

Over 45, fabulous and financially fit!

Remember Helen Reddy's I Am Woman? If you're over 40 you're sure to, and you'll know a lot more now than you did in the 70's and can rightly claim 'I am wise'.



But are you financially wise?

Many women manage the household finances. It seems like we're 'money savvy'. So why is it that by the time we reach retirement, our nest egg is not as full as we would have hoped? Current statistics about women's retirement income and savings in comparison to those of men suggest that something's going very wrong.

Whether you're married, single or divorced and whatever challenges you've experienced, NOW is the time to take control because:

Life Tables 2005-07 for women		
Age now	Life Expectancy (from now)	To age (rounded up)
45	39.9	85
50	35.2	86
55	30.5	86
60	26.0	86
65	21.6	87
75	13.5	89
85	7.1	93

Source: Australian Bureau of Statistics, Life Tables, Australia 2005-2007.
Updated 25 November 2008.

You've still got a lot of living to do and a lot to get out of life...

Women generally live longer than men and retirement offers you new opportunities, if you plan for it. Acting now means that in the long run you can get more out of life.

Five to seven years is enough time to make a real difference to your financial future.

If you act now, even a few years can help to make a difference to your situation. If you have another 10 or 15 years in the paid workforce, you can make a more significant improvement.

Improving your future financial security is important; the Age Pension is set at 27.7% of (male) average weekly earnings.

On its own, the Age Pension will not provide you with a comfortable lifestyle. A part-pension combined with other income such as a superannuation income stream, for example, can make a world of difference.

It is not wise to rely on someone else for your future financial security.

Many women have found themselves in difficulties as a result of doing so. Divorce and relationship break-up, unfortunately are common outcomes, so its best to avoid relying on someone else for your financial security.

WHAT steps can you take?

Taking the simple steps outlined below will put you on the path to greater financial security.

1. Straighten out your debt situation

Any savings you can achieve on interest and fees is money in your pocket. You can use that money to improve your financial future and, don't forget - the interest and fees you pay on loans and credit adds to the cost of your purchases.

How?

Review your debts and:

- i) If you have more than one loan or credit card, pay off the ones with the highest interest rates and fees.
- ii) Contact your lenders and see how you can consolidate smaller loans into one larger loan with the lowest interest rate and lowest fees you can negotiate.
- iii) Check out how the interest and fees on your credit cards compare with other cards currently in the marketplace. See if you can transfer the debt from a high interest credit card to one with a lower rate.
- iv) Pay as much as you can off your card each month, to decrease the interest you pay. If you can pay the total off by the due date, you will avoid interest altogether.
- v) Check the market regularly to see whether new cards with a lower rate have been released; your existing credit provider may not inform you when they release a new, low interest product.

2. Get superannuation on your radar!

By contributing as little as \$10 per week on top of your employer contributions (that's only three coffees) you can make a big difference to how you will be able live when you finish work.



Co-contributions are a great way to add to your super.

How?

- i) Possible tax advantages: If your annual assessable income (for tax purposes) exceeds \$35,000, salary sacrifice contributions to superannuation may reduce the amount of tax you pay by lowering your assessable income.
- ii) Government contributions to your super: If your annual assessable income plus reportable fringe benefits plus salary sacrifice to superannuation is less than \$61,920 you may qualify for a Government Co-contribution to your super if you make voluntary contributions from your after-tax income.

If your income is \$31,920 or less, and you contribute \$20 per week yourself during the financial year, you could qualify for the maximum co-contribution of \$1,000. You can do this each year.

If your annual income is more than \$31,920 but less than \$61,920 (2009/2010), the amount you receive as a co-contribution will depend on your assessable income and how much you contributed during the financial year.

- iii) A win-win situation for both you and your spouse: If you are married or in a *de facto* relationship and living with your partner, and if your income (as defined in (ii) above) is less than \$13,799 per year, your partner may qualify for a tax offset if they make spouse contributions into superannuation on your behalf. This option is important for you if you are on a low income or face periods out of the workforce, and it is win-win - it builds up your super and benefits your partner.

3. If you find yourself in a divorce situation, make sure that your spouse's superannuation is included in the property settlement

One in three marriages ends in divorce. Marriage break up has left many women without financial support in their senior years. For example, 65% of divorced women receive a Government pension¹. But now superannuation is regarded as an asset under Family Law.

How?

Superannuation has been regarded as an asset under the Family Law Act since December 2002. Settlements related to divorce can now include splitting superannuation and annuities (a form of pension) between both spouses. In certain circumstances this may also apply to marriages that were dissolved before December 2002.

4. Guard against Sexually Transmitted Debt

It is important to protect your own financial security and not become one of the numerous women who have found themselves responsible for their partner's debts, or experienced financial losses or loss of family assets because of their partner's lack of planning and foresight.

How?

- i) Be careful about acting as guarantor on a loan or any other form of debt:

Make a realistic assessment about how much risk there is of your partner defaulting on the facility. Read the fine print in all the papers you are requested to sign as guarantor. Avoid any situation where you could end up responsible for someone else's debt or that the terms of the loan put major family assets at risk. Question anything that seems unclear.

