

# Financial Planning for Women



**IFE** *Academy*

Education Simplified

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## REASONS WHY WOMEN ARE BETTER INVESTORS !

**Not afraid to ask**

Women are not afraid to admit they do not know something, and will ask questions to get answers and explanations. This helps them save time when learning something new.

**Not over confident**

Adopt the "Don't bite off more than you can chew" approach. Surveys have shown that male investors have higher expectations to beat the market, but female investors are often the ones who actually do so.

**Risk-averse**

Women take fewer risks and will put effort into research before placing money into investment. Being risk-averse also allows them a more diverse portfolio.

**Less Competitive**

Women are less ego-driven; they don't take inappropriate risks just to win and boost about it. "Winning" is when they manage to reach or surpass their financial goals.

**Long-term Focus**

Women are more patient, focus on the long-term benefits of investing, more likely to remain steady under pressure, and able to look beyond current crises.

**Less Attachment**

Contrary to popular belief, women are less emotionally attached to their investments. They are more loss-averse and tend to cut their losses instead of holding on in hopes of gaining returns.

**Caution, Not anger**

A study found that men reacted to losses with anger, while women reacted with fear. They avoided making hasty decisions and were more cautious of investments.



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# Financial Planning for Women

**I**n today's world, women are surpassing men in most fields. Their emergence as leaders, entrepreneurs, and innovators has made them an integral part of our country's economic health and the future of global business. In modern days, women are not only strong and smart but financially independent also, who can cater to their needs all by themselves.

Personal financial planning is one of the significant things in every woman's life.

Even with these benefits being clearly apparent, many women including the working women still leave their Investment Decisions to their father or husband. Many of today's busy women say they lack time to fully research investment products and make informed decisions, that they have difficulty trusting information on investment products, and that they have trouble understanding how these products and investment strategies work.

It is only the lack of awareness and importance which is restraining them and hence we look forward to bridge the gaps in women attaining greater financial independence. IFE Academy ([www.ifea.in](http://www.ifea.in)) can help women make informed Investment decisions with its resources, tools and educational programs.

Financial planning basics remain the same for men and women. Yet financial planning for women is different in some ways than that of men due to some



particular circumstances in their life. Women tend to take more breaks from their career than men. This makes it very important for women to plan their finances more carefully.

## Importance of Financial Planning for women

Personal finance planning can be regarded as the most important as it can be a key to our and our family's future for the following reasons. Thus it should not be taken at ease.

- ◆ **Increase Savings:**

It may be possible to save money without having a financial plan. But it may not be the most efficient way to go about it. When



women start creating a financial plan, they get a good deal of insight into their income and expenses. They can track and cut down their costs consciously. This automatically increases their savings in the long run.

- ◆ **Enjoy a better standard of living:**

Most women assume that they would have to sacrifice their standard of living if their monthly bills and EMI repayments are to be addressed. On the contrary, with a good financial plan, they would not need to compromise their lifestyle. It is possible to achieve their goals while living in relative comfort.

### ◆ **Be prepared for emergencies**

Creating an emergency fund is a critical aspect of financial planning. Here, they need to ensure that they have a fund that is equal to minimum 3 to 6 months of their monthly expenses. This way, they don't have to worry about procuring funds in case of a family emergency or a job loss. The emergency fund can help to pay for varied expenses on time.

### ◆ **Attain peace of mind**

Women are generally considered to be more efficient in handling the home budget expenses. With adequate funds at hand, they cover their monthly expenses, invest for future goals and splurge a little for them and their family, without worry. Financial planning helps women to manage their money efficiently and enjoy peace of mind.



## Key principles for Women to invest wisely for higher returns

### ◆ **Start early:**

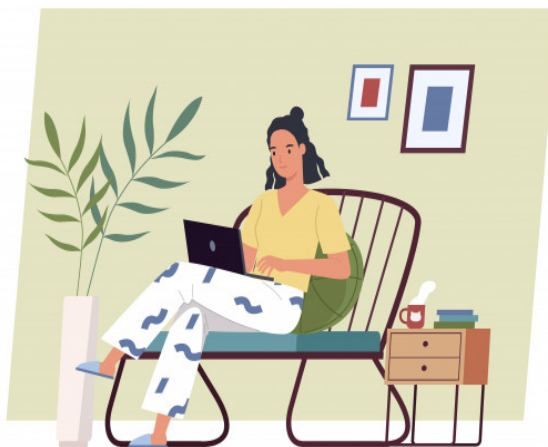
Often one tends to spend all their income in the early years of their working life, thinking that they will start investing at a later stage. It is however important to save a portion of their salary, even it is a very small amount, and enjoy the power of compounding.

### ◆ **Coverage**

The first step to savings and investing is to ensure that the risks are covered. Having a contingency fund to cover at least for 3 months for the expenses is a must. It is important to get covered with health and life insurance.

### ◆ **Control on expenses**

Women love to shop but one need to control excessive impulsive spending. To keep expenses under check, it is important to have a budget and follow the 'save first spend later' rule. Many successful women make it a point to plan their monthly expenses at the start of every month. They allocate all their salary into regular monthly expenses and the amount they plan to invest.





