A guide to financial wellbeing for women

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Financial wellbeing

Australians define financial wellbeing in a variety of ways. We are a pragmatic nation and this is reflected in how people think of financial wellbeing.

Australian women see financial wellbeing as foundational and impacting all aspects of life.

Seven in ten Australian women surveyed (74%) consider financial wellbeing extremely or very important for achieving life's aspirations. Compared to Australia's population 70% and men 67%.*

Australian women define financial wellbeing as:

- Having enough money to meet their needs 64%
- Experiencing no financial stress or worries 60%
- Having the financial freedom to make choices 58%
- Feeling secure about their financial future 58%
- Being able to enjoy life because of their financial situation 57%
- Being debt free or managing debt effectively 55%

Australian women believe having good financial wellbeing has the greatest impacts on:

- **Health and mental wellbeing 75%**
- **Personal happiness 70%**
- **Family happiness 65%**

Australian women identify the cost of living as the biggest barrier to achieving their financial aspirations.

Perceived barriers to achieving financial aspirations are headlined by external market forces like the cost of living (67% vs 57% male and 62% Australian population) and interest rates (26% vs 25% male and 25% Australian population) but also include barriers to do with their own relationship with money such as current income (39% vs 30% male and 34% Australian Population) and being in debt (23% vs 18% males and 21% Australian population).

*2024 Financial Freedom Report, McCrindle research agency



Women and their relationship with money

Australian women are concerned about their finances.

Only 21% of Australian women feel very or extremely prepared to navigate any unexpected personal financial challenges and just under half (48%) worry about their finances all the time or often.

Australians are seeking knowledge to equip themselves for their future

One in four (26%) of Australian women are very or extremely confident in their overall financial knowledge, while one in three (30%) believe they are extremely or very equipped to make effective financial choices.

To address these concerns, two in five Australian women (40%) believe having an emergency fund would help them feel more confident when navigating financial challenges, followed by developing good financial habits (32%) and access to financial advisers or professionals (24%).

Younger women are redefining success

Gen Z want a successful career, with work/life balance

Top five aspirations for Gen Z:

1. Have a good work/life balance 57%
2. Have a successful career 54%
3. Own my own home 52%
4. Be financially independent 52%
5. Have a happy marriage 48%

Despite having fewer financial obligations than those in later life stages, Gen Z are the generation most likely to worry about their finances all the time or often (49%).

Financial independence is a key element of this younger generation's aspirations, with half of Gen Z defining financial wellbeing as having no financial stress or worries (51%) or having the financial freedom to make choices (50%).

Striving to generate wealth and build their financial education

Many Gen Zs are proactively taking steps to diversify their income. Three in ten are working on building additional income streams (29%) and one in five are investing in shares to strengthen their financial position (22%), suggesting a forward thinking approach to their finances. However, there's a clear indication of the need for enhanced financial literacy, with nearly two in five Gen Z believing they need more help with taxes (39%) and investment strategies (39%).

Resilient women are navigating financial independence

Much social commentary and public policy is discussed through a frame that assumes dual income family households. There are, of course, many Australians for whom this reality does not exist, whether by choice or through life's unintended circumstances. One such grouping is resilient women – those navigating the complexities of life as single parents and those adjusting to new realities post divorce or widowhood. These resilient women manage the normal demands of daily life felt by all Australians while, in many cases, facing additional adversities and barriers to financial freedom.

Financial wellbeing is a key focus

Financial wellbeing is a key focus for resilient women, with two thirds (67%) defining it as having enough money to meet their needs, compared to only 61% of Australians. This means "not thinking about money every day". This focus is understandably heightened by the responsibilities they shoulder, not only in managing household finances but also in providing emotional and physical support to their families. These women also believe financial wellbeing is having no financial stress or worries (60% cf. 57% Australians) and being debt free or managing debt effectively (57% cf. 52% Australians).

Greater barriers to achieving financial freedom

Despite their aspirations and achievements, resilient women in Australia face significant barriers compared with other Australians.

