WOMANNEWS

When it comes to money, make sure you hold reins

By Tara Swords
Special to the Tribune

For all of the last century's advancements in gender equality, women still may be the meeker sex when it comes to one critical area of their lives: money.

Women and men are worlds apart in the way they earn, spend, save and perceive money, financial experts say. Women need more money because they live longer, but they earn less.

Women's money attitudes are mired in gender roles, says Olivia Mellan, co-author of "Money Shy to Money Sure: A Woman's Road Map to Financial Well-Being."

Illustrations by Katherine Streeter

"Women tend to have an underconfidence problem when it comes to money," Mellan says. "A lot of women are raised to believe they won't be very good at this money stuff, and if they're lucky, a man will do it for them. I think a lot of women get this message, and it's a block to having them learn about money."

The biggest threat to a woman's financial security is turning over total financial control to other people, says Esther Berger, financial planner and author of "Money Smart: Secrets Women Need to Know About Money."

"There is a mind-set among women today that it's fine not to deal with their own finances because someone else will do it for them," Berger says. "It could be a spouse, a child, an accountant — fill in the blank — but it's traditionally a male."

"Prince Charmings leave and Prince Charmings die and Prince Charmings aren't always such great money managers," says Barbara Stanny, author of several finance books for women. "Always protect yourself. It's like wearing seatbelts. You don't expect the car to crash, but you wear it just in case it does."

We polled experts in women's financial issues to get their advice for women in various circumstances. The common thread throughout all of their recommendations was clear: Take control now.

If you're new to the workforce

■ Negotiate your salary. Women "are so into everybody being happy, including the male boss, that they tend not to lobby for their own interests," Mellan says. "It's very important that women learn to ask for more."

■ Get rid of your credit card debt. After you wipe out your balances, pay off your cards every month.

■ Pay yourself first, and make it a habit. Consider setting up a regular automatic transfer to a savings account. "If you get used to spending 90 percent of your income instead of 100 percent, you'll be so grateful," says Ruth Hayden, financial consultant and author of "How to Turn Your Money Life Around: The Money Book for Women." "It starts with being willing to live on less than you earn, which is the absolute key to wealth."

■ Contribute to a retirement plan. Retirement might seem a lifetime away, but the later you start saving, the more compound interest you miss out on.

■ Learn about investing. "Women tend to be risk averse," Mellan says. "They might be afraid of investing, but doing nothing is the worst risk of all because inflation will eat [their money] up."

If you're cohabiting

■ Keep most finances separate. Just because you comingle your pots and pans doesn't mean you should comingle your money, Stanny says. "Your money is yours," she says. "Don't support him if he can't support himself."

■ Get intimate — financially. "I would say that if a couple is sharing household expenses, it might be time to exchange credit reports," says Anya Kamenetz, journalist and author of "Generation Debt." "It's extremely important to come clean, be honest and set goals."

■ Draft an agreement. It's not fun to approach a relationship as if it were a business, but it's necessary. Decide who owns what and put it in writing in case you eventually split up.

■ Be especially careful about owning property together. Don't buy property unless you both intend the relationship to be permanent. Even so, consider defining percentage ownership in official documents.

If you're getting married

■ Keep some money in your own name. "One of the scariest things that happens is when a woman loses her spouse and has no money, no credit in her own name," Stanny says. "I encourage young women to have a bank account in their own name."

■ Stay involved. "If your husband is the primary caretaker of the money, you don't have to kick him off the job," Stanny says. "But you darn well better participate in financial decisions from a place of knowledge, not fear."

■ Be honest now. Remember that your spouse's credit history becomes entangled with your own. "I've had so many clients over the years apply for credit and find out their credit history is not good," Berger says. "They've been checking it and taking care of it, but what your other half does or will do absolutely reflects on you."

■ Determine what money lessons you want to teach children.

■ Read your tax return before you sign it. It's harder than in the past to qualify for innocent spouse relief, in which you are relieved from tax liability because you believe only your spouse is liable. If your name is on the tax return, you are legally liable for everything it says.