### ◆ **Make money work**

Do not let money lie idle. Women need to make their money sweat harder by channelizing it into avenues which gives them a higher return.

### ◆ **Take more risks**

Women are more concerned on the safety of the money. They generally refrain from taking more risk and would generally prefer to participate in safer and less volatile investments with consistent track records. It is important that women should forgo the fear of risk and should take up more risk in investing as higher the risk, higher the potential for better return.

### ◆ **Do their own research**

Many women tend to blindly depend on male members of the family, like their father or brother for their saving and investment decisions. One needs to draw from experience of others, but it is wise to do their own research and make their own decisions. A woman educating herself would confidently make a best financial plan and invest wisely.

### ◆ **Just for her**

What does all this mean for the financial services industry? It means financial companies should treat their communication in a manner that women can associate far better with it. Also many of banks/companies are offering more women-oriented products which are giving the working women further choices. Women savings account generally provides offers like zero-balance minor accounts and jewellery insurance covers etc.



## Investment options for Women

With more and more women taking responsibility for their earnings and investments, they have become savvier about savings, taxes, and investments. The following are the various Investment avenues for women:



### Equities:

- ◆ An equity investment is made by purchasing shares of a company in the stock market. These shares are typically traded on a stock exchange.
- ◆ The earnings for investment in equity would be in two forms: Dividends paid by a company and appreciation in the value of shares.
- ◆ For investing in Capital Markets i.e. in Equity, Mutual Funds etc. the investor need to have demat account with a Depository Participant (DP) & trading account with a Broker.
- ◆ Equities also provide tax benefit by the gains arising from long-term investment (held more than a year) get taxed at a tax rate of 10%. However, there is no tax for aggregate long-term gains up to Rs 1lakh in a financial year. Dividends are taxable in the hands of Investor from FY 2020-21.

### Mutual Funds:

- ◆ Mutual funds are a good investment option when the investor does not have the knowledge about equities and time to monitor the investments.

- ♦ Women investors can invest through SIP, which minimises risk and maximise return on investment.
- ♦ These Mutual Funds are a good alternative for self-trading. Investors get a option to diversify their investments and invest a lump-sum amount or choose a SIP wherein a specific amount is invested every month.
- ♦ By investing in mutual funds through SIPs, women can expedite the progress of financial goals and Investment in SIP can be done with a minimum of Rs 500.
- ♦ The rupee cost averaging results when they stagger the investments over a long period. This ensures to get much better returns as compared to a lump-sum investment.

### **Exchange Traded Funds:**

- ♦ An ETF, or exchange traded fund, is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund.
- ♦ ETFs are passively managed. The purpose of an ETF is to match a particular market index, leading to a fund management style known as passive management.



- ◆ Investing in ETF would be a much convenient option for women rather than individually picking and monitoring stocks.
- ◆ ETFs as an investment vehicle is a basket of stocks traded on a stock exchange as a single stock.
- ◆ Buying ETFs is similar to investing in multiple stocks at one time. For example, Nifty BeES (Benchmark Exchange Traded Scheme) ETFs comprises stocks of top 50 companies in its investment basket.

### **Sovereign Gold Bonds:**

- ◆ Women have a natural inclination to invest in gold either for themselves or for their children.
- ◆ The new form of gold investment which has recently emerged in India is the Sovereign Gold bonds (SGBs) which can be held in demat form.
- ◆ SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold.
- ◆ SGBs can be subscribed in multiples gram(s) of gold with a minimum unit of 1 gram and maximum of 4 Kilograms per person/entity in a fiscal year (i.e. April to March) and redemption of SGB would be done on the prevailing market price.
- ◆ The investors will be compensated at a fixed rate of 2.50% per annum which is payable semi-annually on the nominal value.
- ◆ Tenor of the bond is 8 years and redemption is done at the prevailing market price.



### Public Provident Fund:

- ♦ Public Provident Scheme is one of the most popular investment plans in India.
- ♦ This fund is backed by the Government of India. So, one of the most significant PPF account benefits is that it is entirely risk-free. The returns, too, are guaranteed by the government.
- ♦ This scheme has tenure of 15 years and attracts an annual interest of 7.10%.
- ♦ The annual investment amount of the scheme ranges from Rs 500 to Rs 1.50 lakh.
- ♦ PPF also offers tax benefit under Section 80C of the Income Tax Act, which provides maximum deduction up to Rs 1.50 lakh on investments.
- ♦ For Women PPF is considered to be best investment option as they are risk-free and provide up with guaranteed returns.



### Employee Provident Fund:

- ♦ The Employees' Provident Fund is one of the best investment options for working women to avail of tax benefits and gather tax-free savings.
- ♦ As per the Government of India, newly recruited women employees will have to contribute only 8% instead of 12% or 10% for the first three years. This would also increase their take-home pay.
- ♦ EPF also provides tax benefit under Section 80C of the Income Tax Act, for the annual contribution up to Rs 1.50 lakh.

