

Financial Planning Tips For Women

We like to think we are becoming a more equal society, but women continue to face a particular set of challenges, compared to men, when it comes to managing their income and planning for the future.

Generally speaking, women face different challenges through their financial life journey, compared to men, including:

The Gender Pay Gap

The gender pay gap - the differential between the average pay of males and females within an organisation - is estimated at an average of 14% in Ireland (Eurostat). This means that the average woman, even those in leadership positions, will be earning less than male counterparts in a similar role.

Maternity Leave and the Need for Flexible Working Conditions

Compared to men, women are more likely to leave the workforce for extended periods of time, or reduce their working hours or stop working completely, particularly those with young children. These gaps can often make it harder for women to progress in their careers as well as leave them with a reduced income.

Longer Life Expectancy

According to the Central Statistics Office, women's life expectancy at birth is 82.8 years, versus 78.4 years for men (Life tables 2010-2012). Women also often tend to retire earlier than their male counterparts. This, coupled with gaps in employment and the gender pay gap, means it is common for women to enter retirement with less saved than men of a similar age.

A Different Attitude to Risk

While generalising an entire gender's approach to investment is tricky territory, it is safe to say that a majority of women show preferences that differ from those seen in male investors. Women are more conservative long-term investors than men. Their primary goals revolve around keeping money safe and saving for long term goals, primarily retirement. Risk aversion may be causing many women to miss out on greater long-term returns from their investments.

So, how can women navigate these challenges and secure their financial future?

5 Financial Planning Tips for Women

1. Be involved with your Finances

The more intimately you know your finances the better. This is particularly important where you share finances with someone. It is important that you can be financially independent just in case something goes wrong – divorce, premature death, etc.

2. Set Financial Objectives and Goals

Before doing anything about your finances, it's important to set yourself financial goals for the future. Whether it is travel, paying off the mortgage, funding children's education or the level of income you wish to enjoy in retirement, these goals must be particular to you. The goals should be specific and realistic.

3. Understand your Financial and Personal information

Understanding your current financial situation, including income and expenditure, assets and liabilities, risk attitude, tolerance and capacity all improve your understanding of your financial circumstances and pinpoint areas of strength and weakness.

4. Create a Financial Plan

Once you have set your objectives and goals, and understand your current financial position, make sure you create a plan of action. Those with a written, comprehensive plan are more likely to feel strongly confident about achieving their life goals. Financial planning is a dynamic ongoing process that requires continuous monitoring. The actions recommended and the goals should be reviewed regularly to take account of a change in income, asset values or family circumstances.

5. Work with a Financial Planning Professional

While we know what we should do to secure our financial future, inertia will stop many from achieving their goals. Working with a financial planning professional, and in particular a CERTIFIED FINANCIAL PLANNER™ professional, who will hold you accountable for your plan and help you make necessary adjustments when (or if) it goes off track will lead to greater likelihood of achieving your goals. Not alone do CFP® professionals undertake an extensive education pathway to understand all of the successful mechanics of being a sound financial planner, but they also adhere to a high level of ethical standards and ongoing continuing education.

As more and more people become responsible for their long-term financial wellbeing, working with a financial professional will help them feel better prepared to achieve their financial goals. Women in particular will benefit from financial planning as they navigate the realities of their financial journey, like career breaks, pay gaps and longer lifespans.

A properly defined and documented financial plan will give the greatest chance of a successful outcome. It will not guarantee financial security or wealth but will provide an opportunity to pursue both and requires proper analysis, discipline and expertise.

This International Women's Day we encourage you to forward this advice to the important women in your life.