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Women, are you financially aware? Don't be dependent on the men in your lives to manage your money

Riju Mehta, ET Bureau Mar 5, 2012, 08.04AM IST



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Women and money twirl in a curious tango. The woman pirouettes around moolah much like any rational, materialistic person. Yet, in a baffling bout of irrationality, she spins herself away from it, refusing to manage it herself. She lets the men in her life-husband, father or brother-take charge of her finances in a regressive display of reluctance.



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Why would an educated, working woman refuse to take control of her money? "It's conditioning. For years, the society hasn't allowed her to do it. She has been told that she doesn't understand money and should stay away from it," says financial planner Kartik Jhaveri. "Besides, finance is perceived by them as a very boring and difficult subject," says Swati Kulkarni, executive vice-president, UTI Mutual Fund.

So, even though the income level of the urban Indian woman doubled during

2001-10 from Rs4,492 per month to Rs9,457 (according to a 2011 IMRB survey), financial literacy among women continues to be among the lowest in the world. India ranked 11th out of 14 countries, as per the [Mastercard Financial Literacy Index 2011](#). This lack of awareness creates financial insecurity, which translates into a discernably disturbing social fallout-women suffer abuse, find themselves stranded if they are divorced or widowed, are cheated out of their rightful legacies, and are rabidly missold financial instruments.

The financial insecurity stems from two reasons. One, despite the fact that a lot of women handle their household finances, they depute the investment of money to their spouses. If they are working, they don't regard themselves as primary providers and relegate themselves to passive roles. Two, they do not proactively seek information that can be critical to the financial well-being in later life, especially for non-working women. They don't know if they are nominees in investments, if their husbands are insured, how they will fend during retirement, even where the important documents are stored. This, despite the rising incidence of divorce and a higher life expectancy for women; they live 5-7 years longer than men.

Does this apathy also spring from the notion that men are better than women when it comes to financial dealings? Perhaps, but this belief is not backed by any scientific study. On the contrary, several studies prove that women earn better results in market investing as they take fewer risks and churn less frequently. Is this enough to spur women into spunk? Unfortunately, no.

So, what we attempt in the following pages may seem as puny a propulsion in the desired direction, but it's necessary. We shall take you women through seven simple steps towards financial empowerment. It doesn't matter how old you are, whether you are single or married, working or a homemaker. All you need to know is that personal finance is not astrophysics and all you need to do is believe in yourself. "After all, you are the best judge of your needs and it's better to work towards satisfying these rather than expect someone else to do it for you," says Kulkarni.

Follow this advice and we assure you that you shall jive your way to riches, not financial insecurity.

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How well do you know your finances?

Take this short quiz to gauge the level of your awareness and take remedial steps accordingly.

1 Do you know how much you spend every month?
a) Yes
b) No

2 All banks give the same rate of interest on the savings bank accounts.
a) Yes
b) No

3 If you have an insurance policy, do you know the premium you are paying for it?
a) Yes
b) No

4 If you are working and have dependants, how much should you be insured for?
a) 1-2 times your annual salary.
b) 5-6 times your annual salary.

5 How much should you save as an emergency corpus?
a) 1-2 months of expenses.
b) 4-6 months of expenses.

6 Is saving for retirement more important than saving for your kids?
a) Yes
b) No

7 Do you know the standard deduction of income tax for women?
a) Yes
b) No

8 Mutual funds do not make for good long-term investment instruments.
a) Yes
b) No

9 If you invest in real estate and gold, you don't need to invest in any other instrument.
a) Yes
b) No

10 Do you know if you are a joint holder/nominee in any of the investments made by your husband/father?
a) Yes
b) No

RIGHT ANSWERS [1. A | 2. B | 3. A | 4. B | 5. B | 6. A | 7. A | 8. B | 9. B | 10. A]

IF YOUR SCORE IS

- 0-3** You're at the bottom of the ladder and your financial base is weak. Shed your inhibitions and start taking an interest in finances if you want to secure your future.
- 4-7** You are getting by on basics and can't afford to be complacent. Upgrade your knowledge by being more proactive.
- 8-10** You are doing just fine. In fact, you don't really need to go through this story, but do it anyway as some parts could help.

Get a little black book: Budgeting & banking

Simplistic as it may seem, getting a diary or an online planner is your first step towards empowerment. Start recording in this diary the inflow and outflow of money over a period of 2-3 months. Dismayingly, only 27% of Indian women solely manage the household budget, according to the HSBC Future of Retirement report 2011. So, if you are not a part of the lowly figure, undertake this crucial exercise. You can take heart from the fact that Indian women scored the best in financial planning and basic money management among 14 nations, according to the Mastercard Financial Literacy Index 2011.

Budgeting will give you an idea about the money you save and the amount you can invest. If you are working, squirrel away 10% of your income, and if you get a fixed amount from your spouse, well, do exactly the same.

The next crucial step is to imbibe the basics of banking. Though most women do this on a regular basis, as Jayant Pai, vice-president, Parag Parikh Financial Advisory Services, says, "I've seen well-educated women, who don't know how to fill up a form for opening a bank account." So, if you fall in the latter category, figure out how to fill it and open a savings account, which is preferably linked to a fixed deposit. This will ensure a high rate of interest and offer liquidity. Having an account is critical since you can use your money to invest as per your will while making it grow at a nominal rate.

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