

WOMEN AND INVESTING



1/23/15

A Financial Guidebook For Women

Women investors face many challenges to building wealth and securing their financial future. This guide was developed as a resource for women who are seeking guidance on how to take control of their financial lives. We hope that you will find it useful and we encourage you to take notes as you go along and write down any questions you may have.

Women and Investing

A FINANCIAL GUIDEBOOK FOR WOMEN

INTRODUCTION

Where men once dominated financial affairs, the growing presence of women in the workplace and as heads of household is introducing a paradigm shift. Women are rapidly becoming a force to be reckoned with as they take increasing responsibility for their long-term goals and financial health.

Women investors face special challenges that make financial literacy and advanced planning especially important. Women are more likely to outlive their husbands, or be disproportionately affected by a divorce, making long-term financial strategies especially critical.

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CHALLENGES WOMEN INVESTORS FACE

Women face particular challenges in investing and financial planning. It's important to acknowledge these challenges and explore them with your family and trusted financial professional. Determining the right solutions to your particular financial situation is critical to developing a long-term strategy and pursuing a comfortable, secure retirement.

While every woman and every family is different, research shows that American women face many of the following challenges:

Women Are More Likely to Outlive Their Husbands

Based on what research has found about life expectancies, on average, women outlive men. Losing a spouse is heart wrenching, and in a family where the husband managed the finances, a widow may need to quickly take control of family finances. Without planning, this transition can add to an already stressful situation and lead to costly errors.

At some point in their lives, 90% of women will have sole responsibility for their finances.

Source: *A Woman's Guide to Financial Planning 2011*

Families can prepare for this eventuality by ensuring that both spouses are involved in managing family finances. However, research shows us that many women are not as involved in their financial planning as they should

Did You Know?

Globally, over **1 billion** women participate in the workforce. Out of these, **70 million** are American.

U.S. life expectancy of American women: **80.69 years**.

U.S. life expectancy of American men: **75.65 years**.

In the U.S, approximately **33%** of working married women earn more money than their husbands.

Women are the sole heads of **32%** of U.S households.

More women are inheriting wealth because of longevity and demographic patterns.

Sources: U.S. Census Bureau, CIA World Factbook 2011

be. A 2011 report released by HSBC showed that many women are not prepared for retirement; just 24% of women in their fifties claimed to have a financial plan in place.¹

The same report found the following:

- 65% of men make all or most of their household's financial decisions without input from wives or other family members.
- 4 in 10 men claim sole decision-making responsibility in retirement planning, compared to 25% of women.²

Lack of involvement in financial affairs can put women in a highly vulnerable position should anything happen to their husbands.

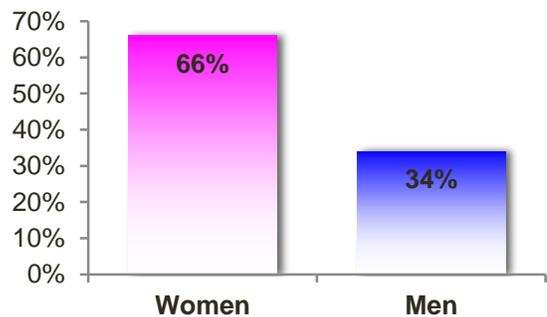
Women Earn and Save Less than Men

Women may have fewer earnings and fewer savings than men. While there are many contributing factors, smaller paychecks and time out of the workforce are two major causes of this disparity.

Census data shows that despite the important strides women have made in the workplace, women's median annual income was still only 77% of men's in 2010; another way to put this is that for every dollar earned by men, women earned just \$0.77, a difference that can add up to a lifetime loss of over \$300,000.³ Women earn less than men in virtually every occupational category, making it more challenging for women to build wealth.

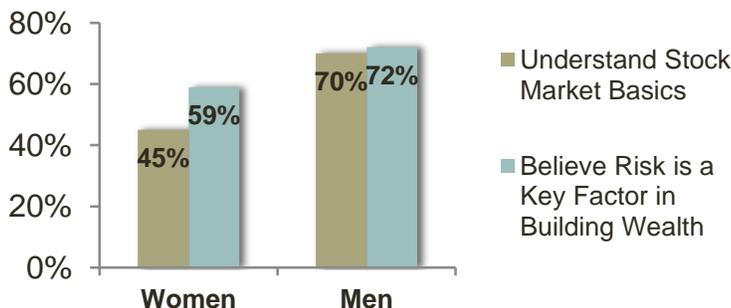
Research also shows that women are more likely to be caregivers to elderly parents, children, and other relatives than men, reducing their time in the workforce and the time they spend earning a living.⁴ Increased time out of the workforce results in lower lifetime earnings, less retirement savings and less pension savings, compared with their male counterparts. This contributes to the earnings and savings gap between men and women.⁵

Gender of Caregivers⁽⁴⁾



Women May Be More Conservative Investors

Investing Traits of Women and Men⁽⁷⁾



Research suggests that women are more reluctant to accept risk in their investment portfolios.⁶ Risk is an important issue in investing because there is a strong correlation between risk and reward. Typically, investments with more risk offer the potential for higher returns over time. More conservative investment behavior among women may stem from lower

confidence about investment knowledge. As shown in this chart, a 2011 survey of high-net-worth investors found that there is a significant difference in (self-assessed) risk appetites and investment knowledge between men and women.⁷

While there is certainly nothing wrong with taking a conservative approach to investing – we are very conservative in many ways when it comes to managing our clients money – being overly conservative can inhibit the ability of your portfolio to keep pace with inflation while meeting your income needs. Finding the right balance of risk and reward is an important factor for successful investing.

