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[SECTION E]

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Secure your purse strings

Financial professionals help women prioritize their money matters

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Every few weeks, Jerri Gray hosts an all-female dinner seminar and teaches women about debts, investments and budgeting.

The name of her sessions? "A Man Is Not A Financial Plan."

It's an event Gray started last year when she noticed that many women, especially older ones, had the men in their lives handle all their money matters. However, once divorced or widowed, the women had no clue of what to do.

"That is why the sudden push: All the baby boomers are aging. We're living longer and guess what — we're going to be left with a whole lot of women who don't know what to do if we're not careful," said Gray, an investment professional and co-owner of NEXT Financial Group Inc.'s Riverchase branch.

While countless women are financially savvy about their investments and retirement funds, others lag behind in planning for a secure future, financial professionals say.

Candace Bahr, co-founder of the Women's Institute for Financial Education and a partner of Bahr Investments Group in southern California, said that based on her experience and resources, 68 percent of women have said they have no idea how much money they will need for retirement, and only 20 percent have established a nest egg goal.

"That's pretty sad. I would think that, frankly, men don't fare that much better," she said.

She added that it's not that women aren't concerned about their finances, it's just that some are so busy with work, kids and other matters that it's hard to fit in one more thing.

Even in dismal economic times, like now, financial professionals say most disciplined people can eke out a little money to save and invest.

"You may feel like things are tight, when in reality it's the way you have been spending and investing your money," said Greg Powell, president and CEO of Fi-Plan Partners in Hoover.

Michelle Ashman, 41, a self-employed, married mother living in Pelham, met with Gray in January to find out how she and her husband could get more out their two Roth IRAs. She said Gray educated her about different investment tools and where she could put her money to grow it for their retirement.

"It's important for a woman to be empowered financially because she may end up on her own at some point, or her husband, unfortunately, may lose his job," she said. "You've got to be prepared for things you don't expect."

Inside, Gray and Powell offer 15 basic tips that women — and, yes, men — need to know about their money.

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Take 15 steps toward gaining financial security

1. **Regardless of your income and net worth, you need a plan.** You can put it together yourself using tools off the Internet or you can meet with a financial planner. Establish a budget, identify your goals and develop a strategy. It's never too late to start, said Powell. "You would never build a house without a blueprint, so why build your finances without a blueprint?" he said.

2. **Get rid of credit card debt.** Although some would advise paying off the card with the highest debt or highest interest rate, Gray said you should pay off the card with the lowest debt first. "It's not math at that point," she said. "It's emotional. When you pay off that first card, you feel elation. You want to keep going."

Always try to pay more than the minimum due. Try to pay as much as your budget will allow, said Gray. Once you have paid off that card, apply the money you were paying on the first card toward the card with the next lowest debt, and so on. You shouldn't start investing until you have your debt under control.

3. **If you haven't started saving any money at all, try to save at least $20 a week.** If you start trying to save a large amount of money every week, you will eventually feel the pinch and stop saving, Gray said. But if you start out small, you will get used to it and like the results.

For example, if a 40-year-old woman saves $20 a week and puts it in a mutual fund that has an 8 percent growth rate, she will have $82,744 by age 65, said Gray. And if a 25-year-old saves $20 in the same kind of fund, she will have saved $285,107 by 65.

Get started by cutting back on things like cigarettes, after-dinner drinks, candy in the check-out line for the kids and eating out.

4. **Have money saved in an account that will cover at least three to six months of living expenses in case of emergencies.** That money should be easily accessible and in an account like a savings or money market. Your 401K is not there for "dipping" into for emergencies. Powell said remember it's for your retirement.

5. **Learn what it takes to secure financial aid, student loans, scholarships** and other funding if you plan for your children to go to college, according to Powell. Gray said the one mistake parents make is funding their child's college education before funding their own retirement.

6. **Contribute the maximum allowable to your 401K.** Most companies will match a portion of your contribution, said Gray. For example, if your annual salary is $40,000 and you contribute 10 percent (or $4,000) for the year toward your 401K, you will pay taxes on only $36,000 of your salary.

7. **Ask about additional investment plans,** such as a Roth IRA, traditional IRA or any other tax-deferred plan that's strictly for retirement, said Powell. Financial planners can help you select an IRA that suits your goals and objectives to help grow your money. You can put as little as $50 in a Roth IRA, for example. Review your investment portfolio on a regular basis, because the market changes and your goals and objectives can change, Powell said.

8. **Start getting certain legal documents, like a power of attorney, drawn up so your family will avoid financial roadblocks down the road.** If you are single, have children, and end up in the hospital after a car accident, do you know who will handle your affairs if you are not capable? A power of attorney legally authorizes someone to step in and conduct business on your behalf if you are incapacitated, said Gray. Also, make sure you have a will and a medical directive.

9. **Have an in-depth talk with your parents about how they will take care of themselves as they age.** If they don't have a plan, certain financial responsibilities could fall on you. Many times, women are the ones who end up caring for her parents, said Powell. Get proactive and find out: Do they have long-term care insurance? A will? A living will? Funeral and burial plans? A power of attorney? Ask about family assets. Find out what their life insurance covers. Know if their estate plans are coordinated with a financial plan. The list goes on.

If a parent dies, you need to know the location of documents like a will, deed, safety deposit box and the life insurance policy.

10. **Start looking at long-term care insurance for yourself when you are about 50.** It can cover assisted living, in-home care, nursing homes, skilled nursing services and some plans will even pay for training of a family member to provide your care, Gray said.

11. **If your company offers life insurance, learn how much coverage you have.** Most insurance (health, disability and life) offered through companies is deeply discounted and you should take advantage of that. Some companies limit how much coverage you can get through their policy, so you should make sure you have enough to protect your family. The amount of life insurance you should purchase should be based on the amount of money needed to generate the loss of income from your death, Powell said.

Assuming you have no other assets, you should have coverage that is 10 times your salary. For example, if you make $40,000 annually, you would need $400,000 in life insurance coverage, according to Gray.

12. **Know how much you'll need to live off of when you retire.** Find out whether your pension and savings will keep up with inflation. Gray said studies now show you will need 80 to 100 percent of your current annual income upon retirement.

Why? More and more seniors are active and like to travel, so they'll need financing to support their current lifestyle in their retirement years. Plus, people are living longer and they want to make sure they don't outlive their savings.

13. **If you decide you want a financial planner, look for red flags.** Do they spend more time talking about their firm than finding out about you and your needs? They should want to ask you questions about your financial vision and your money, said Powell.

Also, ask friends and check references during your search. Avoid just picking someone randomly out of the phone book. You want someone who will take the time to explain everything to you and who understands your money needs, said Gray.

The cost of a financial planner can vary. Ask if they work on a commission basis or fee basis, Powell said. Do they have hourly charges? Also, ask that they provide a breakdown of all fees involved.

14. **Make finances a family affair.** Don't be in the dark about household bills, accounts, the mortgage and such. If one person handles all the household finances, tell them you'd like to learn how they handle things. Also, educate your children at an early age on the importance of saving money, said Powell.

15. **Get a free credit report each year at www.annualcreditreport.com.** Check it for any discrepancies and report those immediately. Protect yourself against identity theft.