



Retirement Estate Assets Protection Planning

## **Mistakes Women Should Avoid in Order to Achieve Financial Stability**

Invest in regular health care program and for the long term to create wealth and lead a stress a free life

*Presented by Pat Baxter, Investment Advisor Representative, March 11, 2020*

Today's women are juggling between high pressure work environments, a fast-paced social life and simultaneously managing the family, which can sometimes put money management on the back seat. A few money management mistakes if avoided in the earlier part of life can help women hand carve and secure a financial future. It is advisable that they start their financial planning journey with the help of an advisor, who will help in drafting a customized fiscal road map, ensure optimum asset allocation as per the risk profile and simultaneously help in execution of the investments.

The seven mistakes that a woman should avoid being financially independent are

1. Not having a contingency reserve of six months expenses
2. Not investing regularly in a diversified portfolio with the right asset mix as per the risk profile
3. Not creating a retirement corpus Not creating a sufficient corpus for children's education
4. Not protecting against risks to health and life by buying sufficient health and life insurance

5. Spending too much in impulsive purchases & not keeping avoidable debt under control and
6. Being too dependent on the male members of the family like husband and father to manage finances and being oblivious of the process is a fundamental flaw which should be avoided
7. Being financially literate is not a choice today but a necessity.

### **Have an emergency fund**

The blunder of not having a six months contingency reserve in the bank account / liquid funds may have dire consequences in case of job loss or medical emergencies. Having a contingency reserve allows bouncing back in case of any eventualities.

### **Diversify your investments**

We all know the importance of "Not keeping all our eggs in one basket" and so investments need to be diversified. While it is important to start investing early to take advantage of the power of compounding, it is more important to ensure the discipline of continuity of regular monthly investments. Systematic investment plans (SIPs) in mutual funds are a smart solution to this.

### **Health, wealth and happiness**

Retiring from work is obvious, but many women fail to plan for post-retirement. Starting retirement savings in the early part of life leads to larger retirement corpus, which eventually provides for better post retirement security. Being frugal and cautious by nature, women prefer to keep money in savings bank account or make investments earning fixed rate of interest. A higher allocation to equity generally results in building a larger retirement corpus, though the right mix should be identified after speaking to your financial advisor.

The same is true the women who are mothers. Their biggest prized possession is their child and their most important goal is the child's education. Higher education costs are growing every year and regularly investing in equity mutual funds through the Systematic Investment Planning (SIP) route and increasing this amount regularly as incomes grow, after discussing the exact amounts needed with the financial planner is a good solution to achieve this goal.

Life is unpredictable, but managing finance well isn't. The importance of life insurance and health insurance is paramount. Empirically it is seen that women in general live longer than men, which increases the importance of a health insurance.

Expenses from activities like frequent dining out and impulsive shopping, using credit card borrowings, may lead to a ballooning of debts and then into a debt trap and realization often comes late, when actually one starts checking the interest charged on the credit card statements. It is important to stick to a monthly budget, and as soon as one receives the monthly income, transfer 20 to 30 % to a separate bank account for investments. Also, many mobile apps are now available, which help in tracking monthly expenses and also show the trends of spending. Expense control is a critical step in wealth creation. It is rightly said, "A rupee saved is a rupee earned".

Inheriting money from father or sometimes after the unfortunate death of the spouse generally leads to acquisition of a large chunk of money. The vulnerability at that moment is also high. It is advisable to protect and invest such corpus wisely, after taking advice from a legal counsellor and a financial advisor or getting in touch with a wealth management firm, who provides a 360-degree services.

In a nutshell every woman should keep this mantra of HWH (health, wealth and happiness) in their mind while participating in the race of life. Investing in a regular health care program, investing for the long term to create wealth and living a stress a free life, should be the essence for today's modern women.

*The writer is CEO of Karvy Private Wealth*

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**Main Office: 1901 Harrison Street, Suite 1100, Oakland, CA 94612 Walnut Creek  
office: 2121 N. California Blvd., Suite 290 94596  
(510) 409-0086 phone  
(877) 409-0086 fax  
Pat@REAPLegacy.com  
<https://www.reaplegacy.com/>**

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