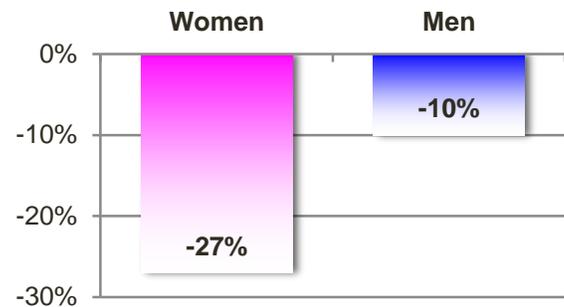
Women Are Disproportionately Affected by Divorce

Divorce is a painful transition for a family to endure and switching from a dual- to a single-income household brings many financial challenges. However, there is an added challenge for women: The average woman's income will decrease significantly after a divorce.⁸

After a divorce, women may become solely responsible for their earnings, savings, and retirement planning. After a divorce, men tend to experience only a 10% drop in income, while women are likely to experience as much as a 27% decline. As many women have found, there is life after a divorce; however, it is critical to anticipate and plan for its potential effects on your savings and retirement goals.

There is no doubt that many women face unique obstacles to growing their wealth. However, a realistic perspective and proper planning can help overcome these challenges and build a long-term financial strategy.

Average Decrease in Income After Divorce⁽⁸⁾



“We have to help each other prepare so that you, your mother, your sister, your daughter, your best friend [are ready.] We must take charge and have faith that ... in knowledge there is power, and in our action there is a future.”

- Teresa Heinz Kerry

THRIVING DURING LIFE'S TRANSITIONS

We believe that planning ahead is the most important thing you can do to help secure your financial future. It is disappointing and concerning to see there is still such inequality between men and women when it comes to making decisions about their investments.

Preparing for the future is one of the most important aspects of financial planning, and a lack of involvement leaves women potentially exposed to financial hardship later in life. **Don't expect your husband, spouse, or other family member to ensure your financial security; it is critical that**

you take an active role in your financial future.

While it might be practical for one partner to take the lead in research or planning, decisions should be discussed and made jointly on a fully informed basis. This will help ensure that families are better prepared for the future and that women are less financially vulnerable. It can be hard to think about and plan for unpleasant events, but doing so can help you protect yourself and secure your future.

We often meet with prospective clients who have been divorced or widowed and who are unaware of what they actually own, where it is located, or how to access it. That is one of the reasons we created our *Peace of Mind Checklist* to be a simple tool for organizing important financial documents. What we encourage you to do is complete this checklist and share it with those who may need to help you deal with an unexpected situation. (Please contact our office at (269) 978-0238 to receive your personal copy.)

Engage your husband, partner, spouse and other family members in regular discussions so that everyone is kept informed of important financial plans and future goals. These discussions don't have to revolve around thinking up worst-case scenarios. A fun activity can be to dream together about future goals or retirement plans. Children can be brought together to talk about the family legacy and your estate plans.

4 INVESTMENT PITFALLS TO AVOID

Mistake #1: Failing to Plan for Longer Life Expectancy

As we have already established, women generally live longer than men. For that reason it is especially important to use investment strategies that balance a sustainable withdrawal rate with the right measure of risk, and that take inflation into consideration. Balancing these factors is critical to help you don't run out of money before you run out of life.

Mistake #2: Failing to Plan for Healthcare Expenses

Another factor that has to be considered when it comes to having a longer life expectancy is that long-term care is expensive. In 2010, the average costs for assisted living was more than \$38,000 a year, according to the annual Genworth Cost of Care Survey. The annual cost of a private room in a nursing home was nearly \$75,000, and home health aides averaged \$19 per hour. According to the Center for Retirement Research, retirees can expect to spend 29% of their annual income on healthcare by 2020.⁹

It is critical to include healthcare planning in your long-term financial planning. Major medical expenses can easily wipe out retirement savings; however there are many strategies that retirees can pursue to prevent this from happening. With our assistance, you can make plans to help ensure that your medical needs are taken care of without adversely impacting your retirement lifestyle or becoming a financial burden on your family.

Mistake #3: Making Emotional Investment Decisions

Emotional decision-making can wreak havoc on the most carefully designed investment plan when markets swing. Many investors lost money in the mortgage-meltdown crash of 2008. Some may have cashed out near the bottom, fearing that the markets themselves were collapsing, and may still have their money sitting on the sidelines.

