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Women and Money: Taking Control of Your Finances

Even if you have a partner who traditionally manages household finances, it's important to be involved in the budgeting and investing decisions that have an effect on your overall financial picture.

As a woman, you have financial needs that are unique to your situation in life. Perhaps you would like to buy your first home. Maybe you need to start saving for your child's college education. Or you might be concerned about planning for retirement. Whatever your circumstances may be, it's important to have a clear understanding of your overall financial position.

That means constructing and implementing a plan. With a financial plan in place, you'll be better able to focus on your financial goals and understand what it will take to reach them. The three main steps in creating and implementing an effective financial plan involve:

- Developing a clear picture of your current financial situation
- Setting and prioritizing financial goals and time frames
- Implementing appropriate saving and investment strategies

Developing a clear picture of your current financial situation

The first step to creating and implementing a financial plan is to develop a clear picture of your current financial situation. If you don't already have one, consider establishing a budget or a spending plan. Creating a budget requires you to:

- Identify your current monthly income and expenses
- Evaluate your spending habits
- Monitor your overall spending

To develop a budget, you'll need to identify your current monthly income and expenses. Start out by adding up all of your income. In addition to your regular salary and wages, be sure to include other types of income, such as dividends, interest, and child support.

Next, add up all of your expenses. If it makes it easier, you can divide your expenses into two categories: fixed and discretionary. Fixed expenses include things that are necessities, such as housing, food, transportation, and clothing. Discretionary expenses include things like entertainment, vacations, and hobbies. You'll want to be sure to include out-of-pattern expenses (e.g., holiday gifts, car maintenance) in your budget as well.

To help you stay on track with your budget:

- Get in the habit of saving--try to make budgeting a part of your daily routine
- Build occasional rewards into your budget
- Examine your budget regularly and adjust/make changes as needed

Setting and prioritizing financial goals

The second step to creating and implementing a financial plan is to set and prioritize financial goals. Start out by making a list of things that you would like to achieve. It may help to separate the list into two parts: short-term financial goals and long-term financial goals.

Short-term goals may include making sure that your cash reserve is adequately funded or paying off outstanding credit card debt. As for long-term goals, you can ask yourself: Would you like to purchase a new home? Do you want to retire early? Would you like to start saving for your child's college education?

Once you have established your financial goals, you'll want to prioritize them. Setting priorities is important, since it may not be possible for you to pursue all of your goals at once. You will have to decide which of your financial goals are most important to you (e.g., sending your child to college) and which goals you may have to place on the back burner (e.g., the beachfront vacation home you've always wanted).

Some credit traps to avoid:

- ***When using revolving credit, avoid spending more than you can pay off at the end of each billing cycle***
- ***Be aware of hidden interest and fees***
- ***When transferring balances to take advantage of low interest rates, be sure to pay off outstanding balances before the teaser rate expires***
- ***Be sure to make payments on time; otherwise it could negatively affect your credit report***

Implementing saving and investment strategies

After you have determined your financial goals, you'll want to know how much it will take to fund each goal. And if you've already started saving towards a goal, you'll want to know how much further you'll need to go.

Next, you can focus on implementing appropriate investment strategies. To help determine which investments are suitable for your financial goals, you should ask yourself the following questions:

- What is my time horizon?
- What is my emotional and financial tolerance for investment risk?
- What are my liquidity needs?

Once you've answered these questions, you'll be able to tailor your investments to help you target specific financial goals, such as retirement, education, a large purchase (e.g., home or car), starting a business, or increasing your net worth.

Managing your debt and credit

Whether it is debt from student loans, a mortgage, or credit cards, it is important to avoid the financial pitfalls that can sometimes go hand in hand with borrowing. Any sound financial plan should effectively manage both debt and credit. The following are some tips to help you manage your debt/credit:

- Make sure that you know exactly how much you owe by keeping track of balances and interest rates
- Develop a short-term plan to manage your payments and avoid late fees
- Optimize your repayments by paying off high-interest debt first or take advantage of debt consolidation/refinancing

Understanding what's on your credit report

An important part of managing debt and credit is to understand the information contained in your credit report. Not only does a credit report contain information about past and present credit transactions, but it is also used by potential lenders to evaluate your creditworthiness.

What information are lenders typically looking for in a credit report? For the most part, a lender will assume that you can be trusted to make timely monthly payments against your debts in the future if you have always done so in the past. As a result, a history of late payments or bad debts will hurt your credit. Based on your track record, if your credit report indicates that you are a poor risk, a new lender is likely to turn you down for credit or extend it to you at a higher interest rate. In addition, too many inquiries on your credit report in a short time period can make lenders suspicious.

Today, good credit is even sometimes viewed by potential employers as a prerequisite for employment--something to think about if you're in the market for a new job or plan on changing jobs in the near future.

Because a credit report affects so many different aspects of one's financial situation, it's important to establish and maintain a good credit history in your own name. You should review your credit report regularly and be sure to correct any errors on it. You're entitled to a free copy of your credit report from each of the three major credit reporting agencies once every 12 months. You can go to www.annualcreditreport.com for more information.

Working with a financial professional

Although you can certainly do it alone, you may find it helpful to work with a financial professional to assist you in creating and implementing a financial plan.

A financial professional can help you accomplish the following:

- Determine the state of your current affairs by reviewing income, assets, and liabilities
- Develop a plan and help you identify your financial goals
- Make recommendations about specific products/services
- Monitor your plan
- Adjust your plan as needed

Tip: *Keep in mind that unless you authorize a financial professional to make investment choices for you, a financial professional is solely there to make financial recommendations to you. Ultimately, you have responsibility for your finances and the decisions surrounding them.*

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