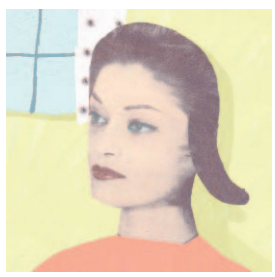
If you're single—and plan to stay that way

■ Maximize your earnings. "Be very clear about what you want and how much you want to make," Stanny says. "And that decision is like a magnet. You start drawing opportunities to you."

■ Take advantage of your ability to save more. If you have no kids or spouse and live by yourself, your expenses can be a fraction of a family's total expenses. Save as much of it as you can as early as you can.

■ Work with a fee-only financial adviser. "They can look at your whole financial situation and goals," Stanny says. "They don't work on commission. It's a flat fee either per hour or per project with nothing to sell. This way you're getting unbiased, objective advice."

■ Draw up a will. Typically, assets go to a spouse or surviving children. If you have neither, determine what will happen to your assets after you're gone.



If you're an empty nester

■ Redefine your roles in relation to your spouse. "One of the highest times for a divorce is retirement, and another time is when the kids leave because the roles change and we don't know what to do," Hayden says. "I would send those couples on a retreat for a weekend and have them approach it like a business. Come up with a vision. Get clarity. Who are we now? What are our expectations? How are we going to make this work?"

■ Redefine your own purpose. "Women self-define as a mom," Berger says. "It's a primary role, a primal role. It runs very deep. But now you can really start taking care of yourself."

■ Put away more for retirement. Unless your child is away at college and you're helping to pay for it, your expenses likely will decrease. Invest that extra money.

■ Let the adult kids take care of themselves. "Give the helping hand if they need it," Berger says. "But if you're helping your children at the cost of helping yourself, you're going to end up burdening someone down the road, so that's not helping anyone."

If you're divorcing

■ In negotiations, don't exchange retirement money for the house. "This is absolutely the biggest mistake women make because they can't undo it," Hayden says. "Whatever money they do get that is retirement money, see it as retirement money and not as cash flow. This isn't about paying for the groceries and the mortgage. It's about paying the 70-year-old" you.

■ Don't make big money decisions for a while. If you can put off major decisions — such as whether to sell the house — do it. "Hold off until the dust and emotion settle after a year," Berger says. "Be smart about differentiating what needs to be decided today and what doesn't."

■ Seek out good financial advisers. "Women need to get help in a variety of ways so they don't act out of revenge or depression," Mellan says. "They should see that they're taking care of themselves in terms of what will make them feel good over time."

■ Hold out for a fair settlement. "I have seen divorcee after divorcee, . . . they don't want to make waves, so they give away everything," Stanny says. "A couple years down the road, they slap their heads and say 'what was I thinking?' "

If you're retired

■ Determine how much money you need to live on. If you have investments, withdraw no more than 4 percent annually, says Diane Pearson, director of financial planning at Pittsburgh-based Legend Financial Advisors Inc. "But adjust [withdrawals] based on your new account balance each year. Four percent when you have a portfolio of $200,000 is different than if you have a portfolio of $100,000." If your new account balance is much lower, don't withdraw a full 4 percent.

■ Keep a tight cap on spending. If something doesn't fit into your predetermined spending cap, don't do it. "Stay within that cash flow plan no matter what," Hayden says. "Spending 2, 3 or 4 percent more than you were supposed to can have a decimating effect on the long term."

■ Consider retitling your assets into a revocable trust. "Your assets will pass directly [to your beneficiary] through the trust and will not have to go through probate, which will save time and money," Pearson says.

■ Make sure your estate documents are in order. Many women take care of estate documents, such as a will, a health-care directive and power of attorney, when they have young children. But even for women without children, life looks different at retirement. Make any necessary changes based on your current circumstances.

■ Nurture yourself in inexpensive ways. "I think a lot of retired women feel lonely and spend money they don't have," Mellan says. "We, as a culture, need to learn how to treat ourselves well in a way that doesn't cost a lot of money."