



Jerry Ask, CFP®

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How Women Are Different From Men, Financially Speaking

We all know men and women are different in some fundamental ways. But is this true when it comes to financial planning? In a word, yes. In the financial world, women often find themselves in very different circumstances than their male counterparts.

Everyone wants financial security. Yet women often face financial headwinds that can affect their ability to achieve it. The good news is that women today have never been in a better position to achieve financial security for themselves and their families.

More women than ever are successful professionals, business owners, entrepreneurs, and knowledgeable investors. Their economic clout is growing, and women's impact on the traditional workplace is still unfolding positively as women earn college and graduate degrees in record numbers and seek to successfully integrate their work and home lives to provide for their families. So what financial course will you chart?



Some Key Differences

On the path to financial security, it's important for women to understand what they might be up against, financially speaking:

Women have longer life expectancies. Women live an average of 4.9 years longer than men.¹ A longer life expectancy presents several financial challenges for women:

- Women will need to stretch their retirement dollars further.
- Women are more likely to need some type of long-term care, and may have to face some of their health-care needs alone.
- Married women are likely to outlive their husbands, which means they could have ultimate responsibility for disposition of the marital estate.

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*“ In investing,
just as in baseball,
to put runs
on the scoreboard,
one must
watch the
playing field,
not the
scoreboard. ”*

–Warren Buffett

*“ It’s not
how much money
you make,
but how much
money you keep,
how hard it works
for you,
and how many
generations
you keep it for. ”*

–Robert Kiyosaki

Women generally earn less and have fewer savings. According to the Bureau of Labor Statistics, within most occupational categories, women who work full-time, year-round, earn only 81% (on average) of what men earn.² This wage gap can significantly impact women’s overall savings, Social Security retirement benefits, and pensions.

The dilemma is that while women generally earn less than men, they need those dollars to last longer due to a longer life expectancy. With smaller financial cushions, women are more vulnerable to unexpected economic obstacles, such as a job loss, divorce, or single parenthood. And according to U.S. Census Bureau statistics, women are more likely than men to be living in poverty throughout their lives.³



Women are more likely to take career breaks for caregiving. Women are much more likely than men to take time out of their careers to raise children and/or care for aging parents.⁴ Sometimes this is by choice. But by moving in and out of the workforce, women face several significant financial implications:

- Lost income, employer-provided health insurance, retirement benefits, and other employee benefits.
- Less savings.
- A potentially lower Social Security retirement benefit.
- Possibly a tougher time finding a job, or a comparable job (in terms of pay and benefits), when re-entering the workforce.
- Increased vulnerability in the event of divorce or death of a spouse.



In addition to stepping out of the workforce more frequently to care for others, women are more likely to try to balance work and family by working part-time, which results in less income, and by requesting flexible work schedules, which can impact their career advancement (and thus the bottom line) if an employer unfairly assumes that women’s caregiving responsibilities will come at the expense of dedication to their jobs.

Women are more likely to be living on their own. Whether through choice, divorce, or death of a spouse, more women are living on their own. This means they’ll need to take sole responsibility for protecting their income and making financial decisions.

Women sometimes are more conservative investors. Whether they’re saving for a home, college, retirement, or a trip around the world, women need their money to work hard for them. Sometimes, though, women tend to be more conservative investors than men,⁵ which means their savings might not be on track to meet their financial goals.

Women need to protect their assets. As women continue to earn money, 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 is vulnerable to taxes, lawsuits, accidents, and other financial risks that are part of everyday life. But women may be too busy handling their day-to-day responsibilities to take the time to implement an appropriate plan.

Steps Women Can Take

In the past, women may have taken a less active role in household financial decision making. But, for many, those days are over. Today, women have more financial responsibility for themselves and their families. So it's critical that women know how to save, invest, and plan for the future. Here are some things women can do:

Take control of your money. Create a budget, manage debt and credit wisely, set and prioritize financial goals, and implement a savings and investment strategy to meet those goals.

Become a knowledgeable investor. Learn basic investing concepts, such as asset classes, risk tolerance, time horizon, diversification, inflation, the role of various financial vehicles like 401(k)s and IRAs, and the role of income, growth, and safety investments in a portfolio. Look for investing opportunities in the purchasing decisions you make every day. Have patience, be willing to ask questions, admit mistakes, and seek help when necessary.



Plan for retirement. Save as much as you can for retirement. Estimate how much money you'll need in retirement, and how much you can expect from your savings, Social Security, and/or an employer pension. Understand how your Social Security benefit amount will change depending on the age you retire, and also how years spent out of the workforce might affect the amount you receive. At retirement, make sure you understand your retirement plan distribution options, and review your portfolio regularly. Also, factor the cost of health care (including long-term care) into your retirement planning, and understand the basic rules of Medicare.

Advocate for yourself in the workplace. Have confidence in your work ability and advocate for your worth in the workplace by researching salary ranges, negotiating your starting salary, seeking highly visible job assignments, networking, and asking for raises and promotions. In addition, keep an eye out for new career opportunities, entrepreneurial ventures, and/or ways to grow your business.

Seek help to balance work and family. If you have children and work outside the home, investigate and negotiate flexible work arrangements that may allow you to keep working, and make sure your spouse is equally invested in household and child-related responsibilities. If you stay at home to care for children, keep your skills up-to-date to the extent possible in case you return to the workforce, and stay involved in household financial decision making. If you're caring for aging parents, ask adult siblings or family members for help, and seek outside services and support groups that can offer you a respite and help you cope with stress.



Protect your assets. Identify potential risk exposure and implement strategies to reduce that exposure. For example, life and disability insurance is vital to protect your ability to earn an income and/or care for your family in the event of disability or death. In some cases, more sophisticated strategies, such as other legal entities or trusts, may be needed.

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“An investment in knowledge always pays the best interest.”

—Benjamin Franklin

“Financial peace isn't the acquisition of stuff.”

It's learning to live on less than you make, so you can give money back and have money to invest.

You can't win until you do this.”

—Dave Ramsey

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Create an estate plan. To ensure that your personal and financial wishes will be carried out in the event of your incapacity or death, consider executing basic estate planning documents, such as a will, trust, durable power of attorney, and health-care proxy.

A Financial Professional Can Help

Women are the key to their own financial futures—it's critical that women educate themselves about finances and be able to make financial decisions. Yet the world of financial planning isn't always easy or convenient. In many cases, women can benefit greatly from working with a financial professional who can help them understand their options and implement plans designed to provide women and their families with financially secure lives.

Sources:

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2. U.S. Department of Labor, Bureau of Labor Statistics, Women in the Labor Force: A Databook, December 2011
3. U.S. Census Bureau, Current Population Survey, 2011
4. U.S. Department of Labor, "Women and Retirement Savings," October 2008
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