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Women and Money

Women today have never been in a better position to achieve financial security for themselves and their families. Yet seizing the opportunity for long-term financial success requires awareness of potential issues and careful planning.

Women Face Unique Financial Challenges

Women today have never been in a better position to achieve financial security for themselves and their families. But women often face unique financial challenges.

Certainly, not all women will face each of these challenges. Many different life stages and characteristics define women: single, married, widowed, employee, small business owner, breadwinner, stay-at-home mom, empty nester, retired, knowledgeable investor, novice saver, and so on. Nevertheless, it's likely you'll face at least some of these challenges, so it's important to recognize them and take necessary steps to move forward financially — regardless of the life stage you're in.

Women have a longer life expectancy. Women, on average, live about 5 years longer than men (Source: NCHS Data Brief, Number 355, January 2020). This fact alone brings several financial challenges including:

- The need for women to stretch their retirement savings over a longer period of time
- Increasing health-care costs related to chronic health conditions due to aging, including the increasing costs for medications taken over a longer period of time
- A decrease in income due to the loss of a spouse
- The fact that women are likely to provide some long-term care for a spouse or loved one, yet women are more apt to face their own need for long-term care alone
- The fact that women who outlive their spouses will probably bear the ultimate responsibility for the disposition of their marital estate

Yet despite the fact that women need their savings to last longer, they're confronted by other obstacles that make it harder to accumulate savings and amass sufficient income in later years.

Women generally earn less than men. On average, women who work full-time earn about 18% less than men across most occupational categories, according to the Bureau of Labor Statistics. This wage gap can significantly impact women's overall savings, Social Security retirement benefits, and pensions. It also means women are more vulnerable to unexpected economic obstacles such as a job loss, divorce, single parenthood, illness, or the loss of a spouse. (Source: U.S. Bureau of Labor Statistics, Usual Weekly Earnings of Wage and Salary Workers, Fourth Quarter 2019, January 2020)

Women are more likely to take career breaks for caregiving. The U.S. Department of Labor reports that more women than men take time away from work to care for children or older family members, and most of us have seen this dynamic play out in our own lives. Leaving the workforce means women don't have the same opportunity to save for retirement, and their Social Security retirement benefits will likely be less. Even when women do attempt to stay in the workforce while taking care of family members, they are more likely to request flexible work schedules and part-time hours to meet their primary caregiving responsibilities, which can impact their salary and long-term career advancement.

Women are sometimes more conservative investors. Being a conservative investor isn't always a bad thing. However, this trait can also be a double-edged sword if women are investing far more conservatively than is appropriate for their goals and circumstances. It can mean that their nest egg might be insufficient to meet their needs in retirement.

Women may face the risk of financial loss with no asset protection. As women continue to earn money, increasingly become the main breadwinners for their families, and run their own businesses, it's vital that they take steps to protect their assets, both personal and business. Without an asset protection plan, a woman's wealth and savings is vulnerable to taxes, lawsuits, accidents, and other financial risks that are part of everyday life.

Steps Women Can Take

Despite the challenges women face, they are in a strong position to achieve financial security for themselves and their families. Women make up almost half the total workforce and account for more than half of all workers employed in management, professional, and related occupations (Source: U.S. Bureau of Labor Statistics, Tables 3 & 11, Current Population Survey, 2019). And women earn the majority of all bachelor's, master's, and doctoral degrees (Source: National Center for Education Statistics, Table 318.30, Digest of Education Statistics, 2018)

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Now, more than ever, it's critical that women know how to save, invest, and plan for the future. At almost any stage of adult life, there are things women can do to help ensure their financial security, for example:

1. Take control of your money

2. Become a more knowledgeable investor

3. Take charge of your career

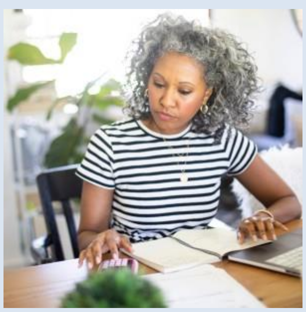
4. Plan for retirement

5. Protect your income and assets

6. Create an estate plan

To help you stay on track with your budget:

- ***Get in the habit of saving — make budgeting a part of your daily routine***
- ***Build occasional rewards into your budget***
- ***Examine your budget regularly and adjust as needed***



Writing down and prioritizing your goals is an essential first step toward putting a financial plan into action.