Top barriers to achieving financial aspirations for resilient women (compared with Australians overall):

- **Cost of living 69% (cf. 62%)**
- **My current income 45% (cf. 34%)**
- **No saving 29% (cf. 20%)**
- **Being in debt 27% (cf. 21%)**
- **Not owning a home 23% (cf. 17%)**

When asked what would give them greater confidence to navigate financial challenges, resilient women are most likely to identify having an emergency fund (36%), developing good financial habits (22%) and having flexible payment options (20%).

Turning dreams into reality

As the research shows, women are interested in and actively engaged in planning for their financial future.

This guide is designed to help you take positive steps to achieve your financial ambitions, no matter where you're at in life.

From adopting sensible money habits to making the most of your super, these steps can help you feel more in control and set you up for a more comfortable retirement.

Good money habits

Forming healthy financial habits takes time and effort.

Here are a few simple tips that can help to improve your money behaviours so you can get ahead.

Know where it's going

Start by tracking your spending for a short period, say a month, to get a better picture of what you're spending right now – and how even small amounts can add up over time.

Create a budget (and stick to it)

It might sound boring but it's the best way to really take control of your money. It can help you pinpoint where lifestyle changes might need to be made and give you a chance to actually grow your savings. Once you set up a realistic budget, it's important to stick to it and have regular check ins to make sure it's meeting your needs.

The government's Moneysmart website has a simple budgeting tool to get you started.

Set savings goals

A defined savings goal can get you closer to being financially secure. Your long-term goal might be saving for retirement. A mid-term goal might be saving for a home deposit. Make them feel more achievable by assigning them specific dollar amounts and time frames. Then go back to your budget and work out whether you are setting enough money aside to meet them.

Pay off high interest debt

Credit cards can be useful when used properly. But if you spend more than you earn, you can quickly get into debt. To avoid late fees or extra interest, check your credit card statement for the due date and make sure you pay on or before that date. If you can pay more each month (or even all of it) you'll save more money. Be wary of 'buy now pay later' services too – they may charge fees that could add up fast.

Plan for the unexpected

Some call it saving for a 'rainy day' but, essentially, it's making sure you have an emergency fund available if you ever need it. Ideally, you want enough stashed away to meet your daily expenses for a few months.

Review your insurance

Do you have enough insurance? Do you have too much? It's easy to forget about things like life and income protection insurance but it's very important to get it right, to protect you or your family in case of illness, death or disability.

Consider investing

If you feel comfortable with your budget and savings plan, you may want to put extra funds into other investments to maximise your long-term returns. It's easy to become overwhelmed by the options, so it's worth getting expert advice. A professional financial adviser is a good source of information and expertise and they are obliged by law to work in your best financial interests.



Give your super some love

Super is a vital part of your financial future and it's never too early or too late to take control of it.

Consolidate multiple super accounts

If you have more than one super account, consider if it is worth rounding them up. Having multiple accounts means you're paying multiple sets of fees, so your money may not be working as hard as it could for you. Plus, it's much easier to manage one account.

Track down lost super

If you've changed jobs or addresses, you may have unclaimed super. Visit the ATO's myGov portal to find out how you can locate lost super and consolidate it into your active super account.

Check those fees

Super funds charge fees for administration, investment management and insurance premiums, among other things. These fees can eat into your retirement savings, so compare the fees of your current fund to others in the market. It's also worth knowing if you're in a super fund provided by your employer as you may have access to discounted fees and benefits that you are not aware of.

Review your investment strategy

Your super is invested in assets like cash, managed funds, shares, bonds and property and their performance can have a big impact on your super balance. It's worth making sure your super fund offers investment options that suit your risk appetite and goals. And because life changes, your super strategy should too. When you're younger, you may want a more aggressive strategy that targets growth but as you get closer to retirement, you may want to adjust your investment mix to reduce risk.

Consider extra contributions

Your employer is obliged to pay the Superannuation Guarantee (a percentage of your pay) into your chosen super fund. But you can also make voluntary contributions, either before tax or after tax. It can be surprising how even a little extra can add up. If you're a low- or middle income earner, you may also be entitled to a Government Co-Contribution of up to $500 pa, which tops up after-tax contributions you make.



