the event that their spouse passes away or if they would have to divorce for whatever reason.

Looking at the female style of investing, women are more risk-averse and would rather invest in low-risk investments that are considered “safe” rather than investing in anything high risk or aggressive. This unfortunately comes at the cost of inflation-beating returns on the capital. Men generally prefer to take on a bit more risk with their investments, and although we definitely do not encourage a dare-devil attitude when it comes to your money, we do feel that in order to achieve an adequate level of growth so that your savings will sustain you with an income when you are no longer capable of working, you need to have a balanced amount of risk in your portfolio in order to achieve this.

Women are also more likely to require a steady, solid investment return over time—favouring a more organic process rather than a “get-rich-quick” expectation that the men often have. They are more afraid of losing everything, so control and safety of their money are priorities.

Once a woman understands her fears and innate psychological responses relating to money, and also understands basic investment principles such as the risk versus return concept, the process becomes a little easier.

Financial education has always been a huge priority for us at Brenthurst and we have always endeavoured to teach our clients the “how's” and the “why's” of investing, rather than simply selling a financial product. We feel it is hugely important for ladies to not only take control of their own finances, but to empower themselves by understanding how they make choices when it comes to money and how to avoid costly investment mistakes, such as not prioritising their own saving for retirement.

HERE ARE A FEW PRACTICAL TIPS EXCLUSIVELY FOR THE FEMALE INVESTOR

- **SCHEDULE YOUR OWN APPOINTMENT WITH A FINANCIAL ADVISOR OF YOUR CHOOSING.** If you and your spouse already have an advisor, go and see that person alone and make sure you are comfortable that the advisor devotes that entire hour to your financial needs alone. Ask the questions you might be too afraid to ask when your spouse is in the room—remember, client confidentiality is strictly adhered to at Brenthurst and we will not divulge your personal details to anyone. Any qualified financial advisor will be able to assist you with all the other steps as listed below.
 - **TAKE CARE OF YOURSELF FROM A FINANCIAL PERSPECTIVE AND PRIORITISE YOUR OWN FINANCIAL FREEDOM.** Before making any other sacrifices for your household or your loved ones, create a little nest-egg that is separate from the rest of the family's finances.
 - **ONCE YOU HAVE BECOME COMFORTABLE WITH THE NOTION OF PUTTING AWAY SOME MONEY FOR YOURSELF, TAKE THE NEXT STEP AND INVEST THAT MONEY SO YOU CAN WATCH IT GROW.** You can either set up a regular monthly debit order, or you can make ad-hoc lump sum payments.
 - **IF YOU ARE MARRIED, MAKE SURE THAT YOU AND YOUR SPOUSE BOTH HAVE A VALID WILL IN PLACE AND REQUEST THAT YOUR SPOUSE ALSO TAKES OUT ADEQUATE LIFE COVER FOR YOU AND YOUR CHILDREN.** In the event of divorce, make sure those life policies still go to your children and ensure that the divorce order makes adequate provision to maintain your lifestyle to a reasonable degree. Unfortunately we are not qualified to provide any legal advice with regards to divorce orders, but we could work together with your divorce attorney to make sure you receive a fair and adequate distribution of any potential pension benefits or policies from your spouse.
 - **WHERE YOU INVEST YOUR SAVINGS IS VERY IMPORTANT** — putting it in a money market account in the bank is not going to ensure your financial freedom one day! This is due to the fact that taxation on the interest and inflation will eat away the purchasing power of your money sooner than you can spend it. Seeing as though safety and low-risk are important investment factors to most women, keep in mind that you will need to have a balanced amount of risk in your investment in order to achieve real returns that will beat inflation.
 - **YOU SHOULD ALSO HAVE MORE THAN ONE INVESTMENT PRODUCT**— one that is fully liquid and will provide you with access to your savings in the event of an emergency, and then another investment product, such as a Retirement Annuity, which you will not be able to use until the age of 55. This will force you to save and invest for your old age and contributions to a RA can also be used as an effective tax-reducing mechanism.
 - **THE IDEAL INVESTMENT FOR A CONSERVATIVE FEMALE INVESTOR, DEPENDING ON PERSONAL CIRCUMSTANCES OF COURSE, WOULD INCLUDE BALANCED UNIT TRUST FUNDS WITH THE IDEAL MIX OF VARIOUS DIFFERENT FINANCIAL INSTRUMENTS — FROM BONDS, CASH, PROPERTY AS WELL AS A CERTAIN EXPOSURE TO SHARES (ALSO KNOWN AS EQUITIES).** By diversifying your investment, the risk is minimised and you are more likely to receive returns that will sustainably beat inflation. Although there is a small risk for capital loss, it will be short-term and should not deter you from investing in a balanced portfolio.
- As mentioned before, start with an appointment with the financial advisor, who will be able to assist you in choosing the right amount to invest, help you construct the ideal portfolio, choose the right investment products, and make sure all other bases are covered — such as Estate and Risk planning.**

CELEBRATING WOMEN'S MONTH

In celebration of Woman's Day this month, Brenthurst would like to encourage all our female prospective clients to make an appointment with us by bringing to your attention that **YOUR FIRST CONSULTATION WITH US WILL BE FREE OF CHARGE!** And as a special promotion for August and September, we will waive our proposal fee whether you invest with us or not.

TO TAKE ADVANTAGE OF THIS OFFER, CONTACT ANY ONE OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS WITHOUT DELAY! CONTACT DETAILS ENCLOSED.

BRENTHURST WEALTH CERTIFIED FINANCIAL PLANNERS:

Brenthurst Wealth Management (PTY) Ltd is a registered financial services provider and is a fully-fledged financial and investment services company with offices in Johannesburg, Pretoria and Cape Town.

All our Financial Planners are CFP® Professionals and members of the Financial Planning Institute of Southern Africa. They are highly qualified to give advice on all investment matters.

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“THE FINE ART OF MANAGING INVESTMENTS REQUIRES CONSISTENCY, PATIENCE AND THE CRITICAL ABILITY TO PERCEIVE A LONG-TERM APPROACH TO THE CREATION OF WEALTH AND MOST IMPORTANTLY, THE POWER OF GOOD SOUND INVESTMENT ADVICE.”

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