Take Control of Your Money

Establish a budget

No matter what life stage you're in, the first and most important step is realizing that you have to assume responsibility for your financial well-being. And the best way to begin is by taking control of your money. At the most basic level, this means knowing your income and expenses, then, especially if you're spending more than you're taking in, setting up a budget that will allow you to eventually have a positive cash flow. This may mean cutting down on some expenses that aren't necessary, refinancing some loans to get a better interest rate, and minimizing debt expenses (e.g., not using your credit card to make purchases unless absolutely necessary).

Part of creating a budget is establishing an emergency fund — money that's readily available to meet unexpected expenses. The amount you should have may depend on many factors, including your income, your health, and other assets you may have that are available in case of an emergency.

Set and prioritize financial goals

One of the benefits of creating a budget is that it allows you to save for short-term and long-term financial goals. Short-term goals may include making sure that your cash reserve (e.g., emergency savings) is adequately funded or paying off outstanding credit card debt. Long-term goals might include saving for a new home, an early retirement, or your child's education.

Once you've established your goals, you'll want to prioritize them. Since you may not be able to save enough to reach all of your goals, you'll have to decide which of your financial goals are most important to you.

Now it's time to save

After you've determined your financial goals, you'll want to know how much you'll have to save to reach each goal. Next, you can focus on implementing appropriate investment strategies to give you the best chance of attaining your financial goals. Determining the appropriate investment strategies for you isn't an exact science. But to help, ask yourself the following questions:

- How long do I have to save, or what is my time horizon?
- What is my emotional and financial tolerance for risk?
- What are my liquidity needs?

Once you've answered these questions, you'll be able to tailor your investments to help you target specific financial goals.

Become a More Knowledgeable Investor

Whether you're an experienced investor or a novice, there's always room to learn more and adjust your plan based on your current circumstances. Part of taking control of your money involves being able to target a return on your money that's aligned with your financial needs and goals. Investing involves taking a certain amount of risk as part of a carefully planned and prepared approach to managing your money, with the goal of accumulating the funds you need. And planning your investment strategy involves patience and discipline.

If you're new to investing, take small steps and learn some basic information, such as asset classes, risk tolerance, time horizon, diversification, inflation, investment vehicles such as 401(k)s and IRAs, and the role income, growth, and stability play in your investment strategies and plan. Experienced investors should reevaluate investment goals, time horizons, and risk tolerance. Identify the types of investments you have and consider whether they are best suited for your current needs and goals.

Traits of a good investor

What are some common traits of a good investor? The first may be the realization that you aren't as knowledgeable as you should be about investing, and a willingness to ask questions and learn some basic concepts.

Good investors know when to hold on to an investment and when to sell one. Many investors' portfolios have suffered because they waited for a turnaround that might never come instead of recognizing an investing mistake and dealing with it. Good investors know how to take profits; great investors know how to take losses.

While holding on to an investment strategy too long can be detrimental to your savings; excessive trading may also lead to underperforming portfolios. Learning to be a patient investor can allow you to reap benefits over the long haul.

If you feel unsure about your investing skills, you may take the path of least resistence and invest very conservatively. While this isn't always a bad course to take, it may not be appropriate for your goals and circumstances. All investing involves some risk, including the potential loss of principal, and there can be no guarantees that any investment strategy will be successful. But perhaps the biggest risk of all is not taking the steps needed to secure your financial future.

Finally, being a good investor doesn't mean you need to do all the work yourself. A financial professional can help you set a strategy, select specific investments, monitor their performance, and make adjustments as circumstances dictate.