Taking time out of the workforce

There are several reasons why women tend to retire with less than men but one big factor may be because women are far more likely than men to take time out from their careers to raise children or care for elderly parents.

These 'lost years' can have a significant impact on the retirement savings women end up with. The good news is, even if your income goes down or stops temporarily, there are a few other strategies you can take advantage of to keep investing in your future.

Keep investing in super

If you can afford it, keep adding to your super. Even if it's a lot less than when you were working fulltime, small amounts add up over time and super is all about saving for the long term.

Spouse contributions

If you're married or in a de facto relationship, your partner can boost your super savings with voluntary contributions. This option may help you grow your super in a way that can benefit both of you.

Contribution splitting

This allows your partner to have some of their super paid into your account. They can generally split a portion of their concessional contributions from the prior year (up to their concessional contributions cap), such as employer and personal deductible contributions, as long as you are below your preservation age*. If you have reached preservation age but are under 65 and not retired, you may also be eligible.

Salary sacrificing

This is an agreement between you and your employer to pay some of your pre-tax salary as contributions into super. Doing this can also be tax effective. The amount you contribute to super is taxed at up to 15% (and up to 30% if your income is over $250,000 per year) rather than your marginal tax rate, which might be up to 47%.

Personal deductible contributions

You can usually make your own personal contributions and claim a tax deduction for them to achieve the same tax outcome as salary sacrifice. There are specific steps you must follow to ensure you are eligible for the tax deduction. This is considered a concessional contribution.

* Preservation age varies from 55-60 depending on your date of birth.



Retirement dreams start here

Women are retiring, on average, with 22% to 35% less super than men.*

To help you bridge that gap, here's a to do list to help you plan ahead.

Set your retirement goals

Take a bit of time to think about what you realistically want life to be like when you finish work. Setting clear, achievable goals is your first step on the road and gives you something tangible to work towards.

Save smart for retirement

Add to your retirement savings consistently if you can. Make it a habit to contribute extra to your super, for instance. Even modest amounts can help grow your balance over time.

Strategic investment planning

Develop a strategic investment plan that's tailored to your goals, risk tolerance and horizon. Diversifying investments and regularly reviewing your portfolio may help manage risk and optimise returns, a financial adviser can help you.

Understand retirement tax planning

There are real efficiencies when it comes to paying tax in retirement but it's important to understand the different deductions, tax offsets and strategies that might be available to you.

* Source: KPMG, Addressing the gender superannuation gap, 17 August 2021, accessed 8 May 2023

Planning for when you're not around

Taking care of the people you love includes planning for what happens when you're no longer here.

While it may not be something you want to think about right now, good estate planning will ensure your wishes are respected after you die. For example, it lets you provide instructions on things like medical treatment if you lose the capacity to make those decisions while you're still alive, as well as the more obvious, like distributing your assets as you intended. Here's your estate planning checklist.

Write your Will

Some assets aren't automatically part of your estate.

- Joint assets like property or bank accounts
- Assets held in discretionary family trusts
- Superannuation
- Life insurance proceeds

Appoint a power of attorney

This is a legal document that gives someone the legal authority to look after affairs on your behalf. There are several different types: general, enduring and medical.

Nominate a beneficiary for your super

Your super doesn't automatically form part of your estate. That's why nominating a beneficiary for your super can help provide peace of mind for yourself and the people you care about. There are different types of nominations – some are an indication of your wishes and others are legally binding.

Consider life insurance

Make sure you have enough to cover your income, your family's lifestyle and any debts when you're gone. You must specify the beneficiaries of your cover with your insurance provider – this isn't covered in your Will.

Make a funeral plan

Provide clear instructions on how you want your funeral, how much you want to spend on it and how you'd like your family to pay for it – you can do this as part of your will.

Update your estate plan

Any time there's a big change in your life circumstances, such as marriage, children, divorce, retirement or death of a spouse or dependant.

Source: MLC

Get in touch with us, we're here to help.

0417 167 024
nicole@nicolehealesfinancial.com.au
www.nicolehealesfinancial.com.au →

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