



Taking Charge of Your Financial Future: Financial Strategies for Women

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Agenda

- Statistics about Women and Finances
- Elements of a Financial Plan
- Taking Charge of Your Financial Future:
An Action Plan
- Q&A



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Statistic:

95% of women will be their family's primary financial decision maker at some point in their lives.



Source: Prudential Research Study, "Financial Experience and Behaviors Among Women" (2010-2011)

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Statistic:

- Today, women control **\$14 trillion** in personal wealth assets
- By 2020, they are expected to control **\$22 trillion**



Source: "Getting Personal About Wealth", The Sharpe Group

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Statistic:

- 32% of the top wealth holders under age 50 are women
- However, for ages 75 and above, they make up 61% of this group

	Total	Men	%	Women	%
Total	6,530	3,997	61%	2,533	39%
Under 50	2,318	1,582	68%	736	32%
50-64	2,132	1,408	66%	724	34%
65-75	1,143	638	56%	505	44%
75-84	666	262	39%	404	61%
85+	271	107	39%	164	61%

*All numbers in thousands



Source: "Getting Personal About Wealth", The Sharpe Group

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Statistic:

- Women are **4 times more likely** than men to be widowed:
 - Outlive husbands by an average of **14 years**
 - Median age of being widowed: **59**



Sources: U.S. Census, AARP

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Women as Caregivers: Parents

- When women assume this role:
 - They are **2.5 times** more likely to end up in poverty
 - Single caregivers are **4 times** more likely to end up in poverty than married women
 - Average cost in lost wages, SS benefits, and opportunity costs: **\$324,000**



Sources: MetLife, Rice University studies

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Women as Support: Children

More than half of baby boomer mothers said they support their adult children and are the go-to person when their kids encounter problems.



Sources: The Kitchen Group (2011)

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Saving for Retirement

- 78% of women who earn \$50K-\$75K contribute to their 401(k) plans.
- In the same income bracket, only 68% of men contribute.
- Average IRA balances:
 - Women: \$51,314
 - Men: \$90,063



Sources: Vanguard, "How America Saves 2011"; Employee Benefit Research Institute

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Concerns of Married Women

Divorce	57%
Long-term health	54%
Death of spouse	36%



Source: Family Wealth Advisory Council study (January, 2012)

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Gender Differences: Priorities

	<u>M</u>	<u>W</u>
Lifestyle goals more important	27%	40%
Being near family & friends	13%	21%
Plan to maintain health	48%	54%
Focus on financing retirement	31%	20%



Source: Ameriprise – New Retirement Mindscape 2011 City Pubs

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Gender Differences: Investing

	<u>W</u>	<u>M</u>
More conservative about financial decisions	77%	23%
More risk averse	71%	29%
More concerned with long-term goals than short-term gains	82%	18%
Take more time to make investment decisions	72%	28%



Source: Investment News survey – *Women & Investing* (2012)

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Other Differences

- Women are better savers; they contribute a higher % of their income to retirement than men
- Women have more diversified portfolios
- Men trade 45% more often than women:
 - → Women beat men's returns by ~1%/year



Sources: Vanguard – *How America Saves* (2009); Barber & Odean study – *Gender, Overconfidence, and Common Stock Investment* (2001)

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When it Comes to Investing...

*“Women are
from Venus,
men are from
Las Vegas.”*



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Navigating an Uncertain Future

Planning for your long-term financial situation is critical to living comfortably in the future.

To do that, you need to...



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Be Prepared!

Family financial planning should be a team effort.



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Managing Your Financial Future

- Make sure you prepare and plan for the best financial future possible.
- Set realistic expectations and then take the steps to achieve your goals:
 - Non-financial
 - Financial



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How Do You Get Prepared?

Get Organized. Make sure that your...

- **Financial**
- **Estate**
- **Health**
- **Insurance**
- **Tax**
- **Retirement**
- **Social Security**

... situations are in order



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Overwhelmed? Where to Begin?

Investments
Life Insurance
LTC Insurance
Health Coverage
Trusts and Wills
Estate Planning
Health Care Directives
Taxes
Custodial responsibility
Social Security
Retirement
Budgets
Beneficiaries
Property
Disability Income
Power of Attorney
Pensions



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1. Get Control of Your Finances

- Make a budget
 - Use prior 12 months' expenses as a baseline
- Calculate your Net Worth
 - = [Assets] - [Liabilities]
 - Segregate Tax-deferred from Taxable assets
- Be aware of tax reduction strategies

Review the results in the context of your long-term goals.



