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A MAN IS NOT A PLAN

There are a lot of women who don't think they can become prosperous on their own. They think a man is a plan.

"As a single thirty-something female, I am growing increasingly disgusted with female friends who keep putting off financial planning—everything from contributing to a 401(k) to buying a house," one reader wrote to me. "They say, 'This will all be taken care of when I get married.' These are grown women with real jobs who seem to think the little black dress they use to potentially attract 'Mr. Right' is a better investment than real estate."

So should you wait to make major financial decisions until you get married? You'd better say no, because the reality is that Prince Charming may never come. Or when he does, he's likely to be supporting his first wife and their children. Or he may have two nickels to rub together, but one of them belongs to somebody else.

The fact is, an increasing number of women will end up managing money on their own because they've been divorced or widowed or have never married. Consider this:

- Although the gap between male and female life expectancy has been closing, women still outlive men on average (which closed from 5.4 years in 2002 to 5.3 years in 2003). The average age at which a married woman will be widowed is fifty-eight. (It's fifty-nine for women in a second marriage). A longer life expectancy for a woman means she has a longer time to accumulate wealth but also a longer retirement period to fund. While a woman who reaches her mid-sixties can expect to live approximately twenty more years, her salary, according to the U.S. Census Bureau, remains on average about three-quarters that of a man's.

- Women spend an average of eleven years out of the workforce caring for a relative or children. That time is usually spent not saving for retirement. Women, therefore, have to save what they can when they can while working in the event that they do end up leaving their job to take care of a child or an aging relative.

- Women spend as many years caring for their elderly parents as they do raising their children. Research by the National Alliance for Caregiving found that nearly three-fourths of all caregivers for people over the age of fifty are women. Forty-one percent of these women are caring for children at the same time they are caring for elderly adults. Further, even if women have brothers with whom they might share the work, daughters spend significantly more time and money providing care for elderly parents than sons do.

- For typical women of retirement age, Social Security accounts for more than half their income. The average Social Security check in 2004 was $955 a month. Could you live on that?

For African-American women, the news is even more disconcerting. Although African-American women have made significant economic progress in recent decades, many still lag behind in most key economic indicators compared with non–African-American women, according to a report commissioned by the National Council of Negro Women and the Fannie Mae Foundation. Some key findings of that research include:

- Half of African-American women say they are just getting by or struggling. Forty-one percent have household incomes of less than $30,000, compared with 33 percent of all women.

- Two out of three African-American women are solely responsible for their family's financial planning. African-American women are more likely to be solely responsible for their household finances in part because they are less likely to be married (54 percent of all women were married compared with 28 percent of African-American women).

- Only 41 percent of African-American women own their homes compared with 66 percent of all women. Most would like to own their own homes, but often don't know where to start.

- Forty-five percent of African-American women have children under age eighteen living in their household. Of those women, 42 percent are single mothers.

All these statistics show that women can't afford to wait for a man to plan their financial future. Don't wait to get married to buy your home. Don't worry that Mr. Right won't like your house. If he doesn't, you can sell and move.

It makes no financial sense to forgo the possibility of accumulating home equity waiting on the right man to come along. If you wait and never find a partner, you'll be a renter without a house, or a man.

SINGLE AND FINANCIALLY SATISFIED

Only 30 percent of women describe themselves as "confident" or "a risk taker" when it comes to managing their finances, according to a survey of white, African-American, Asian-American, and Hispanic women age twenty-five and older commissioned by the American Institute of Certified Public Accountants.

This lack of confidence often results in women not investing at all or investing too conservatively.

Want to be financially satisfied whether you have a man or not? If so:

- Set financial goals for yourself. What do you want to do with the money you make—buy a home, car, take vacations every year? What will it take for you to live happily ever after financially? Will you be happy to work until you're sixty-five, seventy-five, or eighty? Do you want to send your children to college? How do you envision your retirement? Consider these goals not with a man in mind, but in terms of whether you can achieve them on your own.

- Get a sheet of paper and write down your goals. Then go about making those goals a reality. Don't just say you want to buy a home. Attend a first-time home buyer's seminar. Talk to someone at your bank about the many mortgage options available.

- Set short-term goals (establishing a three- to six-month emergency fund), intermediate goals (saving for a down payment on a home), and long-term goals (saving for retirement).

- Figure out just where your money is going, which will require doing a budget. (See chapter 16 for more information on how to budget.)

- Develop a financial contingency plan. Do some estate planning so that your loved ones will know how to handle your assets after you die. I know this is a tough topic to handle. Who wants to plan for her death? But you must, especially if you have children. At a minimum, you'll want enough savings to cover your funeral if you're single. If you have children, you'll want to leave at least enough to replace your earnings for a certain period of time, to cover the costs of hiring someone to fulfill your obligations at home, and to pay for your kids' college education. Many professionals with families seek life insurance protection equivalent to eight to fifteen times their annual earnings to support their families adequately. (See chapter 26 for more information on buying life insurance.)

- Get a will. And yes, you should have one even if you are single. If you die without a will, a state court will step in and determine how your assets will be allocated. If you're a single mom with minor children, the same court will decide with whom they will reside. And remember, if you're in a serious relationship—but not yet married—your significant other may have no rights to your property, unless your will directs otherwise.

- Get disability insurance. Many single women make the mistake of thinking life insurance is more important than disability insurance. Yet these women are more likely to become disabled. Keep in mind that life insurance is supposed to take care of your dependents should you die. If no one is depending on your income to survive, then you don't need life insurance. Disability insurance may be available through your job. If you already have an individual disability income insurance policy, update it annually to reflect any promotions or large increases in personal income.

- Make sure you're participating in your employer's retirement savings plan. Make a large enough contribution to take advantage of any matching funds your company may offer. If you don't, you're leaving free money on the table. If your employer doesn't provide a retirement plan such as a 401(k), then be sure to max out your contribution to an individual retirement account or other tax-qualified personal retirement instrument. It's also worth noting that changes to the tax code allow those over age fifty to save more in their 401(k)s and IRAs—what's referred to as "catch-up" retirement savings.

- Pay attention to small expenditures. For a month, write down everything you purchase, and determine those expenses you can live without. Invest the money for those nonessential items in mutual funds. At some fund companies, you can open a mutual fund account and contribute as little as $50 a month. Most important, you'll be establishing a regular pattern of saving and investing. And remember, you don't have to be a total miser; instead of eating out five times a month, try cutting back to two.

- Remember, cash is better than credit. Stick to having one credit card for emergencies and to build good credit. Otherwise, limit your purchases to cash. If you do use credit, pay the bill off every month. If you can't do that, you're in credit card trouble. In general, use credit cards only if you plan on paying off the entire balance every month.

It's wonderful if you do end up finding the right man to marry. But you don't have to put your financial life on hold waiting for that person to help you make important money decisions.