HARGREAVES LANSDOWN

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5 THINGS EVERY WOMAN SHOULD KNOW ABOUT THEIR FINANCES

By 2025 more than 60% of the UK's wealth is expected to be in the hands of women.

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During my 9 years at HL I've spoken to many female clients. I see that women often have a crash course in finance through necessity, rather than choice. It's usually during an already emotional time, such as divorce or loss of a partner.

I've lost count of how many clients have said 'why aren't we taught this?' They're right, most school curriculums don't include information on credit scores, how to get a mortgage or the power of compound growth.

Regardless of age, everyone (men too) should arm themselves with the tools to understand money – it really does make the world go round. Becoming financially literate will give you confidence to control both your present and your future. So here are five finance fundamentals and potential pitfalls to get to grips with, to ensure your future is one that's Financially Fearless.

Let's work together to tackle money inequality and help every women save and invest with confidence. Because we all deserve to be Financially Fearless. Please remember this guide and our website don't give personal advice. If you're unsure what to do, ask us about financial advice.

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1. You've heard of the Gender Pay Gap...but what about the Gender Pension Gap?

According to research conducted by Legal & General in 2021, women in their late 50s have around 50% less in pension savings than men. This inequality increases with age, NOW Pensions found that women retire with a pension pot worth £136,800 less than their male counterpart.

There are lots of reasons why this might be happening. Women typically earn less during their lifetimes, the most obvious cause is the gender pay gap, but it's also a result of both their likelihood to work part time, as well as the 'motherhood penalty.'

Taking time out of work to look after children and potentially returning on a reduced wage means that women receive consistently lower pension contributions from their employer and are generally less able to save for later life.

WHAT TO DO ABOUT IT

Missing, or lower pension contributions in your 20s and 30s can seriously harm your retirement income. But you could boost your pension pot by:

A) How much you contribute

Get ahead of the gap, plan for that career break and assume you'll take time out of the workforce, whether it be to have children, to travel the world or even because of the menopause. Nearly 1 in 4 menopausal women consider leaving the workforce due to symptoms.

A great discipline to get into is uplifting your pension contribution annually with your pay review, for example if you receive a 3% pay rise, consider placing at least an extra 1% into your pension. This way it's unlikely to be noticeable – if you've never had the money to spend, you won't miss it! It's surprising how quickly this will add up with very little impact to your day-to day spending habits.

B) Make compounding your superpower

If you save more earlier on, your money has longer to grow. The magic of compounding means your money works harder. This is where you can earn returns on your past returns. The longer you've got ahead of retirement, the faster your money can grow, therefore it's much easier than playing catch up in your 40s.

Learn more about compounding here.

Remember money in a pension can't be accessed until you're 55 – 57 from 2028. Tax rules can change and benefits depend on your circumstances.

2. Investing isn't just for men

Investments can make your money work as hard as you do. Saving cash (in a savings account, for example) tends to be for the short term, while investing is for the long-term, this is recommended to be a time horizon of 5 plus years. Cash savings won't fall in value, but it's not risk free.

Cash often struggles to keep up with rising prices, or inflation, so you can lose money in real terms. Inflation is the cost of everyday living rising at a faster rate than the value of money. Inflation is currently at the highest it's been for 30 years. Goods and services that cost you £10 in 2000, would have cost you £13.76 in 2015 and £16.74 in 2022.

Investing involves spreading your money across different areas which aren't cash. It can help you to grow your money over the long term but it's not like the portrayal in Wolf of Wall Street. Investments are a practical, financial tool that can offer the prospect of a better return than cash interest rates and the potential to beat inflation.

For example, if you had invested in the UK stock market from 1 January 1986 to 1 January 2022 you would have seen a total return averaging more than 9% a year (though this doesn't take charges or inflation into account). Please remember past performance is not a guide to the future. Unlike cash, investments can fall as well as rise in value, so you could get back less than you invest.

WHAT TO DO ABOUT IT

When it comes to investing, time is your greatest ally. The longer your timescale, the longer you've got for your investments to recover, should they fall in value.

You don't have to be a stock market expert. A common way for individuals to invest is through a fund, particularly within a pension. A fund is where likeminded people pool their money, and an expert fund manager makes the day-to-day decisions for you. They will charge for doing this, but you achieve diversification whilst reducing your costs and administration, compared with picking investments yourself.

