

TODAY'S ISSUES



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FINANCIAL PLANNING FOR PRIME TIME WOMEN

More than 90% of women will eventually have to manage their family finances. And yet many have never been significantly involved in this responsibility. It is dangerous to generalize but financial planning is different for women. Why, one might ask?

The traditional role that “Prime Time Women” were expected to play, at least until recently, has had a profound effect on their personal finances. This is changing but many women even today were raised in different times with different expectations which can put them at a decided disadvantage.

Not too many years ago, prime time women were not encouraged to extend their education. Some did, but that education may now be dated unless it has kept up to date with today’s knowledge explosion. Women in their 40’s and 50’s and older who have given up their outside jobs when child rearing started may not have taken a major role in financial decisions since.

The result of all of this is that prime time women may have some catching up to do. Their knowledge of personal finances needs to be brought up to date. They should become more aware of their own and their spouses financial situation – more so if they have a shaky marriage or a husband in poor health.

Why should women start to think about personal financial planning? There are at least nine good reasons:

- ◆ Women have sometimes tended to give up career opportunities earlier in life than men and may not be up to date in their job skills and ability to earn income.
- ◆ RRSPs and other retirement savings plans are more often owned by husbands although wives are usually the beneficiaries of certain survivor and other benefits. They should have input into beneficiary decisions.
- ◆ Many women have not earned as much as their husbands in their careers and therefore they have less personal savings. Maybe more family assets should be put in their names.
- ◆ Women often have less experience in handling family finances so there is a need to become involved and savvy.
- ◆ Many women have not established a line of credit; borrowing can be difficult in emergency situations without a credit history.
- ◆ Women generally live longer than men so they need more retirement savings.

- ◆ On death, income tax is usually payable by the surviving spouse and since women live longer, their estates face the total tax burden.
- ◆ Although it is widely believed that family law in Ontario allocates fifty percent of family assets to each spouse on marriage breakdown, that isn't necessarily so. The even split only applies to the growth in assets during the marriage. If women have inherited assets or received gifts, they should keep them in separate accounts. Otherwise, if the marriage gets into trouble these assets must be divided with the husband.
- ◆ In Ontario, a spouse of a pension plan owner is entitled to a joint and 60% survivor annuity. To take less the spouse must sign off. Don't ! And try to extend guarantee period as long as possible.

So what do women do? First they should try to improve their education about financial matters. They should start to take an active interest in family finances. They should sit down with their spouses and prepare a list of family assets and debts – a family balance sheet. Put a value beside each one even if it is a best guess at first. What does the family own? What does it owe? How much is it saving?

The next step is to get a better idea about how family income is spent. A complete list of family expenses will show if the family is saving or living beyond its means. It will also give an indication about expenses that can be reduced or eliminated to get the best quality lifestyle at the least cost. Even with planning, there may not be much left over. Average after tax income in Canada has not increased in the last ten years so the only way to improve financial resources is to fine tune expenses, save more or reduce taxes.

While most of us cope quite well financially during our working lives, retirement needs special attention. To start, you should calculate how much you would need to save to have sufficient financial capital for retirement. In other words, if you haven't seriously started building RRSPs and investments and paying down your mortgage and other debts – start now! That will ultimately involve preparing a family budget – a daunting exercise but nevertheless one that should be tackled periodically as a reference point. Most people now live well into their 80's and 90's so retirement can last twenty-five years or more – almost as long as your working years. That demands considerable resources.

Finally, will sufficient finances be available in the event of the major income earner's premature death or disability? Remember prime time women may not have much savings and will not usually be able to achieve a significant income level if they have been out of the work force.. Is sufficient insurance in place to pay debts, finish the children's education and have the necessary funds to meet living expenses? Are the beneficiaries of the insurance policies, pension plans and RRSPs appropriate to maximize income and minimize the income tax burden? These are fundamental questions not often discussed at the kitchen table but need to be.

So there may be a little catching up to do for some prime time women. No need to panic but the process should begin – pick an area to work on and get started. Move over hubby, we're coming through! *This TODAY'S ISSUES was written as an article for the MoneySaver Magazine.*

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