

Women's Wealth

Specialist financial planning for women by women!

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Myth Buster



Myth:

I won't need life insurance until I'm older.

Truth:

If someone depends on your income (especially young children) or if you have significant debt, life insurance is an important consideration at any age.

If tragedy should occur, the insurance proceeds can help ease the burden on your loved ones to pay for remaining debt and funeral expenses, maintain their quality of life, pay for college and afford retirement. Making the purchase while you're young and in good health also helps you lock in lower premiums.

How much is enough?



It's a well known fact that Mandatory Provident Fund (MPF) will not accumulate sufficient funds to provide for our retirement. The question is, how much do we need to have saved for retirement? However, this is the question that most people don't even consider until they approach retirement.

With improvements in medical science, health and lifestyle, we are seeing people living much longer and more active lives than were enjoyed by earlier generations. This has created a dilemma – not only do we need to provide for a longer retirement, but also a more vivacious one.

On top of which, if we are looking for a retirement lifestyle with some of life's luxuries, then we will need to have additional savings we can put to work to supplement the MPF reserve.

Let's look at things from a different perspective

If we decide we would like to have a retirement lifestyle that will cost HK\$30,000 per month (in today's dollars) in retirement when we plan to retire at between 60 and 65, then we will need to have around HK\$8,000,000 to HK\$10,000,000 set aside if we are to enjoy an indexed income during our retirement years. With a monthly MPF contribution of HK\$2,000, how would we ever achieve that?

Knowing what level of income we would like to receive in retirement helps us to work backwards and determine how much capital needs to be set aside.

If we then work out when we would like to retire and take into account how much we already have put aside, the saving "gap" can be determined. Once this gap is known, working with our financial advisor, strategies can be put in place to generate additional savings in an attempt to meet any shortfall. Of course, MPF investment should always be included in our portfolio as it is part of our assets and adds value to our retirement protection.

Working with a financial advisor can help you along the path of meeting your retirement lifestyle objectives.

Source: Professional Investment Services



Strategies for easier debt management

It's never too late to start taking control of your debts

For most of us, debt is a necessity. Without it, financial goals such as owning your own home may never become a reality. Used properly, debt can be a valuable financial management tool that can help you achieve your long-term goals.

There is a fine line, however, between using debt as part of a well-constructed financial plan, and using it to cover the difference between what you earn and what you spend. If debt is used to finance excessive spending, it could not only lead to financial distress, but may lead to credit being denied to you.

How do I know if I'm losing control of my debt?

If any of the following situations apply to your spending patterns, your level of debt may be too high for you to manage comfortably:

- You may use credit to buy food, petrol or pay utility bills;
- You only manage to pay the minimum amount each month on your credit card, paying little off the principal; or,
- You're forced to live on credit each month, as your debt repayments use up most of your salary.

What should I do if I'm experiencing difficulties managing my debt?

If you find that you're having difficulty controlling debts such as a credit card or personal loan, you should contact the credit provider. If they're made aware of your circumstances, they may be prepared to restructure your payments over a longer period of time. Remember, it's in the interest of the lender to recover their money, even if it does take a little longer than expected.

It's also a good idea to get assistance from a qualified advisor. With the right advice and a workable budget in place, it may only be a matter of time before you're in control of your debt once again.

Handy tips for easier debt management

- Determine where your money is going and try to keep track of your entire incidental spending by recording purchases in a notebook. You may be surprised at how much of your money goes to incidental spending. Re-evaluate your spending patterns and identify ways to maximise your available resources. Expenditure may need to be curtailed by cutting back on the things you have become accustomed to – at least until your debt is under control.
- Develop a plan and establish some financial goals, write them down and develop a timeframe in which you will aim to accomplish these goals. You should aim to pay off those debts, according to the terms of agreement in particular, those that will incur additional costs if not paid as due.
- You should try to keep your debt repayments to no more than 40 per cent of your gross income. This should then leave you with adequate cash to meet your financial needs outside of your debts.
- Debt repayments should be the first expense to come out of your pay. If viewed as a fixed expense every month, it will be easier to manage your finances accordingly. Try to use credit cards to pay for short-term purchases only, like clothing or gifts. It may then be possible to pay off the purchase within the interest free period, effectively gaining free use of the credit provider's funds. For more expensive purchases, it may be better to shop around and find the cheapest form of credit with the most competitive interest rate. Credit cards won't always be the most cost-effective form of credit available to you.
- Consider taking out a loan from your policies, particularly if you or your family would have difficulties making any loan repayments.

Successful financial management with your advisor

Adopting these suggestions can make controlling debt easier for you. If you'd like more information on how to manage debt as part of a well-structured financial plan, contact your advisor today.

Source: AXA Life Insurance Singapore Pte Ltd and The National Mutual Life Association of Australasia Limited.

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You may wish to seek advice from a financial advisor before making any debt management or investment decisions. In the event you choose not to seek advice from an advisor, you should consider whether the product is suitable for you. Insurance policies are long-term commitments and early termination of insurance policies usually involves high costs and the surrender value payable may be less than the total premiums paid.

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Tip of the Month



Review your insurance coverage

Women are twice as likely as men to be insured as a "dependent" on their spouse's plan. As a result, women risk losing coverage if their spouse becomes unemployed, they divorce or are widowed. Therefore, it is important that women have enough insurance to protect their dependents and income in the case of death or disability.

Taking time to review your insurance policies can potentially save you money. Your insurance needs change over time and it is vital to ensure the policy reflects your current needs.

Source: Horwath Financial Services

For more information about how we can help you gain control of your finances, please contact **Ofra Ou** and **Lavina Tharani** at:

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