It's *Your* Money – Own It!

Financial Advice for Women

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Synopsis

As we reach certain milestones in our lives, whether personal or professional, we begin to ask ourselves questions: Does what we do matter? Are the things we're doing making a difference? Are our jobs and lives meshing and making us happy? It is right and fitting for us to have such thoughts and dreams about the way our lives are now and the way we want them to finish in our sunset years. But to make our dreams happen, we have to plan our finances as early as possible so we have a wide range of choices throughout our lives and into retirement. Fortunately, for women today, there is help available for the management of finance and investing.

The first question we need to answer is, "Why do we need a special approach to investing and financial planning just for women?" Modern wisdom may tell us that today – in an age when most women are as financially independent as men – there should be little need for different approaches to creating a secure financial future. But if we dig a little deeper, we find that things aren't as similar as we may expect – it's not just the generational assumptions about men earning more than women or men taking the financial lead in marriage. What does that mean for women obtaining financial advice?

Let's look at a recent article from *The Atlantic*: "The Overhyped Rise of Stay-at-Home Dads," from Sept. 3, 2013. Using U.S. Census Bureau data, the article found that among married couples with children under age 15, fewer than 1% had a stay-at-home dad, while 23% had a stay-at-home mom. That's just one aspect that differentiates women and men when it comes to money. Are there any others? And do they affect the way women should be viewing money?

This white paper has three parts. The first is based on our original research: discussions with successful, professional women about their concerns with money. These female participants were forthcoming on their hopes, fears and attitudes about finance and investing. The second part is a review of what we see as the phases of financial planning – different stages we believe individuals need to go through to prepare for a solid financial future. And the third part discusses how women can find practical solutions with a qualified financial professional: We briefly explain how the financial advice world is arranged, and who the players are. And then we outline how we believe financial planners should work with individuals and families – both women and men – using a flexible template that can be customized for each client.

Part I: Women's Thoughts on Finance and Investing

Financial Challenges

When we spoke with women, we found that their perceived challenges encompassed issues most people have today, including being too busy to properly take charge of their finances, which covers planning for their own retirements and managing their estates for their children. Other issues relate specifically to some women's hopes and fears.

For example, it's known that women live longer than men on average. They have to plan for longer retirements and consider the insurance needs for themselves and their spouses. Frequently, women are caught in generational caregiver situations: de facto "managers" for the simultaneous care of school-aged children and aging parents. In these situations, women may take off from work or put their careers on hold. Others decide whether to get caregivers for their parents or a nanny for their children.

There's more: marital status can make all the difference. The financial implications are wide-ranging, and predicting the future can be difficult with so many unknowns.

Even women who can't quote the exact statistics in *The Atlantic*'s article have a good sense that even today, women's career trajectories may differ from men's. A woman may be in and out of the job market because of children or because it is more widely expected they will take care of aging parents. Another woman actually wondered out loud for each project that she worked on: "Is this how a man would do it? Not that a man would necessarily do it any better, but do men see things differently in work and in managing finances?" She noted that women tend to make most of the consumer purchases, such as cars – why not finances as well?

Specifically, some of the women talked about what they and others like them went through, and continue to go through. One participant said her generation of women was told they should have it all – a career and kids. In a so-called traditional situation, she married a successful man and had four children. Then the divorce came, followed by the failure of her husband's business. Though she thought she had a plan, the situation changed radically.

She found she needed a plan that, paradoxically, assumed things might not work out.

Another woman we spoke with was in a different place – she had been a sole breadwinner – but the questions were the same, even if they weren't sex-specific. In fact, her challenges were the same as any man might have: She wasn't sure if she needed long-term-care insurance, and if so, how much she should buy. What did the Affordable Care Act mean for her? She had some investments, but didn't know how often to rebalance. She wondered, "How can anyone predict how tax changes may affect their financial situation?"

But no matter what their situation, participants found that finances cross into the social sphere as well, and some problems affect all women. We spoke with one woman who said simply having the conversation about finance was difficult. Where were the networks that men used to connect with good financial planners? "We're not out on the golf course," she said. And finally, one woman just laid it on the line: "My husband has to meet with the male advisors because they're condescending and rude."

Change is on its Way

Nonetheless, it's not a static situation. The women we spoke with have seen some signs of change. We look at these changes as a spark that the right advisor can blow into a flame. First, there are encouraging signs that younger women have been getting the message earlier on that they have to take responsibility for their own financial futures. One woman said she saw more women leading investment clubs and getting involved in venture networks. It's becoming increasingly likely that women are equal financial partners in their marriages or are earning more than their husbands. But this doesn't mean that older women are simply ignoring their financial futures – they're just handling it differently. As one woman pointed out, the young may be turning to friends, parents and the Internet for advice, but older women are more likely to ask questions of peers, leaders and other successful people.

