

Women should play an active role in finances

Take part in discussions on how to save and where to invest

VIBHA PADALKAR

Worldwide, March 8th is celebrated as Women's Day. With women constituting a major part of the work force and contributing equally, if not more, than men to the household income in urban India, they need to pay more attention to their finances as well. But while they understand the importance of being financially self-reliant, many are still reluctant to involve themselves in the process of financial planning. Decisions regarding where to invest – and how much – are still largely made by fathers, brothers, uncles

husbands or in-laws.

Here are three instances why women need to take a more active role not just in earning, but also in saving and investment. After all, it is their money.

In the first instance, a senior executive in a private firm, who was single, had a luxurious lifestyle while working. She did not purchase a house, since she had been allotted one by her company all those years. Now she is five years from retirement and banks are unwilling to extend her a home loan. Since she has not saved enough, she cannot dip into savings. In fact, she

would have to slash her standard of living in her post-retirement years since she had not built up a sizable corpus.

Another instance is of a married couple. Here, the wife's income was utilised for all expenses and the husband's for investment. All investments were in the name of the husband, since it was more convenient. When the couple filed for divorce, the wife had very few investments in her name.

The third instance is of a homemaker losing her husband prematurely in a road accident. She was clueless about what were her savings,

whether insurance was taken, how to repay their home loan and so on. Even though she would get some funds from her husband's company as compensation, she did not know how to invest the money so as to earn a regular income to meet her expenses and those of her children.

In all the instances mentioned above, the women could have benefited from better financial planning. Some challenges that women face today are high costs of health care, given their genetic and biological make up. Recent demographic and social changes reveal a rapidly rising proportion of women who are single (widowed, divorced, unmarried).

So how should you go about financial planning? The same rules apply broadly to men and women. You have to understand your financial needs and develop a suitable investment strategy. You

should save regularly, choose an appropriate asset class depending on your risk profile, and monitor your investments regularly. The difference is that women display different risk-taking attitudes. They tend to be more conservative and are more inclined to protect their capital. But this may lead to lower returns in the long run.

Understand financial needs

Women must identify their short- and long-term financial goals. Ask yourself the following questions to grasp your latent needs. For instance, how much money is needed for short-term goals such as emergency funds, or a new car. The next is how much is needed for long-term goals – marriage and higher education for children, retirement, etc. Women must also make a provision for financial and physical assistance for chil-

dren, aging parents.

Once financial needs have been identified, analyse your own understanding of investment options and risk appetite. Ask yourself firstly, where and how will you invest to meet short-time goals? How much can be saved for long-term goals? What investments would help reach such goals, and what is the potential risk in such investments? And last, how often should investments be reviewed?

Insurance for liabilities

Women should avoid the common mistake of considering insurance a low priority, focusing less on health insurance and relying too much on relatives and friends for investment advice. For women, married or single, it is important to understand the level of insurance cover that is required to replace current income used to fund increas-

ing living costs, education expenses and retirement benefits.

Working couples should look at their current expenses and long-term goals and buy insurance that would cover their liabilities in the short and long terms. If she (including her spouse) has several liabilities, in the event of borrower's death, protection plans can provide the funds to pay off debts, such as a house mortgage. These plans also offer joint life/co-borrower cover.

When a woman is married or when other life-stage milestones are hit, she should both review the adequacy of insurance cover availed of as well as update her basic policy details including her name, nomination, new address and so on.

Make a will

Working women who save through financial assets as well as physical assets such

as real estate or gold should always make a will. Ensure that all documents (relating to insurance, investments, etc.) are safe, preferably dematted, and the whereabouts of such documents known to immediate family members.

You should also be aware of your spouse's insurance policies/other investments, bank accounts in which you or your children or other dependents are beneficiaries. Additionally, you should also be aware if your spouse has bought a life-insurance policy under the MWP (Married Women's Property) Act, which ensures that proceeds under such a policy cannot be claimed by her husband's creditors.

Ensure the financial well-being of your loved ones and yourself by taking some of these simple steps.

The author is ED and CFO, HDFC Life Insurance.