3. Your credit score matters

If you ever want to buy a house or take out a loan – then you should take time to check your credit score. Your credit score is how lenders assess the risk of lending to you. They'll check how good you are at managing debt. You can check it for free yourself with one of three agencies, Equifax, Experian or TransUnion. Your score may vary between providers.

A low score will limit your access to credit, including credit cards and mobile phone contracts. But a high score will give you access to the best products available.

WHAT TO DO ABOUT IT

If your score is lower than expected, check your personal information on file is correct and check for fraudulent activity. Make sure you're registered on the electoral roll as this can help with identity checks.

Get your name on some bills. If you're living at home with your parents, paying your phone bill monthly via direct debit can show you're a good candidate for credit. Always ensure your bills are paid on time, this is fundamentally what lenders are trying to assess – not doing so will lower your score.

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The last 6 years’ worth of financial decisions will be held on your credit file – this can include financial associations such as a partner’s spending habits. Shared bills can also create a financial link – so it’s important to check you’re not associated with ex-partners or old housemates. If you are, let credit reference agencies know to unlink you.

4. Set (and review) your budget

Budgeting is the cornerstone of financial health. The word ‘budget’ can have negative connotations of restrictions and rationing. But it’s just a plan for how you’re going to spend your money, to ensure you can afford to spend on the things you enjoy most.

Having a budget can set you on the right track to achieve your goals. Having no budget is like going travelling without a map, it can be done, but it’s often expensive and inefficient.

WHAT YOU CAN DO ABOUT IT

Setting a budget can:

Mean you’re less likely to overspend and fall into debt.

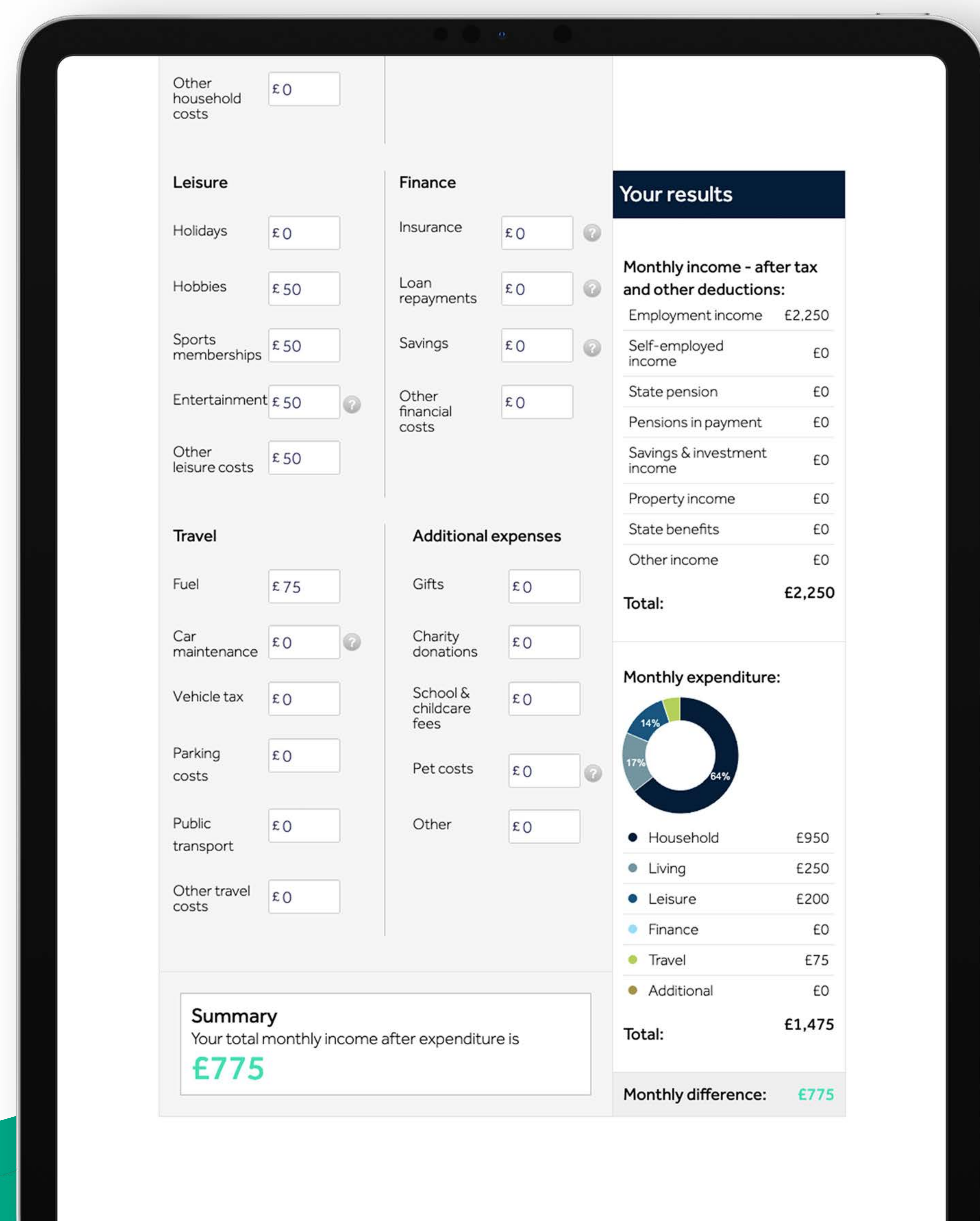
- Encourage good spending habits.
- Increase your ability to save. It’ll identify areas where your spending could be reduced and redirected to savings.

