

BECOME FINANCIALLY Independent

MANAGING MONEY POSES SPECIAL CHALLENGES FOR WOMEN, BUT THESE 10 TIPS CAN HELP YOU GET ON THE ROAD TO FINANCIAL INDEPENDENCE.

BY S. KAY BELL



Everyone, regardless of gender, needs to have a financial plan. But women do have some special needs.

In most cases, women make less money than men in the same positions. Women tend to take more time from work to take care of family. That not only inhibits job promotion and the accompanying raises, but also reduces our contributions to pensions and Social Security. And less retirement savings are a big problem, since statistically, women live longer than men.

But even though women face some financial obstacles, here are 10 ways to get firmer financial footing:

1. TAKE CONTROL OF YOUR FINANCES.

While most women participate in the day-to-day finances, some still leave money decisions to a partner. That's a common mistake seen by Melanie Johnson, a Certified Divorce Financial Analyst (CDFA) and an investment adviser representative with Athena Financial Group, Inc., in Austin.

"Women don't take part in the financial planning, especially when it comes to long term," said Johnson. "They may take care of the checkbook, balancing it and everything, but when it comes to the 401(k), whatever he says goes."

That too often leaves women surprised when there's a financial crisis. Even without a money surprise, it's not wise to let someone else have complete control over your financial future.

2. OPEN YOUR OWN ACCOUNT.

One sure way to have control is by opening your own account. This doesn't necessarily have to be a secret savings or checking account; just one where you alone get to decide what to do with the money.

That allows you to use the money without feeling like you must ask for permission to spend it, said Johnson. And when each partner has a separate account, you both can come up with a spending plan for your joint money, as well as determine as a couple how much cash each of you gets to manage separately. That will ease some of the guilt you might feel about spending comingled money. 

3. TAKE CARE OF YOUR FINANCES FIRST.

Women are caretakers. This is something Johnson understands as a mother of four. But as a financial professional, she's also seen mothers crack open retirement nest eggs to send children to college. "Regardless of your marital status, focus on yourself first," said Johnson. "Youngsters have grants, scholarships, work programs and, as a last resort, loans," said Johnson. But once you raid your retirement account, you might not be able to recover completely. Remember, before you can take care of anyone else, emotionally and financially, you must take care of yourself first.

4. SET FINANCIAL GOALS.

Financial control is easier to achieve when you have goals. Figure out your big financial goals, such as early retirement, as well as smaller, short-term goals, such as buying a house or new car. As you achieve the smaller money goals, you'll feel more successful and confident in working toward your longer-range plan. Evaluate your progress over time to ensure you stay on track.

5. GET OUT OF DEBT.

Becoming financially secure depends in large part on eliminating costly debts. A budget (check *AW*'s January 2011 *Worth* column for budget tips) can help you do that. Once you have your debts out of the way, you'll have more money for saving and investing.

6. GET SOME CREDIT.

This tip might seem fiscally counterproductive, especially after just being encouraged to get out of debt. But some credit, managed wisely, is crucial in today's world. "I've seen higher net worth women who didn't need credit cards, then something happens – divorce, a spouse passing away, or another emergency – and they needed credit but couldn't get it because they didn't have a credit history in their own names," Johnson said.

7. KNOW YOUR OWN RISK TOLERANCE.

Women tend to be more conservative than men when it comes to investments. But that also means that their investments often don't grow as quickly. If you understand your own risk tolerance, that knowledge can help you work toward an investment plan to meet your long- and short-term goals.

8. PAY ATTENTION TO TAXES.

This is a sister tip to knowing about your finances. "Financially those tax returns can be very important," said Johnson. "Uncle Sam can come back to you. I've seen women who just signed their name and then something happens and they have a \$14,000 tax bill and they don't know how." Bottom line, don't sign any tax return, one you file singly or one filed jointly with a spouse, without knowing what's on it.

9. GET PROFESSIONAL HELP.

Don't be embarrassed to seek professional help. Although money managers and advisers charge for their services, the benefit of their experience and knowledge can be worth the cost.

10. START NOW.

It's never too late to start putting your finances in order. Your financial success depends on your attitude about money and your willingness to take your financial future into your own hands. Set your goals, begin saving and investing as much as you can, reduce your spending, get help as needed. Your efforts will eventually pay off.

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