



Women & Investing

A Financial Guidebook for Women

Women investors face many challenges to building wealth and securing their financial futures. We developed this resource as a guidebook for women who are seeking perspectives on how to take control of their financial lives. We hope you find useful information that helps you make the most of your financial well-being today and every day.



INTRODUCTION

Where men once dominated financial affairs, the growing presence of women in the workplace and as heads of households continues to be a paradigm shift. As women have taken more responsibility for their long-term goals and financial health, they have become a force to be reckoned with. This brings an array of unique financial needs.

Women investors face special challenges that make financial literacy and advanced planning especially important. For example, women are more likely to outlive their husbands or have divorce disproportionately affect them, making long-term financial strategies especially critical.

We developed this guidebook as a resource for women who are seeking perspectives on how to take control of their financial lives. We encourage you to take notes as you read, and we hope you will find the information useful as you look to the years ahead.

CHALLENGES WOMEN INVESTORS FACE

Women face particular challenges in investing and managing their financial lives that you should acknowledge and explore with your family and a trusted financial

IN THE U.S., THERE ARE 126 WOMEN FOR EVERY 100 MEN AGED 65 AND OLDER. AT 85 AND OLDER, THERE ARE 187 WOMEN FOR EVERY 100 MEN.

Source: 2017 Profile of Older Americans, Administration for Community Living. <https://acl.gov/sites/default/files/Aging%20and%20Disability%20in%20America/2017OlderAmericansProfile.pdf>
[Accessed Mar. 21, 2019]

professional. Determining the right solutions to your unique financial situation is critical. That way, you have an effective long-term strategy and can pursue 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 LIKELY TO OUTLIVE THEIR HUSBANDS

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

DID YOU KNOW?

- Women represent 56.8% of professionals in the American workforce.¹
- 57% of women participate in the U.S. labor force.²
- American women who turn 65 this year have a life expectancy of 86.7 years.³
- American men who turn 65 this year have a life expectancy of 84.3 years.⁴
- Median weekly earnings for full-time female workers are 82% of their male counterparts.⁵
- Median annual income for mother-only family households is \$41,703.⁶

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 preparations as they should be. In fact, a UBS study notes that 56% of married women defer to their spouses on investments and financial planning.⁷

A report by Fidelity Investments also found the following statistics:

- Just 22% of women feel confident about planning for their long-term financial needs.⁸
- Only 24% of women feel confident about planning for retirement.⁹

Lack of involvement in financial affairs can put women in highly vulnerable positions, if anything happens to their spouses.

OF AMERICANS AGED 65 AND OLDER, 27.5 MILLION ARE WOMEN; JUST 21.8 MILLION ARE MEN.

Source: 2017 Profile of Older Americans, Administration for Community Living. <https://acl.gov/sites/default/files/Aging%20and%20Disability%20in%20America/2017OlderAmericansProfile.pdf> [Accessed Mar. 21, 2019]

WOMEN EARN AND SAVE LESS THAN MEN

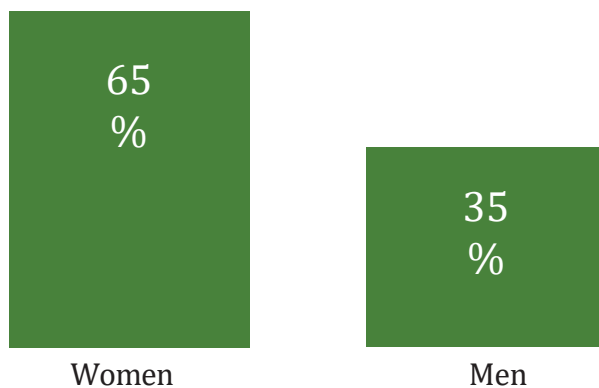
Women might have fewer earnings and fewer savings than men. While there are many contributing factors, smaller paychecks and more time out of the workforce are two major causes of this disparity.

