

Retirement...

a different ball game for women?



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Women need to be empowered, so that they are not on the back foot when it comes to retirement planning and finances.

Women are in control of a number of different things in the average household. For many women who are the sole breadwinners, they in charge of all aspects. They generally have a better understanding of living expenses and the cost of raising children and educating them. However, sadly an insufficient number of women have a long-term view of money, in relation to building their assets and saving for retirement.

It's all in the statistics

There are two aspects we cannot ignore when thinking about women. They involve finances and financial planning.

First and foremost, women generally live on average five to six years longer than men. Because of this, they need more savings and investments to cover them for their longer lifespan.

Secondly, and unfortunately, 44% of marriages end before their tenth anniversary, at an average age of 40. At retirement, a person needs at least a multiple of 15 times their annual salary. If a woman only starts saving for retirement at age 40 (hypothetically, at divorce), she then needs to save 40% of her salary to achieve the multiple of 15 at retirement.

Furthermore, 55% of divorce cases also involve children under the age of 18. Having children as a priority and saving 40% of their salary may not be realistic or even achievable for many women.

Sadly, many women postpone or even avoid investment decisions until a crisis occurs, such as divorce or death. At this point in time, financial advisers and trustees of retirement funds should be able to assist with educating women on the balance between short-term savings, long-term investments and the significance of being financially independent.

Bridging the gap

Historically, women have been on the back foot when it comes to retirement. To assist them in bridging the gap and preparing for retirement, here are the four main points financial advisers need to discuss with them:

1 Social prejudices and stereotyping put women in unpleasant positions regarding financial issues. Let us not perpetuate the myth. Your female clients should not depend upon someone else for their own financial security. It is critical that women take charge of their investments and finances from early on in their lives. Each woman should at least have their own investment, separate from their husbands if they are married.

2 All women should aim to build their own contingency fund to cover themselves in case of emergencies or unforeseen expenses. The size of the fund should be between three and six times their monthly salary, if they are working. Good investment vehicles are tax free savings accounts or unit trusts which allow investments to earn returns, preferably above inflation.

3 As a financial adviser, you should highlight the 4D's bound to affect your female clients at some stage of their lives namely: death, disability, divorce and dependency. You can help female clients:

- Plan for the worst, as the loss of a mother affects the whole family emotionally and financially.
- Prepare for a disability at any given time.
- Determine post-divorce costs even before the client starts to negotiate the divorce settlement.
- Build their own portfolios alongside their spouses to create financial inter-dependence and tax efficiencies.

4 Your female clients should be aware that they will most probably outlive their husbands, if they are married. Furthermore, they need to become mindful of the exact provision their husbands have made for them. As a financial adviser, you need to ensure that your female clients understand their financial needs and increased lump sum needs due to their longevity (living for longer).

Empower women

Women need to be empowered, so that they are not on the back foot when it comes to retirement planning and finances.

Ensure that your female clients take control of their investments from early on and educate them. Empower them to take control and be financially independent. •