A 2011 study by benefits company Aon Hewitt showed that baby boomers are especially at risk of making emotional investment decisions. Study results showed that those nearing retirement become more averse to risk, and are prone to bailing on the market during declines.¹⁰ The problem is that these are the investors who have the most to lose by making poor investment decisions.

One of the major benefits of working with our firm is that it is our job to act as the voice of reason when emotions run high. When major investment decisions are only a click away, many investors give in to emotional decision-making and could pay the price for their short-term thinking. When markets decline, remember that we are always available to answer questions, provide reassurance, and show you the opportunities that volatile markets provide.

Mistake #4: Not Considering Seeking Professional Advice

In a study conducted at Yale and Princeton, psychologists gave undergraduate students questionnaires asking how they compare with their classmates in a variety of skills and tasks. For example, one question asked: “Are you a more skillful athlete than your average classmate?” The overwhelming majority of students responded that they are above-average athletes, drivers, dancers, students, and so on.¹¹

Obviously, not all of them can be above average, but their self-perception led them to believe it was so. The same issue of over-confidence exists among investors. It was easy in 1999 and 2000 for investors to delude themselves about their investing skills when a few lucky stock picks quadrupled overnight. However, consider how many of these genius investors were able to save their portfolios during the bear market that followed?

We educate our clients on the opportunities that market turbulence sends our way and keep them focused on their long-term goals, not on short-term gyrations. As financial advisors, we spend our careers charting courses through turbulent markets and it’s our job to stay on top of ever-shifting economic, financial, and legal issues so that our clients don’t have to.

When retirees were asked for the number one piece of advice they would give to their 30-year-old self, 34% recommended working with a financial advisor, or working with one earlier in life.

Source: Gugliotti, Jennifer. *Life and Health Advisor, Education, Information is the path to trust and loyalty from successful women clients.*

LEAVING A LEGACY FOR FUTURE GENERATIONS

One of the rewards for hard work, effective wealth management, and prosperity is the joy of providing for your loved ones and the causes close to your heart. In our business, we have found that as couples move into retirement, they begin to think more practically about the legacy they leave behind. Women are

increasingly responsible for the final disposition of family assets, so it is important to discuss in advance your family's estate planning goals.

One of the greatest gifts you can leave is a life well lived and full of love that serves as an example to others. As you take steps toward controlling your financial destiny, remember that the women in your life will look to you for support in their financial lives and let that journey be part of your legacy as well. A great goal is to leave the world, and the people in it, a little better than when you got here.

Women control \$14 trillion in personal wealth assets.

By 2020, they are expected to control \$22 trillion.

Source: *What Women Want: Understanding the Modern Female Investor.*

CONCLUSIONS & NEXT STEPS

We hope that you've found this guide informative, educational, and reassuring. If there's one thing we hope you take with you from this report, it's that we want you to begin taking control of your financial future. You can start by having a conversation with your husband, spouse, or family. Start educating yourself about wealth management, financial planning, and investing.

We also want to offer ourselves as a resource to you and your family. We are happy to answer questions about your current financial situation and future goals and we offer complimentary consultations at any time. Should you have any questions about what you've read here and what it means for your future, please reach out. We would be delighted to be of service.

Sincerely,

Zack Alkhamis, CRPC®, CIS®, CFS®

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¹ *Men Still Take the Lead in Retirement Planning: Survey*; Investment Executive. 2011. <http://www.investmentexecutive.com/-/men-still-take-the-lead-in-retirement-planning-survey>

² *Men Still Take the Lead in Retirement Planning: Survey*; Investment Executive. 2011. <http://www.investmentexecutive.com/-/men-still-take-the-lead-in-retirement-planning-survey>

³ *Income, Poverty, and Health Insurance Coverage in the United States*: U.S. Census Bureau

⁴ Caregiving in the U.S. 2009, National Alliance for Caregiving and AARP. Source: http://www.caregiving.org/data/Caregiving_in_the_US_2009_full_report.pdf

⁵ Caregiving in the U.S. 2009, National Alliance for Caregiving and AARP. Source: http://www.caregiving.org/data/Caregiving_in_the_US_2009_full_report.pdf

⁶ *Mars Venus Divide*; Spectrem Group. 2011. <http://www.spectrem.com/news/mars-venus-divide-199>

⁷ Source: Spectrem Group. Mars & Venus Divide Among Investors

⁸ Reilly, Kristen. *The Economic Consequences of Divorce: The Role of Child Support, Labor Force Participation and Means Tested Transfers over Time*. Cornell, 2009.

⁹ Johnson, Richard et al. *Will Health Care Costs Erode Retirement Security?* Boston Center for Retirement Research. <http://crr.bc.edu/briefs/will-health-care-costs-erode-retirement-security/>

¹⁰ *Global Pension Risk Survey*. Aon Hewitt. 2011. http://www.aon.com/netherlands/persberichten/2011/Aon_Hewitt_GRS_EURO_2011.pdf

¹¹ Braun, Henry et al. *The Role of Constructs in Psychological and Educational Measurement*; Lawrence Erlbaum Associates, 2002.