Women earn less than men in virtually every occupational category, making it more challenging for women to build wealth. Census data shows that despite the important strides women have made in the workplace, women’s median annual income for full-time

employment is still only 82% of men’s — a difference that can add up to a lifetime loss of hundreds of thousands of dollars.¹⁰

Research also shows that women are more likely than men to be caregivers to their parents, children, and other relatives. This reduces their time in the workforce and the time they spend earning a living.¹¹ Increased time out of the workforce results in lower lifetime earnings, less retirement savings, and less pension savings, compared to their male counterparts. These factors contribute to the earnings and savings gap between men and women, and can affect women’s financial well-being in retirement.¹² In fact, women who leave the labor force early to serve as a caregiver can lose an estimated \$324,044 in combined wages, Social Security benefits, and pensions over the course of their lives.¹³

Gender of Caregivers



Source: Caregiving in the U.S. National Alliance for Caregiving and AARP. <https://www.morningstar.com/articles/879494/75-mustknow-statistics-about-longterm-care-2018-ed.html>

CONSERVATIVE INVESTING CAN BE AN ASSET FOR WOMEN

- **WOMEN INVESTORS BEAT MEN'S PORTFOLIO PERFORMANCE BY 1.2% IN ONE MULTI-YEAR ANALYSIS, AND BY 0.4% IN ANOTHER.**
- **WOMEN CHURN THEIR PORTFOLIOS 45% LESS THAN MEN.**

Source: "Why Women Are Better At Investing." Forbes. <https://www.forbes.com/sites/michaelcannivet/2018/12/29/why-women-are-better-at-investing> [Accessed Mar. 21, 2019]

WOMEN MAY BE MORE CONSERVATIVE INVESTORS

Research from Fidelity Investments suggests that women tend to invest in a slightly more conservative way than men.¹⁴ Risk aversion — pursuing extremely conservative investments, or not investing at all and merely saving up cash — may carry a notable opportunity cost. One recent analysis estimates that such a choice may lead to accumulating \$3 million less in retirement savings over a 40-year period.¹⁵ Another analysis finds that on average, women invest 40% fewer dollars than men do.¹⁶ On the bright side, Fidelity finds that female investors outperform male investors by about 0.4%; over time, their average account balances also tend to grow a bit more than those of their male counterparts.¹⁷

Investing conservatively can be a helpful strategy, but women must be aware they should not be overly conservative. Due to the strong correlation between risk and reward, behaviors such

as not taking enough risk can inhibit your portfolio's ability to keep pace with inflation while meeting your income needs. Finding the right balance of risk and reward is key for successful investing. With strategic guidance and proactive choices, women can be very effective investors.

WOMEN ARE DISPROPORTIONATELY AFFECTED BY DIVORCE

Divorce is a painful transition for a family to endure, and switching from a dual-income to a single-income household brings many financial challenges. Women also face an additional challenge: after divorce, a typical woman experiences a 27% drop in her standard of living largely due to the fact that women more frequently raise children alone and take on the time-consuming financial obligation. Meanwhile, the husband's standard of living improves by 10%.¹⁸

In addition, divorced women might become solely responsible for their earnings, savings, and retirement planning, and they are much more likely to be the sole custodial parent; fathers account for only 1 in 5 custodial parents (19.6%).¹⁹ Whether or not women have children, they can see their income drop by more than 40% after a divorce.²⁰ As many women have found, there is life after a divorce; however, it is critical to anticipate and plan for its potential effects on their savings and retirement goals.

There is no doubt many women face unique obstacles to growing their wealth. Having a realistic perspective on your financial needs and proper planning can help you overcome these challenges and build a long-term strategy.

THRIVING DURING LIFE'S TRANSITIONS

Preparing for the future is one of the most important aspects of financial management, and a lack of involvement leaves women potentially exposed to financial hardships later in life. Don't expect your spouse, partner, or other family member to ensure your financial security. You must take an active role in your financial future.

