



MONEY MATTERS

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FIVE FINANCIAL FOUNDATIONS EVERY WOMAN NEEDS

You know the story of the three little pigs, right? The hard-work, diligence and skill of the third little pig, who built a solid house of bricks with consistent joint thicknesses and well-mitred corners, that was able to withstand gale-force hot air, paid off when the slapdash efforts by his two mates failed to protect them from a pork-hungry big bad wolf.

It's a good analogy for your personal financial planning too. Women yearn for security and it's achievable when five financial foundations are all in place: a spending and investment plan, insurance, estate planning, superannuation and an emergency fund. While they sound like common sense, I've rarely met a woman who, without advisement, can honestly tick every box as being in place to the degree necessary for her age, life stage and goals.

So, let's look briefly at the five foundations for financial health.

Emergency fund

An emergency fund is a sum of backup money that is yours and only yours. While it can be your means of escaping a relationship it may enable you pay bills if you suddenly lose your job.

Spending and investment plan

The reality is we spend money to pay for groceries, rent/mortgage, petrol etc. Instead of imposing hard and strict rules, denying yourself *living*, you need a way to balance your income against your expenses in a way that still leaves money left over to look at investing for your long-term future. Understand good debt, bad debt and smart debt: not all debt is equal!

Superannuation

While superannuation is one of the most

tax-effective ways to build your investments for the future, it's unlikely you have enough to bank on to see you through retirement. According to the Association of Superannuation Funds of Australia the average superannuation balance for women who retired in 2016 was \$157,000 while men had \$271,000.

Insurances

There are three forms of insurance that I believe every woman needs to consider and control: private health insurance; general insurance (e.g. home, contents, car, jewellery, luxury items, business); and personal insurance (life, total and permanent disability, income protection and trauma). While insurance needs do change with age and life events, it's fair to say women are mostly under-insured. Value yourself.

Estate planning

There's more to estate planning than just having a Will—and given that many Australians don't have a valid up-to-date Will, that's a great place to start. Estate planning also gives you a voice if you lose your decision-making faculties and protects assets in your 'bloodline' from beyond the grave.

With all five financial foundations in place, you're well placed for a strong future, no matter what life deals you.

*Helen Baker is an Australian financial adviser and author of two books, **On Your Own Two Feet: Steady Steps to Women's Financial Independence** and **On Your Own Two Feet Divorce: Your Survive and Thrive Financial Guide** available for purchase through book stores or online at www.onyourowntwofeet.com.au*