And as women earn more money, they have more discretionary funds. That may mean they're more likely to take risks, since not every dime is needed for food and the mortgage.

More risks may mean a greater need for – and desire for – professional advice. Today, women don't have to rely on male advisors anymore. Even though one woman found her male advisor "condescending and rude," plenty of them are at ease working with couples or single women. And for those women who feel more comfortable with a female advisor, there are more choices. The CFP Board (www.cfp.net), which oversees the CERTIFIED FINANCIAL PLANNER™ certification, reports that more than 15,000 women have the CFP certification – close to 25% of the total.

Working with Professionals

Professional advice can mean the difference between financial success and failure. It's a common mistake among the general public that financial advisors are those who know what the "hot stocks" are. But our participants were already thinking far beyond that, and none of them were seeking "get rich quick" advice. As one of the women put it, the real value of an advisor is what she called the "holistic" advice – how to see the big picture with potential job loss and divorce. Another said she wants someone who will say, "Your kids are age 'x' and 'y', so you should be thinking about 'a, b, c'."

That broad view was a theme that permeated many of the comments from women. One participant said she just wanted to talk for an hour – "I just need access to someone smart." That was echoed by another, who said she wanted someone to talk with one-on-one about where she was going in life. As several participants put it, you hire lawyers for legal help, contractors to fix up a home – a professional for financial help is just as necessary. "I want the full gamut," said one participant. "I want a financial advisor who shows a clear picture and path." One woman particularly wanted an advisor who would ask good questions as well as answer them – someone who would find out what was important to her.

Indeed, finding someone who would talk about and look at the big picture was the overall theme, as opposed to mere stock picking. It's interesting that one of the few comments about actual stocks came from a woman who was more interested in attitude about investing than actual stock choice. She said she was concerned that on her own, emotions would get in her way, and she might be interested in investing in Tiffany & Co. "But that may not be the best stock for me. An advisor could help me manage emotion with logic."

In short, we found the women had sophisticated insights into what they were looking for: they wanted comprehensive solutions, not how to simply "double their money in 90 days." They want a wide range of services – but what exactly does that mean? Is this something advisors can offer?

Comprehensive Solutions

When we asked one woman about what she was looking for, she came back to us with more questions: "When is the right time to get an advisor? How do you find an advisor you can trust?" Other participants had a lot of thoughts about what comprehensive services an advisor would give under ideal circumstances.

One woman noted advisors should cover all the financial products she may be using: 401(k) plans, IRAs, various kinds of insurance and real estate. Another indicated that products weren't enough: She wanted a full road map that would look at goals through the years. Other issues included how much to invest and the various places investments should reside, such as general savings vehicles and college plans. Can an advisor address how much should be put away for the care of elderly parents and healthcare?

An advisor should review all the details and explain them. For example, one woman recalled a friend whose husband died of a sudden heart attack. Fortunately, the insurance allowed the widow to maintain her current lifestyle and remain a stay-at-home mother. But that shouldn't be a matter of luck – an advisor should spell that out in advance.

In particular, high-net-worth women look for a range of sophisticated offerings, such as wealth management, which involves making sure a substantial estate lasts through the second and third generations. Such services may involve appraisals of real estate, as well as a team of associated advisors such as lawyers and accountants. Another key service for the wealthy is philanthropic advice.

The term "comprehensive" clearly covers a lot of territory. For the next step, we'll help you gain clarity and direction step by step.

Part II: Thinking About Your Financial Future

Financial Challenges

There are five phases we feel every client should go through when they seek a secure financial future. These phases cover issues clients should think about before they find a financial planner and during the engagement.

Phase 1: Do You Know What You Know?

Successful women have all mapped out and achieved business goals. Financial planning works the same way, and it does not have to be daunting, scary or boring.

Kim Kiyosaki's book, "Rich Woman," suggests you start by making a list of what you own and what you owe – a list of all of your assets and liabilities. To arrive at your net worth, subtract what you owe from what you own. Then take it to the next level and break down what you have into multiple categories: liquid, short term, mid term, long term. This will give greater clarity to what you could access if you lost your job, got divorced or suddenly were widowed.

Take note of your monthly cash flow in and cash flow out – another step that may feel elementary, but most people (no matter the level of net worth) don't pay close attention to this. Once you understand your net worth and cash flow, you may begin building a solid savings and spending plan.

You can think about how much to pay yourself – and you should pay yourself first. Of course, this is something you're going to want to refine with a professional, but a rule of thumb is to save 10% to 20% of your gross paycheck. Employees should maximize their 401(k)/403(b) contributions, and the self-employed should take advantage of various kinds of IRAs. Being aware of these options in general will help you have a profitable conversation with a financial professional.

