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| Publication: TOI Online | Page No: NA |
| Edition: National | Date: 13-04-2023 |

THE TIMES OF INDIA

Financial empowerment: A key to safer tomorrow for women of today

Women have come a long way from overcoming stereotypes and perceptions to scaling new heights by breaking the glass ceilings. There is an increasing trend in the number of women who are in leadership positions and are fulfilling their entrepreneurial dreams. Women today are making their mark across fields hitherto unheard of like cricket, aviation, space and even armed forces in India.

Considering this, financial equality and independence are imperative for women to lead a comfortable life, build wealth and meet their short-term as well as long-term life goals. Therefore, it is essential that women understand how to grow their wealth and protect their and family's future. Women are more aware than ever and recognize the fact that right investment is the first step to gaining financial empowerment. However, most women find it hard to manage their money due to lack of guidance and appropriate avenues. Knowing how to handle money with confidence and make finances work for yourself has never been more critical. Financial literacy is the need of the hour and women should take time out to study about money management and investment. Financial awareness and money management skills can lend women a deeper sense of security that makes it easier for them to save and invest for the future.

To build financial independence and wealth, it's important to start saving, budgeting, investing and planning for retirement. What's also important is to understand that putting money in the right instruments to align with your short, medium and long term financial

goals (including retirement) is critical. The cost of living escalates over years and will continue to do so in future too. This may lead to dipping the value of your savings over time due to inflation. But, thanks to the superpower of compounding which helps in creating a good pool of wealth and securing the future. Investments can help combat inflation and serve as a vehicle to ensure that savings continue to grow.

Women are just as effective as men when it comes to investing and their portfolios tend to be even more successful. Studies have shown that women's investment portfolio is strong and impressive because of the innate qualities that differentiate them in their approach to investing. It is often observed that women are usually risk-conscious and believe in a well-researched investment approach. They prefer to invest in safer and less volatile investments with consistent track records to achieve financial empowerment.

To be financially independent, each woman must start building a financial portfolio with an inflation-proof investment plan. Investment today is not restricted to one's earnings and savings. Rather, it has graduated to investing in tools and instruments that offer compounding benefits and can function as a safety net for one and one's family tomorrow.

Let us understand what all entails in attaining Financial Freedom –

1. Budgeting Income & Saving Targets:

Budgeting is the simplest yet effective way to maintain financial discipline. One can start budgeting by listing out the total income earned every month and itemizing spends into categories to separate needs and wants, debt repayments and amount of savings. The general savings ratio out of your income should ideally be based on your age. It is suggested to follow the formula of **50-30-20**, 50% of the income should be dedicated to needs, 30% should be dedicated to wants and 20% should be dedicated to savings and investments. One of the significant steps towards financial independence is an improved

credit score. It is important to make your debt payments on time as it's going to affect your credit score. To keep a good credit score, it's important not to have a lot of debt. Uncontrolled debt not only batters finances but also generates stress impacting health.

2. Awareness About Investment tools

Today, there are several investment options available in the market that offers long and short benefits. Investment such as mutual funds or stocks help in maintaining and increasing liquid cash at the time of uncertainty but also involves a larger risk due to market movements so one must be well versed while dealing in stocks. Tools like FDs, Employee Provident Fund (EPF), Public Provident Fund (PPF) and National Pension Scheme (NPS) helps build a fixed corpus for the longer term and returns are compounded over the years. Furthermore, if someone is looking for investment options for generating monthly or lumpsum income then life insurance plans like a simple term plan, market-linked ULIPs or long-term Savings plans can be useful. Insurance plans have evolved to such an extent today that if a woman buys insurance for herself then her complete family stands protected from any financial risk of future.

3. Insurance and Adequate Insurance – Two different things

Times like today, demand preparedness. Hence, it is important to include an adequate amount of life and health coverage in a financial portfolio. Investing in life insurance empowers one with a financial safety net for unforeseen emergencies. It is often suggested that the life cover opted should be 10-15 times more than the annual income. Health cover should include Mediclaim equal to your annual income and critical illness cover should be equal to 5 times your annual income. Stick to the thumb rule of opting for a plan which offers adequate insurance coverage against your current income hence this keeps on changing as your income grows. It is crucial to invest in protection products that can offer coverage against terminal illness and safety net if one's ability to work is permanently impaired.

4. Review your financial portfolio

Your financial portfolio is closely intertwined with your personal and professional life. As expenses keep on increasing, income and goals also undergo various changes.

Reviewing your financial portfolio every year helps ensure that money keeps pace with major life changes.

With the launch of multiple benefits and special schemes by government, investing for women has received a major push – special premium rates, tax benefits, specialized insurance policies for women, and other government investment schemes and more are available. Depending on the financial appetite, risk profile and time horizon, one can choose multiple investment products to grow their portfolio promptly. By investing right, women can ensure the complete financial security of their dependents, thus playing an active role in the family's financial planning process. Women must create a safety corpus that includes a range of investments with insurance being one crucial element.

*The article has been authored by **Jyoti Vaswani** is the **Chief Investment Officer, Canara HSBC Life Insurance.***

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