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2. Have an Estate Plan

- Will(s)
- Revocable Trust (if children are minors)
- Durable Power of Attorney
- Health Care Proxy
- Living Will

Are they current (< 3-5 years old)?



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3. Review Health Care Issues

- Even being healthy is expensive:

Projected Lifetime Medical Expenses Highest for Healthy People

Lifestyle/Diagnoses	PV Lifetime Medical Expenses
Healthy	\$121,862
High blood pressure/cholesterol	\$108,212
Cancer	\$92,230
Smoker	\$85,294
Type 2 diabetes	\$71,860

Present Value Medical Expenses for Male Age 65



Source: HealthView Services *RetireMark Planning System*

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Health Care Planning

- Budget for higher health care costs:
 - Health care inflation (> CPI!)
 - Costs increase with longevity
 - 8 in 10 women will require chronic care[‡]
- Long Term Care (LTC) coverage: Needed?
- Health Savings Account (HSA)
- Other funding options



[‡] Source: The Hartford, MIT AgeLab

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4. Review Your Tax Situation

“This is a question too difficult for a mathematician. It should be asked of a philosopher.”

- Albert Einstein, about filling out his income tax form (1944)



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Tax Reduction Strategies

- Segregate retirement savings into Tax-deferred and Taxable
 - Allows for better tax management during retirement
- Consider Roth IRA conversions:
 - Partial conversions may be better
 - ... but watch out for AMT trigger
 - Converted non-deductible IRA contributions incur ***no tax!*** (pro rata % of IRA)
- “Roth” your kids/grandkids



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5. Retirement

- The good news: We're living a lot longer
- The bad news: We need to fund it
- The "Big Question":

"How much \$\$\$ do I need to retire?"



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Retirement: How Much Do I Need?

- The answer: *"It depends..."* on:
 - # of years of retirement
 - Projected lifestyle
 - Inflation
 - Your income sources
 - Your investment mix
 - How the markets behave (i.e., luck)

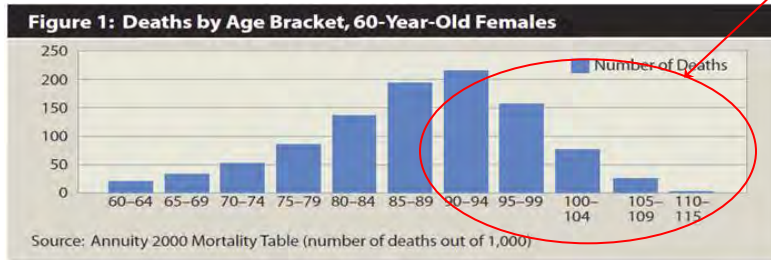


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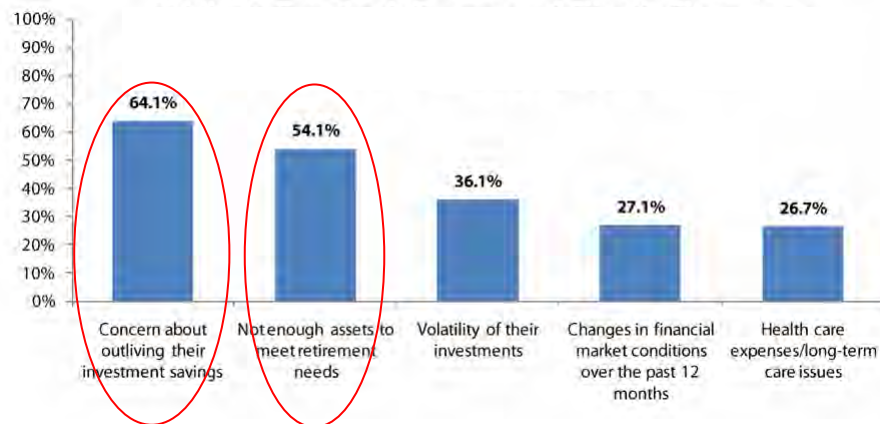
Retirement: Longevity

- Retirement isn't what it used to be... it's longer

48% ≥ 90 years



Retirement: Reasons for Changing Plans



Retirement Income Sources

1. Social Security (own, spousal, survivor)
2. Pension(s)
3. Medicare
4. Annuities, life insurance (non-term)
5. Your lifetime savings

The one over which you have the most control is #5.



