

The price of motherhood

Make sure you have a financial plan when you take time off to raise your family

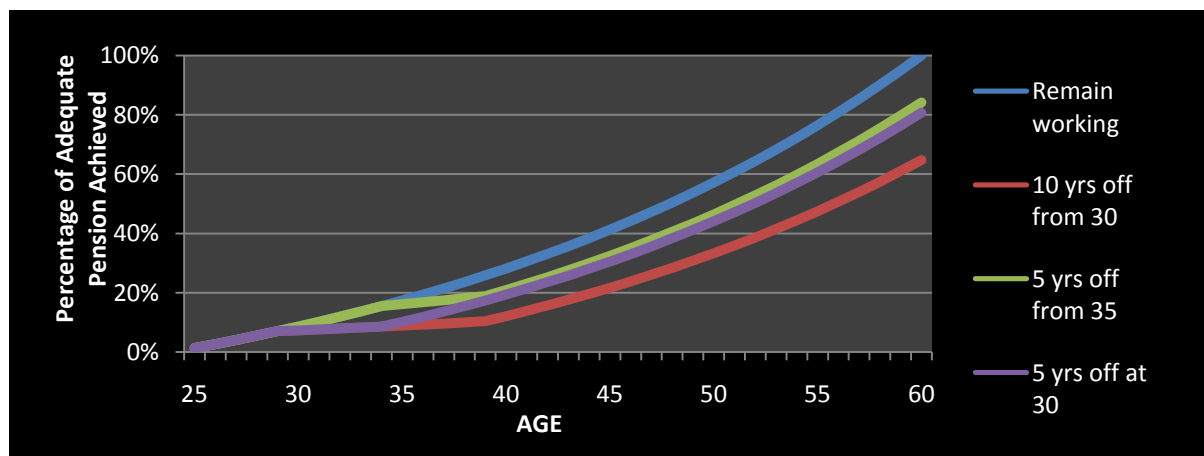
Women live longer and therefore need more money on retirement than men. Yet statistics show us that women tend to have significantly less savings on retirement than men.

Time off from work affects retirement savings

The role of motherhood, which is so vitally important to the fabric of our society, is the reason many women find themselves more financially vulnerable in their later years.

Mothers tend to stop working in order to raise their children and even if it is just for a short period of time, it has an enormous impact on their retirement savings. Even when a mother returns to the workplace, she may choose a less demanding position in order to have a balance between family and work, further reducing her ability to provide for her retirement. Let's look at the numbers:

- If you contribute 15% of your salary towards your retirement for 35 years from the age of 25, you should achieve an adequate pension.
- If you take off 5 years from age 30, you will get a pension of 80% of this amount, or would need to contribute 3.5% more (18.5%) while working.
- If you take off 5 years from age 34, you will get a pension of 85% of the first example, or would need to contribute 3% more while working. The reason you would be able to save slightly less than the previous example is because you would have a greater lump sum saved by the age of 34, benefiting from compounding growth
- If you take off 10 years from age 30, you will get a pension of 65% of the first example, or would need to contribute 8% (23%) more while working



Living longer means you need more money to retire

To make matters worse, because women live longer they actually need a larger lump sum on retirement than men. With a guaranteed inflation-linked annuity (a regular income that keeps pace with inflation), a woman would need to have saved 10% more than her male counterpart to receive the same monthly income. This means that women cannot afford to save just 15% for 35 years, but would need to save 16.5%.

Shared retirement savings on divorce

The pension fund laws were recently changed so that a non-member spouse can now immediately receive a portion of their ex-spouse's pension fund in the case of a divorce. This is referred to as the "clean break principle".

While this is aimed at protecting the spouse who has taken time out to raise the children, one should not rely solely on one's partner to provide for retirement.

Insuring your work

Women also tend to have less insurance cover than men. Stay-at-home mothers may believe that, because they are not earning an income, they do not have to insure against the loss of income.

The reality is that as a mother you are providing a very important function for your family. If you were unable to care for your children, your family would have to hire help to fill all those roles that you normally carry out. Your partner may also want to change to a less stressful position as he would now be the sole caregiver to your children. If you are disabled or become critically ill, your family will have increased medical costs to carry. Also remember that even if you are not earning today, you may have plans to re-enter the work force one day and if you are unable to, that will affect your future earnings.

The good news is that, due to better longevity, the cost of life assurance is cheaper for women.

Be your own person

Just because you do not bring in an income or you are not the breadwinner does not mean that you should not have your own financial plan. This Mother's Day, put yourself first and speak to a financial adviser to ensure that you are taking care of your own financial needs so that you will never be financially vulnerable.

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