In the world of investing, there are several fundamental concepts that are worth understanding:

- ***The three primary types of investments or asset classes***
- ***The roles of income, growth, and safety in a portfolio, and which investments focus on each one***
- ***Asset allocation***
- ***Diversification***
- ***Risk tolerance***
- ***The difference between mutual funds and individual securities***
- ***Calculating how much income and savings you'll need for retirement***

Here are a few tips that might help you get that next raise:

- ***Articulate your strengths, unique skills, and specific achievements when meeting with your manager***
- ***Be prepared to offer something to the company in return for your increased salary/bonus***
- ***Don't assume that the first salary or pay increase offered is the last; be prepared to counteroffer***

Take Charge of Your Career

Having a well-paying job is a major concern for most people, but it's no secret that there's often a gender gap when it comes to pay. According to a report from the Bureau of Labor Statistics, within most occupational categories, women who work full-time earn less than men (Source: U.S. Bureau of Labor Statistics, Women in the Labor Force: A Databook, December 2019).

Earning less not only affects your paycheck, but also the amount you can contribute to your retirement plan, as well as future pay increases and bonuses that are often tied to current salary. Here are a few issues you'll want to pay close attention to.

Salary and career advancement

Start by checking with your employer about salary ranges or pay scales, the criteria for pay adjustments, and the timetable for compensation review. You can also check out comparable salary ranges for someone in your occupation and geographic location through Internet websites. Then, be prepared to articulate your strengths and specific achievements. Don't assume that the first salary or pay increase you're offered is the last. In addition to pay, bonuses, and other tangible rewards, find out what opportunities exist for advancement, including management training, mentor programs, and networking opportunities.

Employee benefits

Employer-provided benefits can help provide a safety net for you and your family. You may be most familiar with employer-sponsored retirement plans and group health insurance. But your employer may offer other benefits that can help you and your family that you may not be fully utilizing, including flexible spending accounts that allow you to contribute pretax dollars for dependent care and health care costs, sick leave and disability policies that can make a big difference in your ability to take care of yourself and your family, and employer-provided educational assistance that can help you further your career.

Work-life balance

Balancing the demands of career and family is one of the major issues people face during their working years, particularly women. Employers are recognizing that providing work-life balance programs are key to having a diverse, gender-neutral workforce, and they are increasingly offering flexible schedules, such as telecommuting or compressed workweeks, to help employees meet personal needs and responsibilities.

Plan for Retirement

Statistically, women have a longer life expectancy than men, which means women are more likely to need their retirement savings to last longer. Yet women generally earn less than men and often leave the workforce to provide caregiving. As a result, their retirement plan balances, Social Security benefits, and pensions are often lower. In order to meet these financial challenges, women need to make retirement planning a priority.

Estimate your retirement income needs

To maximize your chances of achieving a financially secure retirement, start with a realistic assessment of how much income you'll need in retirement and how long you expect to need it. Then estimate your sources of income, such as Social Security, pensions, and any other sources of fixed income. The difference between the total income you anticipate having and the amount of income you'll need represents how much you'll have to take from your savings.

Begin saving now

Save as much as you can. You may have several options, including employer-sponsored retirement plans such as 401(k) or 403(b) accounts. Your contributions are deducted directly from your pay, and some employers will even match a portion of what you contribute. And if you don't have the opportunity to save through an employer, you may be able to contribute to a traditional or Roth IRA, or other type of retirement savings vehicle.

Plan for income in retirement

Having a longer life expectancy means that outliving retirement income is a realistic concern for many women. Here are some tips that may help ensure that income will last through retirement:

- Establish a target age for your retirement. The longer you delay retirement, the longer you can potentially build up tax-deferred funds in your IRAs and employer-sponsored plans or accrue benefits in a traditional pension plan.
- Estimate your health-care costs in retirement. Medicare generally doesn't start until age 65. If you retire before age 65, will you be covered through your employer or as a dependent on your spouse's plan? Remember, coverage can be lost due to divorce, job loss, or death of your spouse.
- Account for Social Security. While you can begin taking retirement benefits as early as age 62, your benefit may be 25% to 30% less than if you waited until full retirement age. Delaying benefits past full retirement age will increase your benefit each year until age 70.