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Options for Dealing With Longevity

- Delay claiming Social Security benefits
- Deferred annuities (“Longevity Insurance”)
- Careful management of withdrawal rate
 - Dynamic approach safer than fixed
- Reverse mortgages
- Willingness to adjust retirement spending



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6. Social Security

Deciding the best time to take SS benefits isn't easy:

- 74% of recipients file at age 62:
 - Can forego > \$200K in lifetime benefits
 - Filing at age 70 increases monthly benefits by +75%
- Lose a % of benefits if taking them before Full Retirement Age (FRA) *and* Earned Income > \$14,160 during year
- Spousal vs. own benefits: Different calculations
 - Same goes for survivor, divorce benefits



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Social Security: When Should You File?

- Best time to file = f $\left[\begin{array}{l} \text{ages of each spouse} \\ \text{earnings history of each spouse} \\ \text{estimated longevities} \\ \text{earned income level} \\ \text{other income sources} \end{array} \right] = ???$



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Social Security: Strategies

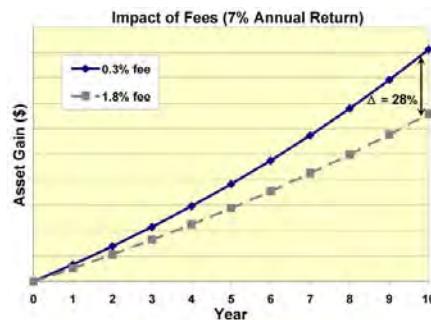
- Treat as “longevity insurance”
 - Not as a way to augment early retirement income
- Example filing strategies:
 - Maximize benefits for spouse likely to live longest
 - Have highest earning spouse delay until age 70
 - If one spouse was the major breadwinner:
 - Consider “file and suspend”
 - If spouses had similar incomes:
 - “Claim some now, more later” – 1 at FRA, 1 at age 70



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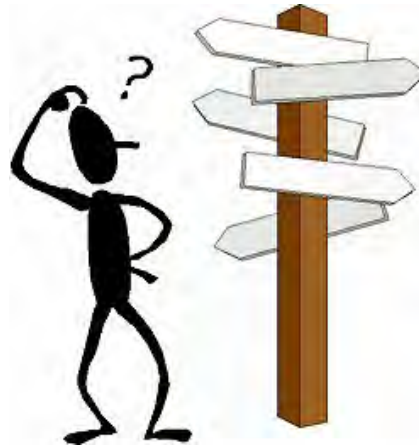
☑ Fees: The Hidden Wealth Thief

- Paying more doesn't mean it's better:
 - Especially true for financial products and services
- Examine the fees for:
 - Mutual funds, other investment products
 - Financial services (brokers, advisors)
 - Annuities



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Where to Go From Here?



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Action Plan: Be Proactive

- Plan for a long, secure retirement
- How to do this:
 1. Get organized
 2. Develop a plan
 3. Translate plan into financial needs
 4. Address all planning areas
 5. Update your plan periodically
 - i.e., “Lather, Rinse, Repeat...”



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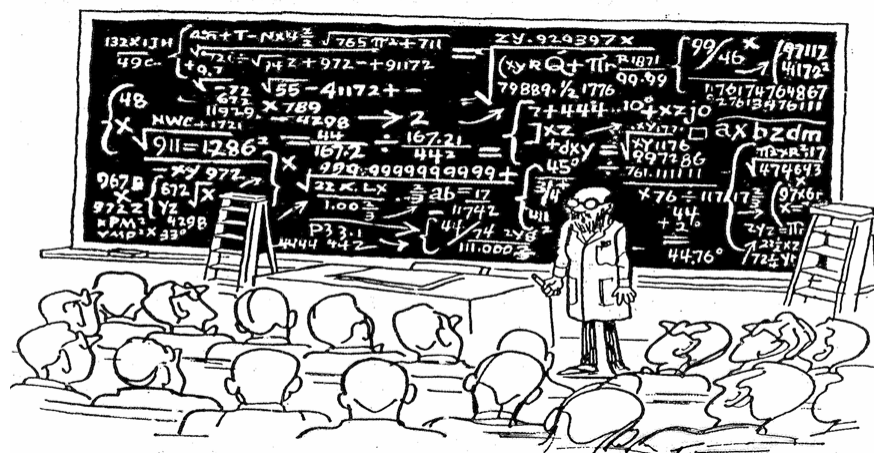
Final Thought

*“A goal without a plan
is just a wish.”*

- Antoine de Saint-Exupery



Questions?





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