

PROFESSIONAL ADVISORY COUNCIL CO-CHAIR OFFERS MONEY ADVICE FOR WOMEN

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Over the past several decades, women across generations have broken through financial barriers in the workplace and continue to press the proverbial “glass ceiling.”

Today women are better educated and hold more executive and professional positions than ever. They are climbing farther up the ranks in nearly every industry. It’s not surprising to learn that more than one-third of American women are now the primary family breadwinners.

Armed with better education and serious money to show for it, many women still lack confidence when it comes to investing for retirement and building wealth. A 2012 study titled “Financial Experience & Behaviors Among Women” states that only two in 10 women said they felt confident about meeting their financial goals and making wise financial decisions. Even the most capable women say they feel insecure about money matters and lean too heavily on family and friends for financial know-how.

Unfortunately, many women are forced to take action when they are least emotionally prepared to do so—often after the loss of a spouse through death or divorce. Other life transitions such as career change, serious illness, retirement and sudden inheritance can also present great challenges. The choices made at any of these junctures can set a woman on the road to long-term financial peace or chronic financial anxiety.

As women travel through each phase of their

lives, their goals should be reviewed and renewed as life circumstances change. Whether women are in the family- and career-building years, the pre-retirement years or the post-retirement years, each stage presents its own challenges.

The early stages are the best time to secure the services of a financial planner or coach. The more seasoned and better educated she becomes on the details of her financial choices, the more success a woman will realize. Having a guide or mentor to help with the maze of financial decisions can prove invaluable.

Let’s take a look at some of the issues facing women today:

Insurance

First, insurance protects us and those whom we love from the loss of income due to disability or death. Life insurance is necessary to protect the family if a woman or her spouse dies too soon, while disability insurance provides a monthly check if she becomes disabled due to accident or illness and is unable to work. When considering insurance needs, women should keep in mind that they are 3½ times more likely to be injured and need disability coverage than they are to die and need life insurance. Disability insurance coverage should be the first priority.

Long-term care (LTC) insurance should also be carefully considered. Individuals are financially penalized for waiting to purchase LTC insurance later in life, and women age 65 and older have a 70% chance of needing help with activities of daily living (such as eating, bathing and dressing) at some point in their lives. Since these “custodial” services are not covered by Medicare, women should plan to pay for them with benefits in a LTC insurance policy, out-of-pocket savings of their own or a combination of both.

Retirement Planning

Retirement planning and savings for retirement should always be on the front burner. Women should start saving today—right now—the sooner the better. During the working years, women should maximize contributions to employer-provided retirement plans to take advantage of compound growth and receive any company matching contributions. Retirement savings can be rounded out with IRA or Roth IRA contributions (income restrictions apply), as well as consistent after-tax savings.

Women and their families should also begin education planning as soon as possible to keep

up with the skyrocketing costs of education. But don’t be tempted to sacrifice retirement savings to pay for college. This can jeopardize retirement security. Retirement savings diverted to education misses the power of compounding over time, and savings amounts later in life must increase significantly to make up for that lost time! Keep in mind that institutions will lend money to a student to go to college, but they won’t lend money to a retiree to pay for retirement.

As women enter the retirement years, they’ll need to decide when to begin receiving Social Security benefits. Unfortunately, 75% of Americans begin Social Security early at age 62, leaving a significant amount of money on the table. By delaying benefits to age 70, individuals earn an additional 8% each year in delayed credits plus annual cost of living adjustments.

Married women have more opportunities to maximize benefits by coordinating the timing of their benefits with their spouse. Divorced and widowed women have unique opportunities to maximize benefits as well. The decision to begin Social Security at a certain age should not be taken lightly, as it can dramatically impact the success or failure of a retirement plan.

Estate Planning

Finally, estate planning is essential during every life phase because a woman’s most precious assets—children or grandchildren—are at risk if she does not plan properly. Women should designate a trusted estate planning attorney to draft and execute a living trust, wills, powers of attorney for financial matters, advance health care directives and guardianship documents. As children become adults (and bring grandchildren!) and a woman’s financial assets grow, her estate plan should reflect her changed situation. Women should review and/or update their documents every three to five years to ensure their plan still represents their goals.

Charting your financial course through the various stages of life can be complex. With an 85% chance of being solely responsible for her finances at some point in her life, a woman’s greatest chance of financial success is clarifying her own goals and dreams and taking an active interest in achieving them.

Take care of your financial health by attending an educational seminar offered by the Professional Advisory Council in 2014. Please see the seminar schedule on page 19. ♦