## National Pension Scheme:

- ♦ Women seeking retirement savings can invest in NPS for better retirement life.
- ♦ NPS is designed such that it can make optimum decisions regarding their future through systematic savings during their working tenure in equity or debt or both through Active choice or Auto choice depending on the option the subscriber would select.
- ♦ Investing in NPS enables women to set aside small amount of their income in a regular fashion for retirement and park in their investments in equity, corporate bonds and government bonds alongside.
- ♦ NPS account holder, will receive the amount as a monthly pension post their retirement and retire like a queen.
- ♦ NPS offers tax benefit under Section 80C of the Income Tax Act, which provides maximum deduction up to Rs 1.50 lakh and additional benefit of Rs 50,000 under section 80CCD(1B) for pension contributions.



### National Saving Deposits:

- ♦ The National Savings Certificate (NSC) is one of the safest investment schemes, available in post-offices that offer high returns.
- ♦ The current interest rate of 6.8% and women can invest any amount of money.
- ♦ Withdrawal of investment before the maturity period is not allowed, except under circumstances.
- ♦ This scheme is ideal for working women, as it saves the cash for a specific time period and earn good interest on a regular basis.

### Life Insurance:

- ♦ Life Insurance acts as income replacement and ensures that the family is financially secure even in the absence of the insurer. As more and more women are now joining the workforce and becoming the earning members of their family, the need for insurance becomes paramount.
- ♦ Life Insurance also qualifies for tax benefit under Section 80C of Income tax act with maximum deduction up to Rs 1,50,000.



### Health Insurance:

- ♦ Women often get so engrossed in fulfilling family responsibilities and duties that they tend to forget their own good. She who takes care of the entire family is also entitled to get good amount of health care.
- ♦ Health insurance also qualifies for tax benefit under Section 80D of Income Tax act upto Rs.25,000.

# Woman's guide to managing her finances at every stage of life

## ♦ Being young and single:

In 20s, young women have the freedom to take risks and if they have just started on their career, it's imperative that they begin investing immediately and consistently. They also need to have a mix of short and long-term goals and invest in instruments that can help them to achieve their goals without. At this age women can start their investments thro MF SIP, Bank FDs, Post office deposits and also can open Demat account and start investing in Equity through it.

## ♦ Married and working:

At this stage, it's advisable to purchase a suitable term insurance plan and continue investments in mutual funds that perform well. Women are generally more interested in gold. Rather than buying a physical gold like ornaments, at this stage women can invest in Gold ETFs and SGB. Women need to align their goals with family goals. They need to plan for their children's education, their marriage, retirement, and perhaps buying their own home if they don't already own one.

## ♦ Home maker:

As homemakers don't have their own income, they will obviously try to stretch every rupee from their monthly household budget. They can consider investing in RDs, FDs, post office has a monthly recurring deposit scheme that pays an attractive rate of return, and also can save through MF SIPs.





## Do's and Don'ts for Women in Financial Planning

- ◆ Don't rely on someone else.
- ◆ Set goals and be determined to achieve it.
- ◆ Don't emotionally spend.
- ◆ Spend less than you earn.
- ◆ Get financially educated.
- ◆ Build an emergency fund.
- ◆ Be involved in the day-to-day management of your family's finances.
- ◆ Don't take on your partner or spouse's debt.
- ◆ Don't be afraid of losing money by investing.
- ◆ Learn from your money mistakes and keep at it.



## This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

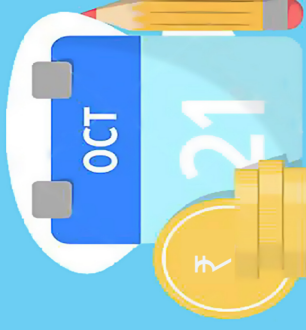
# HOW TO SAVE FOR RETIREMENT



START AS SOON AS POSSIBLE



SET RETIREMENT GOALS



SET MONTHLY BUDGET  
AND STICK TO IT



GET OUT OF DEBT



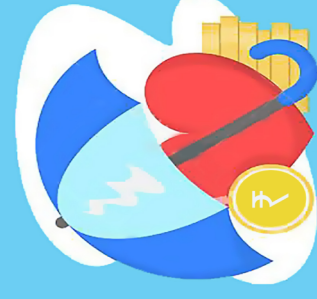
SAVE AT LEAST 10-15%  
OF YOUR INCOME



SPEND LESS



START CONTRIBUTING TO PF  
IF YOUR EMPLOYER OFFERS THAT



GET LIFE & HEALTH  
INSURANCE

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### About IFE Academy

IFE Academy was established in 2011 as a Not-for-Profit entity to promote Financial Education. IFE Academy conducts Investor Awareness Programs across the country with the support of other market participants. [www.ifea.in](http://www.ifea.in) is a comprehensive website on Financial Education. It has various sections such as Videos, Puzzles & Games, Financial Calculators and Library. It gives a holistic view on financial education combining various aspects such as Savings, Investments, Credit, Insurance and Pension at a single place. IFE Academy periodically publishes Investor Educational materials and distributes it to general public.

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