

PERSONAL FINANCE

Why every woman needs 'bling'

by Neesa Moodley-Isaacs

At a meeting of the **acsis**/Personal Finance Financial Planning Club timed to coincide with National Women's Day, Debbie Netto-Jonker, Financial Planner of the Year for 2001 and the founder of Netto Financial Services, and Megan Young, the head of compliance at acsis, spoke about what you, especially if you are a woman, should consider when planning your finances.

One way to look at your finances is to decide that you need some "bling" in your life, Debbie Netto-Jonker says.

Bling is affordable jewellery that looks pretty but won't bankrupt you. The letters that make up "bling" also coincide with the essential elements of financial planning.

Budget. Netto-Jonker says one of the key foundations of a successful financial plan is having a budget. You need to keep track of your income and expenditure to ensure that you have a positive cash flow and are making sufficient investments to meet your long-term financial requirements.

Your budget should include your monthly expenses - such as groceries, and car and mortgage bond repayments - and your annual expenses, such as school fees, and your car and TV licence. You must also budget for retirement savings, and life and disability assurance.

Netto-Jonker says that when you draw up a budget, you should understand that there are two kinds of debt:

- Reasonable debt, which includes your home loan - but not at 100 percent finance plus costs. You should save up for a decent deposit before you buy a home, particularly in the current economic climate where banks are insisting that you put down a deposit before they will grant you a home loan on a property.
- Unreasonable debt, such as credit card debt.

"If you can't pay off the total amount owing on your credit card every month, you are allowing yourself to be fleeced by the banks. They charge you up to 27 percent interest on the total amount that you have yet to repay. The ideal solution is to cut up your card," Netto-Jonker says.

If you do keep your credit card, Netto-Jonker says, you should put your card in a cup, fill the cup with water and put it in the freezer.

"That way you are guaranteed at least 25 minutes to decide if you really need to use your credit card," she says.

Netto-Jonker says financial guru Suze Orman has taught her one of the most empowering lessons about sticking to a budget: when you tell your children why you cannot buy that iPod, you should be honest and simply tell them it is not in the budget.

"The traditional approach is to say that you can't afford it. But your child is just

going to say that you should increase your earnings. Telling your children or your family that 'it's not in the budget' means you have taken an active decision to control your expenditure," she says.

Life and limb assurance. As part of your financial plan, you should have life assurance and disability assurance, Netto-Jonker says. Stay-at-home moms need this type of cover as much as mothers who work outside the home so that your family can support you financially if you become disabled. In the event of your death, besides the immediate cost of your funeral, your family may have to pay an au pair and a housekeeper, she says.

Investment planning. Netto-Jonker says most women take a lot of care when planning for a short trip. You check your bags and documents, and make lists. However, women do very little or no planning when it comes to saving money for their longest holiday: retirement.

The older you are when you start saving, the more you will have to save towards your retirement.

For example, if you start saving at 25 and want to retire at 60, you need to save only nine percent of your income. However, if you start saving at 35 and want to retire at 60, you need to save 15 percent of your income.

"The first thing you need to do when planning for retirement is to determine your objectives and your time frames.

"Then you need to determine how to allocate your assets between the asset classes of shares, bonds, cash and property to meet your required investment returns. Your budget will help you determine the income you require in retirement and this will determine the returns you need," Netto-Jonker says.

When you are choosing your investment portfolio, you must consider in which regions to invest your money, Netto-Jonker says. If you intend to retire in South Africa, the bulk of your investments should be in South Africa because most of your expenses will be rand denominated.

The next step is to determine which investment products have the right legal and tax structure to meet your requirements. These products include unit trust funds, endowment policies and retirement funds (provident, pension, preservation or retirement annuities).

Netto-Jonker says once you have settled on a long-term investment strategy, you need to stick to it and be careful not to allow short-term market movements to cause you to panic and switch your investments prematurely.

Despite legislative protection, Netto-Jonker says people lose vast amounts of money in investment scams because they allow their emotions to rule them when they make financial decisions.

You should bear in mind that you earn money only once. You have it once, and once you blow it in a risky investment, it is gone forever.

No ... not today! You need to practise self-discipline when it comes to your expenditure, Netto-Jonker says. Refrain from making impulsive purchases - if it's not in the budget, don't buy it.

If there is a purchase you feel you cannot do without, sit on it for a day or two

before you swipe your card. The chances are you will realise it is not such a vital purchase.

Get a plan soon. Get a financial plan in place as soon as possible. "Even if you are married and your husband has a great financial plan, you need your own. Every woman, whether she is working or not, needs to have her own financial plan," Netto-Jonker says.

You and your financial planner should work out how much money you need in retirement and start working towards your goals as soon as possible, she says.

A financial plan is not going to change your life overnight; it is a long-term process, Netto-Jonker says.

Once your accountant, lawyer and/or financial planner has assessed your financial needs, making financial choices will not be a one-off decision or a choice just for today. It is a lifetime decision. You need to live with the choices you make and the consequences of those choices.

You should have a financial plan in place before you get married. Financial issues can either make or break a marriage, depending on how you approach your finances and whether you discuss those issues openly with your spouse.

"With high divorce rates in South Africa, you should enter marriage in much the same way that you would enter a business partnership. You should have all the necessary agreements in place and decide upfront who is going to handle what," she says.

Don't be in the dark when it comes to your partner's financial affairs

Very often women in marriages or permanent relationships find out the state of their partner's finances only when he or she dies. To avoid this, couples should regularly discuss financial issues, Megan Young says.

Women who are in relationships that are not legally recognised need to be particularly careful to ensure that they are not disinherited if their partner dies before them.

Young says if you are married, you must make sure you understand your husband's investments so that you are able to easily take over if he dies. This will also ensure that you do not fall prey to bad advice.

Women tend to live far longer than men, she says, so you must be able to run your own finances successfully in the absence of your husband.

An issue that comes up often in financial planning, Young says, is that women in some partnerships are not legally recognised as spouses in terms of the law of intestate succession or in the Maintenance Act.

If your marriage or partnership is not recognised and your partner dies without a valid will, you will not be able to inherit any money.

You will also be in a difficult position if your partner has not provided for you in his or her will or has not made sufficient provision for you in his or her will, because you won't be entitled to make any maintenance claims against your partner's estate.

Muslim marriages are now recognised under these two laws after a court ruled in

2004 that the definition of "spouse" included a surviving partner from a monogamous Muslim marriage.

In June this year, the Cape High Court ruled that it would be unfair to treat wives in polygamous relationships differently from those in monogamous relationships. The effect of this ruling is that second wives in Muslim marriages are now legally recognised as spouses.

If you are in a relationship that is not legally recognised, discuss with your partner how you are going to address potential problems. Make sure your partner has a valid will, has updated the beneficiary nominations on his or her life policies and retirement fund and has made adequate provision for you in the event of his or her death.