

Women Need Financial Plans, Too

As the first wave of Baby Boomers begins to reach retirement age, examining the demographics of women reveals some staggering statistics. Increased longevity, combined with divorce and differences in spousal ages, mean that 95% of women will be their family's primary financial decision maker at some point during their lives. A 60-year old woman currently has a better than 50:50 chance of living beyond age 90.

With this role of financial decision maker comes the responsibility of managing family finances responsibly, up to and through retirement. Compounding this challenge is a continually shifting financial landscape of tax laws, investment alternatives, and increasing health care costs. At the risk of oversimplifying a lengthy topic, I'll examine some of the key issues related to financial planning, and ways that women can begin to address them.

Men are from Mars...

Some interesting traits of women are that they tend to be better savers, planners and investors than men. Because they are not as likely to trade in and out of investments as often as men do, women's portfolios beat those of men by nearly 1 percent a year on average.

Studies reveal that women are more risk averse, and thus more conservative with their financial decisions than men. Women also tend to have more diversified investment portfolios, take more time making financial decisions, and are more concerned with long-term goals than short-term gains compared to men. They also place higher importance on lifestyle goals.

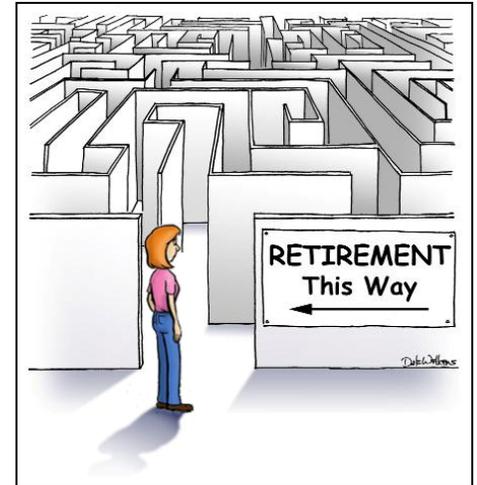
Yet women tend to be less confident about their financial skills and their prospects for retirement. In a study conducted by GenSpring Family Offices, 88% of the men surveyed felt that they were "very knowledgeable" on the subject of financial planning, versus only 57% of women. In another study, The Hartford found that 64% of women surveyed were concerned about outliving their money.

Breaking Down the Stereotypes

Like previous generations of women who were told that "girls aren't good at math or science", self-perceptions about financial planning skills can become reality. But good financial planning is less about a mastery of numbers, and more about organizing and planning, talents at which women tend to excel. (Observe a woman with a full-time job, plus primary responsibility for child rearing and household management, and you'll understand what I mean.)

Thus, the key to getting women to do financial planning – either on their own or with assistance – is to break it down into several key topics, and provide basic guidance on what should be measured, tracked, and acted upon.

Navigating the Retirement Maze



Planning 101: The Basics

The space constraints of this column prohibit me from covering all of the aspects of a financial plan, but I will describe some of the main elements, along with suggestions on what should be addressed.

- Budgeting – Income versus Expenses. Your recent spending – total up your prior 12 months' expenditures from bank and credit card statements – should give you an idea of where most of it goes. Separate “non-discretionary” from “discretionary” expenses, and look for places to reduce spending, in order to save more during pre-retirement and spend less in retirement.
- Protection – Is the coverage on all of your insurance policies adequate? Should you consider long-term health care? Do you have “umbrella liability” coverage? (You should.)
- Estate Planning – Are all of your key documents – will, health care proxy, durable power of attorney, living will – up to date (i.e., less than 3-5 years old)?
- Tax Planning – Reviewed your tax return for possible tax savings. Tax software and/or a trained eye can be of help here.
- Retirement – Many unknowns here, but still important to develop a plan and stick to it. Target retirement year? Amount of money needed to retire and support you into your 90s? Need to step up your savings rate?
- Investments – Is your portfolio appropriate for your level of risk tolerance and stage of life? Can it weather a market downturn without significantly disrupting your lifestyle? Are the fees reasonable?

Take Charge of Your Financial Life

While you may worry about what you'll discover once you go through a financial planning exercise, it's much better than not knowing, as you can then develop an action plan to address any shortcomings. The knowledge that you have a path to a more successful retirement may help you sleep better at night.

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