While designating one partner to take the lead in financial research or planning might seem logical, it can greatly

- **WOMEN OLDER THAN 50 SEE THEIR INCOMES DROP AN AVERAGE OF 41% AFTER A DIVORCE.**
- **MEN OLDER THAN 50 SEE THEIR INCOMES DROP AN AVERAGE OF 23% AFTER A DIVORCE.**
- **COUPLES OLDER THAN 50 ARE TWICE AS LIKELY TO DIVORCE TODAY COMPARED TO THEIR COUNTERPARTS IN 1990.**

Source: "Divorce in Mid-Life: Fresh Starts, New Financial Challenges for Women." Merrill Lynch. <https://www.ml.com/articles/divorce-in-mid-life-fresh-starts-new-financial-challenges-for-women.html> [Accessed Mar. 22, 2019]

- **MORE THAN A THIRD (37%) OF WOMEN LACK RETIREMENT SAVINGS, COMPARED WITH JUST 20% OF MEN.**
- **THE AVERAGE FEMALE PRE-RETIREE HAS ABOUT \$123,000 LESS IN RETIREMENT SAVINGS THAN THE AVERAGE MALE PRE-RETIREE.**

“Survey: Lacking Personal Finance Education Contributes to Fiscal Woes Later in Life; Millennials Seek Recourse.” Laurel Road. https://www.laurelroad.com/press_release/survey-lacking-personal-finance-education-contributes-to-fiscal-woes-later-in-life-millennials-seek-recourse/ [Accessed March 25, 2019]

disadvantage you. We suggest you and your spouse discuss your financial needs and decisions, and move forward together on a fully informed basis. This approach will help ensure you and your family better prepare for the future — and that, overall, women become less financially vulnerable. Thinking about and planning for unpleasant events, such as the loss of a spouse, can be difficult, but doing so can help you protect yourself and secure your future.

We often meet with prospective clients who are divorced or widowed and are unaware of what they actually own, where their money resides, or

how to access it. For this reason, we created our “Peace of Mind Checklist” as a simple tool for organizing important financial documents. We encourage you to complete this checklist and to share it with those who might need to help you deal with an unexpected situation.

Please contact our office at (303) 954-88141 to receive your personal copy.

Engage your husband, partner, spouse, or other family members in regular discussions. This way, everyone is kept informed of important financial plans and future goals. These discussions don’t have to revolve around worst-case scenarios. A fun activity can be to dream together about future goals or retirement plans. To help foster financial wellness in future generations, we encourage you to bring your children into the conversation. Ideally, they will openly talk about and understand the family legacy and your estate plans.

4 INVESTMENT PITFALLS TO AVOID

MISTAKE #1: FAILING TO PLAN FOR LONGER LIFE EXPECTANCY

As we have shared, women generally live longer than men. For that reason in particular, women should consider using investment strategies that balance a sustainable withdrawal rate with the right measure of risk — and consider inflation. Balancing these factors will help you have the income you need for the rest of your life.

MISTAKE #2: FAILING TO PLAN FOR HEALTH- CARE EXPENSES

Because women have a longer life expectancy, long-term care can become increasingly expensive for them. According to the annual Genworth Cost of Care Survey, the yearly average cost of assisted living in 2018 was \$48,000. The annual cost of a private room in a nursing home was \$100,375. The average annual cost of having a home health aide was \$50,336.²¹ These costs are just a snapshot of key retirement health care expenses.

Considering their high costs and unpredictable nature, health care projections should be a part of your long-term financial strategies. Major medical expenses can easily wipe out retirement savings, but there are

IN A NATIONAL SURVEY, 55% OF RETIREES ADMITTED HAVING REGRETS ABOUT THE WAY THEY PLANNED FOR THEIR FUTURES. THE TOP REGRET (SHARED BY 36%) WAS NOT SAVING ENOUGH EARLIER IN LIFE.

Source: “Retirement Survey.” Global Atlantic Financial Group. <https://www.globalatlantic.com/retirement-survey> [Accessed March 25, 2019]

UNDERSTANDING INVESTING AS YOUNG ADULTS

MEN: 35%

WOMEN: 23%

EXISTING RETIREMENT SAVINGS BALANCES

MEN: 80%

WOMEN: 63%

EMERGENCY FUND ON HAND

MEN: 82%

WOMEN: 66%

UNDERSTANDING OF FINANCIAL TERMINOLOGY

MEN: 52%

WOMEN: 42%

Source: “Survey: Lacking Personal Finance Education Contributes to Fiscal Woes Later in Life; Millennials Seek Recourse.” Laurel Road. https://www.laurelroad.com/press_release/survey-lacking-personal-finance-education-contributes-to-fiscal-woes-later-in-life-millennials-seek-recourse/ [Accessed Mar. 25, 2019]

many strategies to help avoid outliving your money. With our assistance, you can make plans to help ensure you are able to take care of your medical needs without adversely affecting your retirement lifestyle or becoming a financial burden on your family.