You may think you can hold off saving for retirement and make up the difference later. But this can be a very costly mistake. The further off your retirement is, the more time your investments have the potential to grow. Waiting to save for retirement or failing to save consistently can mean you won't have enough savings to generate the income you need in retirement, or that your income won't last as long as needed.

When it comes to protecting your assets, insurance may not always provide all the protection you need, or it might not be an available option. Other asset protection strategies include:

- ***C corporations***
- ***Limited liability companies***
- ***Professional corporations***
- ***Limited liability partnerships***
- ***Family limited partnerships***
- ***Trusts, including protective trusts, irrevocable trusts, domestic self-settled trusts, and offshore trusts***

Protect Your Income and Assets

Every day, women face a variety of risks to their life, their health, and their property. Although you can't eliminate many of these risks, you can take steps to guard against resulting financial losses. Insurance is the primary way to provide both peace of mind and financial security to you and your loved ones.

Health Insurance	Most plans provide basic coverage for common medical expenses, such as doctor visits, preventive care, diagnostic tests, hospital and extended care, emergency services, and prescription drugs.
Auto Insurance	Liability insurance provides compensation to persons who would be able to sue you. Property damage insurance includes collision and comprehensive coverage.
Life Insurance	Life insurance provides income replacement to your survivors with an income-tax-free death benefit. The proceeds from a life insurance policy can also be used to pay for funeral expenses and even medical expenses of a final illness.
Homeowners Insurance	Homeowners insurance covers a variety of risks that can cause damage to your home and personal property, including medical payments for injuries to occupants and to other persons injured by accidents while in your home, and loss or theft of personal property.
Liability Insurance	As a last line of defense against potentially devastating claims for things over which you have little or no control, liability insurance, customarily in the form of umbrella insurance, provides extra coverage over all liability insurance, such as auto and homeowners.
Disability Insurance	In the event you are out of work due to an injury or illness, disability income insurance benefits can be used to help you maintain your lifestyle while you recover, provide a chance to retrain for another job if necessary, and conserve your assets and savings for you and your family.
Long-term Care Insurance	Without long-term care insurance, expenses related to providing custodial care for an extended period of time (generally not covered by health insurance or Medicare) could wipe out your savings in a relatively short time. Long-term care insurance pays benefits if you need extended care, such as nursing home care.

Create an Estate Plan

There's no doubt that planning for your financial well-being is important for everyone, especially women. But you should also plan for the possibility that you may become incapacitated or otherwise unable to manage your finances, as well as the ultimate distribution of your assets and property at your death. Estate planning involves mapping out the way you want your personal and financial affairs to be handled in the case of your incapacity or death.

Why is estate planning so important for women? The fact is that women live on average about 5 years longer than men. This means women are more likely to live alone at the end of their lives.

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. Failing to plan may mean a court would have to appoint a guardian who would be empowered to make decisions that might be different from what you would have wanted. Health-care directives and living wills can help others make sound decisions about your medical treatment and life-prolonging measures if you are unable to do so.

Another important document that can help with the management of your financial affairs during a period of incapacity or unavailability is a durable power of attorney. This document allows you to appoint someone to manage your financial affairs should you be unable to do so, either temporarily or for an extended period of time.

Without a will, your property at your death will be distributed according to your state's intestacy laws, without consideration for your actual wishes. Through a will, you can direct how your property will be distributed, who will act as personal representative of your estate, and who will be guardian of your minor children.

There are several other estate planning documents you may use to effectuate the desired distribution of your property and assets, including a trust. The trust can be created as part of your will (testamentary trust) and not have any legal effect until your death. Or you can create a trust while you're alive (inter vivos trust) that allows you to manage your trust assets while you're alive and capable, but that names a successor trustee to take over management of trust assets should you become incapacitated. You can also direct how trust assets are to be distributed at your death.