- ii) Make sure that your interest in any joint bank account is properly protected. Joint bank accounts are convenient, but they can also be abused by one partner and lead the other into unwitting debt.

Protect your interests by requiring two signatures for large withdrawals from any joint bank account and for an overdraft to be set up against the account.

- iii) Establish a financial agreement with your partner, to protect your assets in the event that your situation changes.

Spell out what assets are separately owned, which are shared and how these are to be dealt with if the relationship does not work out. This can avoid unnecessary family tensions, as well as protecting your financial interests.

5. Find out more about financial matters and money management

The more you understand about the way money can work for you, the greater your potential for future financial independence.

How?

- i) If you are a member of an Industry Super Fund, you'll probably find that your fund periodically organises information seminars somewhere near you - it may also have a member education program. So, contact your fund and ask them about their member education services or any upcoming seminars.
- ii) Visit the IFFP website and download our other fact sheets about various financial topics. Go to iffp.com.au

6. Monitor your spending

You can improve your financial freedom by understanding where your money goes.

How?

- i) Make a record of your regular bills and monthly spending and assess what expenditure is essential and where you may be able to economise.



Seeking advice can help you plan for the future

- ii) Work out a budget and stick to it. Although many people squirm at the thought of budgeting it can help you improve your overall financial situation, and that's empowering. IFFP's "*Getting the best out of your superannuation and income*" guide offers some hints and provides a sample budgeting sheet to assist you. There is also more information available on budgeting and managing debt online at iffp.com.au

7. Make any spare money work for you

It's smart to get some of your hard earned money to work for you. There are a number of ways to do this from high interest accounts to managed funds to adding money to your superannuation.

How?

If you have money in the bank you could;

- i) Set up a high interest savings or investment account that you can't access by ATM and transfer part of your bank balance into it;
or
- ii) Consider investing some money in a managed investment fund; or
- iii) Make your money work better for you in your super fund. Also if you are 55 years of age or over, the Transition to Retirement provisions provide more flexible access to your super than previously. Whatever way you choose to do it, if your circumstances allow try to save 10% of your income.



8. Seek out a good financial planner who will give you independent, professional advice

According to a recent report “women often find it much harder than men to get an appointment with a financial planner”².

Women also often report that they feel unwelcome by planners and ignored by the financial planning industry³. Don't be discouraged or intimidated, it is important for you to look after your future.

How?

- i) Contact your Industry Super Fund for a referral, you will generally have access to a one hour free meeting with an IFFP planner.
- ii) Speak to any friends, colleagues or family who may be able to suggest someone.
- iii) Make sure that your planner is properly licensed – check them out on www.fido.com.au, the ASIC consumer site.

Consider your goals before meeting with the planner and be clear about what you are seeking from them. Ask the questions that you need answers to – don't feel intimidated and, above all, find a planner with whom you feel comfortable.

Check out our fact sheet '*Finding a good financial planner*' for more ideas. This is available online at iffp.com.au

WHY is this important?

Statistics indicate that the majority of women who have reached retirement age are totally, or heavily dependant on the Age Pension and that, in general they are less financially secure than men. Why is this the case?

1. Women's working lives generally produce different financial outcomes to those of men

Broken employment patterns: On average, women only spend 17 years in the paid workforce while men have 39 years of paid work to secure their financial position and accrue superannuation⁴. This is generally due to a combination of bearing and raising children, caring for elderly parents or other relatives and the fact that women account for the majority of casual and part-time workers, many of whom do not qualify for employer contributions into super.

Lower earnings: The average full-time working woman only earns 84.7 cents to every dollar earned by the average man and, obviously, women who work in casual and part-time jobs earn less than people in full-time employment. This affects women's ability to achieve a secure financial position and the amount their employer contributes to superannuation for them.



2. A report released in 2007 indicates that 50% of women who have retired or will do so within the next 10 years have less than \$20,000 in super⁵

Super offers particular advantages in comparison to most other forms of investment and savings, yet it is not on most women's radar:

- > Superannuation funds' earnings are taxed at a concessional rate. (The maximum tax rate is 15% which is less than most other forms of investment or savings). This can leave more of their earnings to be distributed to members.
- > Superannuation income streams' earnings are not taxed at all – leaving even more of their earnings to be distributed to members if you are 60 years of age or over.
- > Before-tax contributions (employer contributions and salary sacrifice) are taxed at 15%; less than the income tax payable if you earn more than \$35,000 a year - leaving more of your income for you. Just be mindful of the limits.
- > There is no tax payable when you withdraw superannuation benefits if you are 60 years or over, and if you are between 55 years of age and 60 any withdrawal is taxed at concessional rates – leaving more of your investment for you.

Industry Fund Financial Planning:

1300 138 848

iffp.com.au



¹ Still Time to be a Super Women, *The Age* newspaper, 20 May 2007

² Brand Management (2006), *Invisible Sex 2006: An in-depth analysis of Service for Women in the Australian Financial Services Market*

³ Date, M, Women gain more clout: *The Age* newspaper, 24 January 2007

⁴ *Women achieving financial success*, AMP, 2007

⁵ Melbourne Institute of Applied Economics and Social Research, author Diana Warren 2007