MISTAKE #3: MAKING EMOTIONAL INVESTMENT DECISIONS

When markets swing, emotional decision-making can wreak havoc on even the most carefully designed investment plan. Many investors lost money in the mortgage meltdown of 2008. Some even cashed out near the bottom, fearing the markets themselves were collapsing. Not only did these investors lose money by selling low, but if their money is still sitting on the sidelines, then they've missed out on the financial recovery as well. While the markets have rebounded since the 2008 crash, the importance remains of avoiding irrational, emotional choices.

When major investment decisions are only a click away, many investors give in to their fears or exuberance, and they could pay the price for this short-term thinking. A recent DALBAR analysis found that the average U.S. investor lost 9.42% during the poor stock market year of 2018, even though the S&P 500 index only fell 4.38%; it noted that some of the difference was likely because of investor impatience.²²

In the long run, exiting the markets because of emotional decision making may prove to be very costly. As an example, a hypothetical investor who missed the stock market's 10 best days between Jan. 1, 1980, and Dec. 31, 2018 would have earned less than half of what she could have earned by staying invested the whole time.²³

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 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 SEEKING PROFESSIONAL GUIDANCE

Receiving advisory support from a professional can be a valuable tool as it may guide you towards decisions regarding your retirement planning goals. Unfortunately, many women (and men) have the habit of putting off or avoiding key financial decisions, sometimes for years.²⁴ This decision, however, could be direly affecting their potential to replace as much income as they need to for retirement. According to a 2018 study commissioned by Franklin Templeton Investments, 51% of baby boomer women have no long-range retirement income strategy. Neither do 55% of millennial women, and 67% of the women who belong to Generation X.²⁵

Having access to the professional insight and resources you need to make sense of your financial life, and support long-term strategies, can make a big difference in your ability to retire your way.

We educate our clients on the opportunities market volatility provides, and we keep those clients focused on their long-term goals — not on short-term fluctuations. As financial representatives, 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. By making time to create financial strategies and choosing to have guidance from professionals, women can more effectively overcome the odds stacked against them.

LEAVING A LEGACY

One of the rewards for hard work and effective wealth management is the joy of providing for your loved ones and the causes you care about. In our business, we have found that, as individuals and couples move into retirement, they begin to think more practically about the legacies they want to leave behind. With women commonly outliving their spouses, they are increasingly responsible for the final disposition of family assets. As a result, it is important to discuss in advance your family's estate-planning goals.

One of the greatest gifts you can leave your family is a life well lived — one full of love that serves as an example to others. While you take steps toward controlling your financial destiny, remember that the women in your life will

WOMEN NOW OWN MORE THAN 50% OF AMERICA'S WEALTH. AND THEY ARE THE PRIMARY BREADWINNERS IN MORE THAN 40% OF U.S. HOUSEHOLDS.

"5 Facts About Women and Money for International Women's Day." Chime. <https://www.chimebank.com/2018/03/08/5-facts-about-women-and-money-for-international-womens-day/> [Accessed Mar. 25, 2019]

look to you for support in their financial lives. As part of your legacy, you can pass down the awareness of a female's need for building financial wellness throughout life. By setting this example and building a legacy that reflects your values, you can focus on leaving the world and the people you care about a little better than when you got here.

CONCLUSIONS & NEXT STEPS

We hope you have found this guide informative and educational. If there's one thing we hope you take with you from this report, it's that now is the time for you to take control of your financial future. You can start by having a conversation with your spouse or family. Further, continue educating yourself about wealth management, financial strategies, 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. We provide complimentary consultations at any time. Should you have any questions about what you have read here and what it means for your future, please reach out. We are ready to help you build the financial life you envision.

Sincerely,

Shawn G. O'Keefe
Founder | Managing Director | Sr. Wealth Advisor

FOOTNOTES, SOURCES, DISCLOSURES

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