While a will is very important in allowing you to direct the distribution of assets and property at your death, there are several other strategies that transfer assets to named recipients without reference to a will. These include:

- ***Beneficiary designations such as in an IRA, life insurance, or an annuity***
- ***Joint ownership with rights of survivorship pass ownership of certain assets to named joint owners by law***
- ***Transfers by contract such as payable or transferable on death designations found with some bank accounts, stocks, bonds, and mutual funds***

As you plan your estate, it's important to consider the tax implications. The types of taxes that may come into play include:

- ***Income tax, especially relating to the income tax basis of assets transferred at death or through lifetime gifts***
- ***Federal estate tax***
- ***State estate or inheritance tax***
- ***Gift tax***
- ***Generation-skipping transfer tax***

Estate Planning Worksheet

Assets:

Debts / obligations:

Executor:

Guardian for minor children:

Charitable wishes?

- ❑ No
- ❑ Yes

Other:

Location of important documents:

- ❑ Will
- ❑ Trust
- ❑ Power of attorney
- ❑ Medical directive
- ❑ Life insurance policy
- ❑ Retirement plan documents
- ❑ Deed
- ❑ Tax returns
- ❑ Contracts
- ❑ Other

Who to contact:

- ❑ Doctor
- ❑ Funeral director
- ❑ Relatives
- ❑ Friends
- ❑ Newspaper
- ❑ Employer
- ❑ Attorney
- ❑ Other

Working with a Financial Professional

Women face unique circumstances that make financial planning even more challenging. That's why working with a financial professional might be beneficial.

Why work with a financial professional?

A financial professional can:

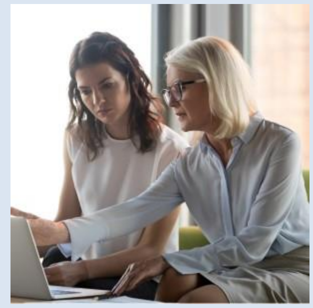
- Apply his or her skills to your specific situation
- Help you monitor the financial markets and offer advice and information on current trends and investment options
- Monitor the introduction of new products, new legislation, and tax changes and assess how such developments might affect your financial plan
- Help you see the big picture and make sure the various aspects of your financial life are integrated in a way that makes sense for you

Tips for working with a financial professional

- It's your money, so you should know as much as you want about the plan or proposal being made by the financial professional. Ask questions and don't commit to anything unless you feel comfortable with what's being presented to you.
- While you should never be pressured into making a financial decision, try to avoid "analysis paralysis." Give yourself a deadline for your decision.
- Be prepared to set the parameters of the services you seek. If you think your financial life simply needs a checkup rather than a complete overhaul, you'll need to clarify the areas in which you're looking for assistance.
- You may need advice from more than one financial professional. For example, a financial planner can help you with your retirement plan or budget, but may not be qualified to offer help drafting wills or trusts.
- If you feel that working with a financial professional can be helpful, don't postpone making that call. The sooner you get your questions answered, the sooner you'll be able to pay more attention to the things that an organized financial life can help you enjoy.

How is a financial professional compensated?

Some receive a fee based on time spent or based on a percentage of your assets or portfolio income. Others may simply receive a commission based on investments sold. Still others may receive some combination of fees and commissions. In any case, don't hesitate to ask how a financial professional you're considering is to be compensated.



You don't have to wait until a specific life event occurs before seeking the services of a financial professional. However, in some cases a specific life event can serve as a catalyst for seeking advice. These events include:

- ***Marriage, divorce, or death of a spouse***
- ***Having a baby or adopting a child***
- ***Planning for the college education of a child or grandchild***
- ***Buying or selling a business***
- ***Changing jobs or a career***
- ***Planning your retirement***
- ***Developing an estate plan***
- ***Receiving an inheritance or financial windfall***

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