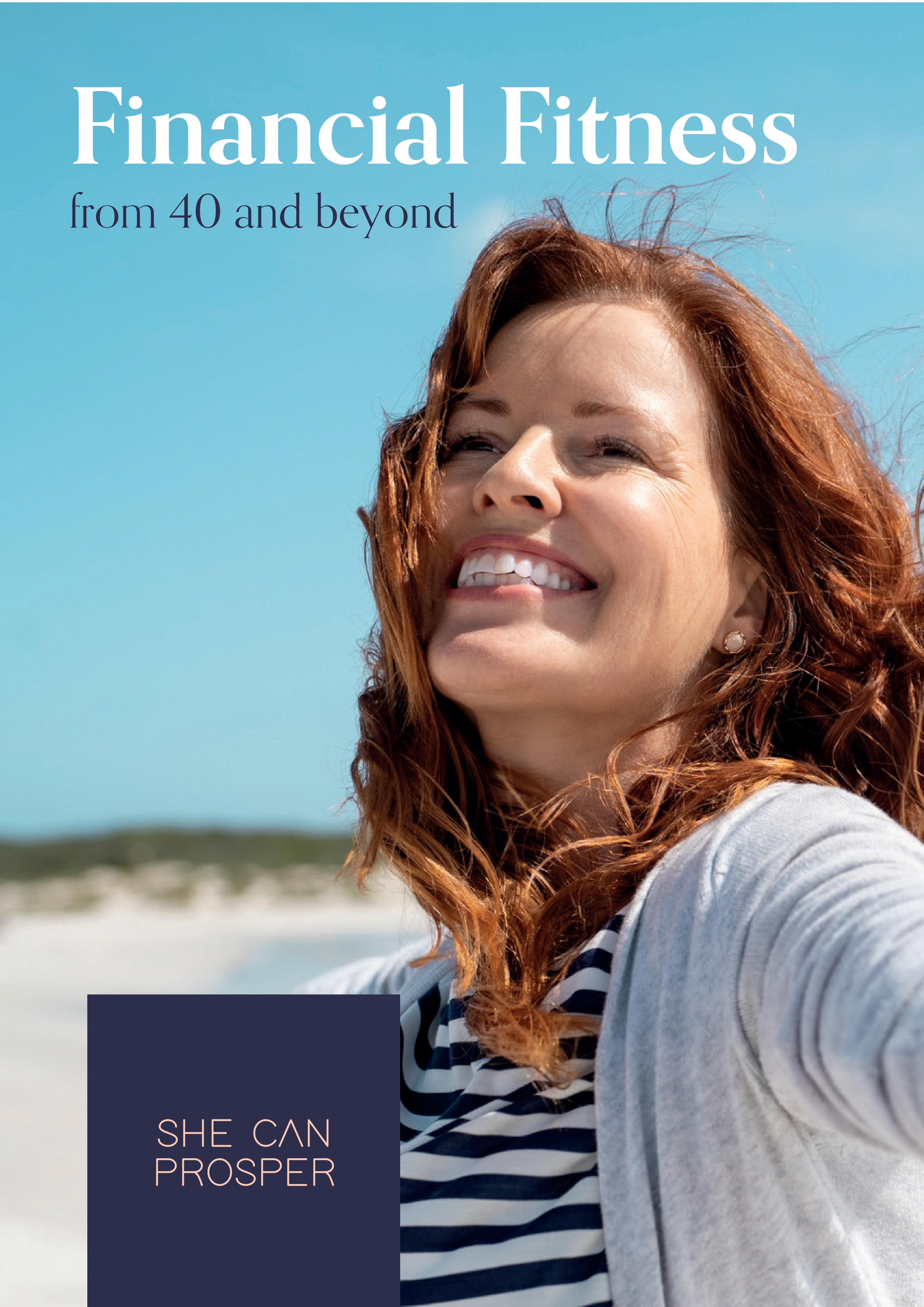
Financial Fitness

from 40 and beyond



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Introduction

40 is a milestone birthday! It is often a time of reflection of what you have achieved in life and a time when thoughts turn to the next chapter. Are you still feeling financially unfit and unprepared for the future?

Financial planning is crucial to reaching the goals you have set yourself before you retire. Neglecting your finances can have a dramatic effect later in your life.

Now is the time to do a thorough financial review, and we mean detailed! You may have a mortgage, might have children, and may have a pension and other investments.

Or you might be reading this and haven't yet taken any of those steps. Whatever your situation, as you enter your 5th decade, your financial future needs to be mapped out. You might be feeling your financial plans are not on track and do not know where to start.

We created this guide to help you focus and consider the points relevant to you. Then the action you take can help you build financial security for your future.

What are your spending habits?

Before you start to plan, you need to stand back and think about where you are today.

Do you spend within your limits each month, or are you constantly overdrawn or using credit cards?

Are you spending above your means making indulgent purchases that leave little left for savings?

Your relationship with money in the past might not have been good. It never too late to improve and learn how to budget better.

Start by completing our Budget Checker.

Add in any debts; monthly outgoings subtract this from your income.

Type of debt	Balance	Monthly payment
Overdraft		
Credit Cards		
Car Finance		
Loans		
Other Credit		
Monthly Outgoings		
Rent/Mortgage		
Utilities (Gas, Electric, Water, Council Tax, TV License, Phone and TV)		
Insurance (Life, Home and Buildings, Car and medical)		
Food		
Ancillary – Gym Membership or any other regular monthly outgoing		
Total Household Income		
Balance		

The amount you have left gives you a figure to work with. We have not included holidays, entertainment in our planner. Often people shop and holiday way above their means, gradually getting into more debt each year. Do a reality check. What can you afford? Are you guilty of Barbados holidays on a Butlins budget, meaning you are paying for this on credit cards? Time to look to the future, plan to clear any debts and balance saving with having fun.

