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Financial Advising for Women: The Top 10 Challenges Women Face

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If longevity is a race, then women are the winners: Women outlive men (Females 80.2 years and males 74.5 years); wives live 8-10 years longer than their husbands if they're married at the same age; and over 75% of women are eventually widowed.

As a result, women must take hold of their financial futures.

The unexpected death of a husband or a recent divorce may mean that a woman is suddenly making all financial decisions. In some cases, they may have been doing this all along. But if not, the unanticipated responsibility can be overwhelming.

In addition, the consequences of poor planning can be devastating. Several studies conclude that after the death of a spouse, up to 80% of life insurance proceeds can be depleted—a lifetime building a nest egg could disappear within a matter of months.

Married or single, it can be beneficial for our clients to reflect on the top 10 financial challenges that women face with suggestions and solutions:

1. **Putting the needs of others ahead of your own.** A woman will often fund her child's education before her own retirement, or she'll loan money to relatives that may never be repaid. Solution: Pay herself first. I tell clients if they have ever flown, they have heard the flight attendant remind them to put the life vest and oxygen mask on themselves first, even before they help family members.

2. **Spending money to compensate for emotional needs**. Suggestion: Encourage clients to observe their behavior. Then create ways to get through difficult times that don’t require spending money.
3. **Deciding whether to keep the mortgage or pay it off.** Many advisors believe that for clients over 50 and plan to stay in their home then it makes sense to pay off the mortgage. It is important to be aware that women are often less comfortable with loans than men. As a result, they may decide to pay off the loan even if it’s not in their best interest. Suggestion: How we typically develop a plan depends on the following five factors: Tax bracket, the size of the client’s portfolio relative to the size of the loan, projected cash flow, the liquidity of assets, and what decision will be best for the client’s emotional situation.
4. **Living in a home that is too large or expensive.** Many women have a strong nesting instinct. As a result, women often place great importance on remaining in their homes. But sometimes there are better options. Suggestion: Similar to point 3, clients are advised to evaluate the five factors, and decide what is best for them.
5. **Having an outdated or non-existent estate plan.** Considering mortality is never easy. Suggestion: I tell my clients that one of the best gifts that they can provide loved ones is to have their finances in order after their death. Preparation means your estate can be settled more quickly with less cost and hopefully reduce some of the emotional burden on your heirs. It can also help relatives avoid having to seek out court appointed guardianship, which can add more cost and even emotional trauma. Finally, it is always important to keep family members informed of financial decisions, the location of assets and estate planning documents, and make sure they have determined who will control asset matters should they become incapacitated.
6. **Having an investment plan that doesn’t focus on the client**’s **individual needs.** Does the client’s investment program reflect their income, growth, tax bracket, and estate? Suggestion: For clients fortunate enough to have more income than they need, consider income deferral and gifting programs. If their savings falls below the income they require, it may be time to review their expenditures and investment allocations.

7. **Being too aggressive or too conservative with investments.** Solution: Determine whether the client's investment plan addresses their income needs and risk tolerance. Seek objective input.
8. **Holding investments too long.** A common problem I see when meeting with clients is an attachment to their investments and an aversion to change. Solution: Part of the financial planning process involves creating investment benchmarks. It is a good idea to review and evaluate these with an independent advisor on a regular basis and make adjustments as necessary.
9. **Seeking financial advice from someone other than an advisor who is certified in financial planning.** Solution: Review an advisor's experience and background, and request references.
10. **Withdrawing too much or too little from a retirement plan.** Suggestion: Deciding whether to take out more or less requires an objective outlook. Base the withdrawal amount on the client's tax bracket and cash flow needs both this year and in the future.

At some point, 9 out of 10 women will be solely responsible for managing their finances. When divorce, death, or any of life's surprises come their way, having a solid financial IQ will provide boost their self-confidence.