It’s important to have savings in your own name so your money is easily accessible by you in times of need.

Make saving a priority in your budget and save on the day you get paid by setting up a standing order to move the money to a separate account. Moving cash from a current account to a savings account means it’s out of sight, out of mind.

Even better, if your employer offers salary linked savings then money can be deducted before hitting your bank account.

Get started with our [Household Budget Planner](). Remember to regularly review your budget, it’s a living calculation and needs to reflect changes in your personal circumstances.



5. Have a plan B

In the short term, everyone needs an emergency fund. This is rainy day money for unforeseen circumstances. It's generally suggested that most have between 3-6 months' worth of essential expenses. However, if you're in or approaching retirement then this increases to 1-3 years' worth of expenditure.

This safety net can cover unexpected costs like replacing the fridge or car repairs. It can also provide a buffer should you lose your job or become unable to work for a short period of time.

WHAT TO DO ABOUT IT

For most, a safety net should be in an easily accessible savings account so it can be accessed quickly and without penalty. Having an emergency fund will reduce the likelihood of having to turn to expensive borrowing in times of need.

Insurance can also offer support when things go awry. You should look at the support that will be available to you should you be unable to work. Do your employers pay sick pay for an extended period? Would the future of your dependants be safeguarded if the worst should happen to you?

Thinking about our own mortality is scary, but it's scarier thinking that all the wealth you've accumulated could be swallowed up by the government.

Three in five UK adults do not have a valid will. Women are likely to outlive their male partner so ensure that you have instructed how you would like your assets to be divided. If you pass away without a valid will, you die intestate and your estate will be divided according to a fixed set of rules – these rules are often outdated for modern families.

Having a healthy relationship with your finances starts with the right mindset. Money worries are the biggest cause of stress outside of the workplace – meaning they trump our concerns around relationships and health!

Becoming more financially confident won't happen overnight, just like building an emergency fund - it takes time. Women need to make an active decision to find the time in their busy lives to build their knowledge - so sign up to any financial wellbeing sessions if offered by your employer. You won't get immediate gratification, but you'll reap the benefits long term. Knowledge is key to financial independence and resilience.

Finally, remember this article and our website don't give personal advice. If you're unsure what to do, ask us about financial advice.

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Your partner is not
your insurance policy.

Overreliance on a partner can leave you at a disadvantage and mean that your individual needs aren’t always prioritised. Three quarters of women over 60 are either single, widowed or divorced when they die.

Meet the #FinanciallyFearless Ambassadors. Top row – Helen Morrissey, Head of Retirement Analysis, Susannah Streeter, Head of Money and Markets, Sarah Coles, Head of Personal Finance. Bottom row – Maike Currie, Head of Content, Sophie Lund-Yates, Lead Equity Analyst, Emma Wall, Head of Investment Analysis and Research, Clare Stinton, Workplace Financial Wellbeing Analyst.

JOIN THE FINANCIALLY FEARLESS COMMUNITY

Financially Fearless is the first step in empowering women to improve their financial health and wealth. Scan or click the QR codes below.

Take your first step today by joining our community.

Every week you'll receive jargon-free emails with the latest money news and tips hot of the press.

Or if you prefer Instagram follow us for daily inspirational content.