If you are debt-free, you are now at a stage where you can consider how much you can save and invest in the future, balancing this with enjoying your life.

Who manages your money?

The only person who should be in complete control of your money is you. As a woman, it is essential to understand your finances fully. Do not leave financial management to your partner. You can manage jointly, of course, but we have found too many women do not have a handle on their overall finances. How often do you and your partner discuss money? If this is a difficult subject, you need to find ways to overcome this. Being transparent is essential and managing money together. One partner might be 'better 'with money than another, but the overall management should be a joint responsibility. If this is an area in your life that needs to be tackled, work on ways to do this.

What are your financial goals?

Financial management is about learning to balance the needs you have now with the requirements you will have in the future. Debt holds you back, so ensure you create a plan to clear it as soon as you can. You may need to take a second job or look for ways to reduce your outgoings to achieve this. Or a combination. Then you can start truly planning for the next phase of your life.

Your goals might be:

- Save for retirement
- To buy a second home
- Travel

If you have children:

- Private school fees
- Supporting your children through University
- Help your children with their wedding and first home

What are your plans for the next 5,10, and 15 years?

Jot them down here

Expect the unexpected! How protected are you?

If you died tomorrow, what would the financial impact be on those around you? Every situation is different but ensuring you have the proper protection in place for your circumstances is vital.

Life insurance will help to pay funeral costs, mortgage, and give some security. This is especially important if you have children. It also worth considering

Critical Illness cover – this will cover you if you are diagnosed with a serious illness covered by your plan. It will pay you a lump sum which could be used to pay off your mortgage for example

Income Protection provides a certain level of income if you are sick and cannot work

Emergency fund

Ensure you have 3-6 months of your income in savings in case of emergencies or you lose your job. Expect the unpredictable in life. Who could have predicted a global pandemic? Things that cost money crop up all the time. From a broken washing machine, car repairs, leaking roof – the list is endless. Keep a saving fund for those emergencies so you do not end up getting into debt.

Will and Estate Planning LPA

Have you got a valid will? A will is an important document that outlines how your assets are distributed when you die. So many people put this off, not wanting to face their mortality.

If you write a will, you can decide who inherits when you die, add details about your funeral arrangements, and if you have children, guardianship details.

If you die with a will in place, the executors you have chosen will submit your will to gain authority to administer your estate; this is called probate. If you die without a will, known as intestate, it requires more court involvement, and it's a far lengthier process, and it will not be your decision who inherits. The laws of intestacy decide this.

You should make a new will every time there is a change of circumstance, e.g., marriage and review your existing will every five years.

Lasting power of attorney

A power of attorney is a legal document that allows someone to make decisions for you, or act on your behalf, if you are no longer able to or if you no longer want to make your own decisions. You might think I am young, fit and well, so why would I need this? It is essential to take this out while you are in good health as you may not be able to do this when you are ill. You can arrange an LPA for health and finances, and this means should you become sick, someone you nominate can conduct your financial affairs on your behalf. You might have assumed that you do not need an LPA because you are married or in a civil partnership. However, this is not the case, and you will not have the authority without one.

Pension review

What does retirement look like to you? It might seem a long way off, but it will come round soon enough!

Here is what you need to consider

Where do you want to live?
What type of home will you have?
What lifestyle do you want?

Creating a future vision means creating a pension plan and a range of investments to achieve this. Too many people think their pension is their home. Your home is where you live. It is not going to be able to provide you with an income!

Let's stop for a minute and think if you were to retire today with no sizable private pension in place.

Here is one scenario

You have no mortgage as you have paid this off, but the state pension is currently £179.60 a week – that's just over £9,350 a year.

How are you going to pay your bills and pay for food on that income?

So, you decide to sell your home and downsize to a small flat and use some of the remainder to fund your lifestyle. How long will that need to last? You have no idea.

The average life span of a woman is 83, and you are currently 65 and now retired.

The money you have left from the sale of your house might have to last more than 20 years!

How frugal are you going to have to be? What sort of life will you be able to have?

Consider this very carefully now, while you have time to build a pension pot.

Pensions are a great way to save because they are tax efficient. If you are employed, your employer will also be making contributions. You do need to do a review regularly to ensure you are on track.

If you do not have a pension yet, talk to a financial advisor about setting a pension up. If you do have one – you might want to consider increasing your contributions.

Get expert advice.

Investments

Spend time considering what you want from your investments. The investments have to be aligned with financial goals and the amount of money you can afford to invest. It would help if you considered your attitude to risk to start deciding the best options. Our advice would be to speak to a financial advisor and take advice. If you have existing investments, these need to be reviewed annually.

Review your mortgage

Continually review and ensure you are on the best rate possible. Pay your debts off before overpaying your mortgage. Your mortgage will be on a much lower rate than any debts you have. Talk to a mortgage advisor for a review.

What next?

We hope this guide has been a useful starting point of what you need to consider to be financially fit at 40 and beyond.

Write your 'to-do list and begin with the priority tasks.

Be part of our community

She Can Prosper has a Facebook group that you can join here.

https://www.facebook.com/groups/shecanprosper

We are building this community for women to empower them to be in control of their finances. This group is for financial updates, tips, and information to help you get the most from your money.

Follow us on Facebook for useful financial tips and advice

https://www.facebook.com/shecanprosper

You can also book a private appointment with Diane Watson to discuss your financial goals.
Visit www.shecanprosper.com for more information

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