Phase 2: Protect Yourself

Now you've given some thought to what you have, but how do you protect it? Take note of your insurance – any financial planner will want to help you fine-tune it. Financial protection includes insurance, such as life insurance and an umbrella policy, which include liability. Estate planning is especially important for high-net-worth individuals, and it usually starts with a question: Who are the beneficiaries? That can be a complicated question when second marriages and stepchildren are involved.

Indeed, the unfortunate truth is that about half of all marriages fail. It may sound coldhearted, but women need to be prepared for divorce or even widowhood. We recommend they issue their credit cards under their own names or at the very least jointly with their husbands. The broader issue is that women should be full financial partners with their husbands, even if the husband is the main or sole breadwinner. For that very reason, good financial planners will insist on meeting with both the husband and wife to make sure each partner's thoughts, fears and insights go into the plan.

Phase 3: Take the Long View

Retirement is the final stage – by the time you realize you don't have enough, it's too late to do much about it.

A typical question for financial planners is, "How much do I need to retire?" It's a simple question with complex answers. Your advisor will ask, "What are your retirement plans? What are your responsibilities?" A good way to start the process is to consider where your retirement funds are coming from – look back to Phase 1 and retirement plans. Here's a list of the some other retirement income possibilities:

- **Social Security.** The amount may be set by the government, but there are strategies retirees and pre-retirees can use to maximize income for their particular situations. For example, choosing what year to start taking Social Security can make a difference in your paycheck. There's also a widow benefit that starts at age 60 and spousal benefits that are available – both of which are often overlooked.
- **Annuities.** These come in scores of flavors. They typically include a life insurance option and may be suitable for individuals and couples who want to protect each other.
- **Income-generating portfolio.** This can be something you inherited or something you assemble yourself with a financial planner's help. It consists of a coordinated package of investments.
- **Pensions.** There are far fewer pensions being offered these days, but if you are fortunate to have one, this may be a significant source for cash flow in retirement.

By considering what you have now and the future possibilities, you are in a good position to have a fruitful discussion with a financial planner.

Phase 4: Hope for the Best, Expect the Worst

This phase is fairly new: Until recently, people didn't think much about how to plan for medical issues in a long retirement. This is especially important for women, who on average have a longer life expectancy than men. According to data from Prudential, 75% of the population in assisted-living facilities is female. And half of all women will live at least into their upper 80s.

To protect themselves, women could consider a long-term-care (LTC) policy. The calculations on what's best for women in a particular situation are complex, but women should be prepared to discuss this with their advisors. Women with extensive assets –especially those who own businesses – may have to face the possibility that they will have to budget for LTC premiums.

Phase 5: Getting a Partner in Your Corner

If you think these issues sound complex or overwhelming, you're not alone – most people do. But by thinking of them, you're already ahead of the pack and ready for the next part: finding and working with a professional financial planner.

The rest of this white paper will be focused on how to find a professional financial planner. Just as important is knowing how a qualified financial planner works; the signs that a financial planner is trying to find out what's important to you; what kinds of risks you're willing to accept; and what your long-term goals are.

Most of the women we spoke with stressed the personal aspect of choosing a planner – using one a close friend or family member was happy with. In addition, they could consider their business contacts: Who do their colleagues and customers trust?

The following part pulls it all together – women's issues and the key phases – and shows how a professional planner works closely with you to organize a financial plan and resolve issues.

Part III: Working with a Financial Professional

The Cast of Characters

Before you hire a financial professional, you should know who you're dealing with. There are a lot of terms thrown around: Registered investment advisors, planners, registered reps, fee-only advisors, commission-based advisors, CFPs, ChFCs, CFAs, etc. Below are brief explanations of some key terms.

Registered Investment Advisor. A firm that is registered with either a state agency or the Securities and Exchange Commission to provide advice on investments. Individuals who work for RIAs and provide advice are called investment advisory representatives (IARs). They typically charge individuals and families a percentage of the assets under management, but some also charge a flat fee or hourly rate. Go to www.sec.gov to confirm that a firm is registered.

Broker-Dealer. A firm licensed to sell securities, such as stocks, through the Financial Industry Regulatory Authority (FINRA). An individual who sells securities is a registered representative. They typically get a commission on the securities they sell. You can check your broker's status at www.finra.org.

Financial Planner. This is a generic term for anyone who provides financial advice, no matter how they are compensated or regulated. There isn't much regulation around who can call themselves financial planners.

CERTIFIED FINANCIAL PLANNER™ or CFP®. This credential is granted by the Certified Financial Planner Board of Standards Inc., a private organization. Planners who have obtained the certification must take a required series of courses, sit for a comprehensive exam, follow a code of professional ethics and keep up to date with continuing education. Read more about the CFP® certification at www.cfp.net.

Chartered Financial Consultant® (ChFC®) and Certified Life Underwriter® (CLU®). The American College grants these two designations. The ChFC® is similar in many ways to the CFP® certification – many planners have both. The CLU® is oriented toward insurance. Both require training, tests, and code of ethics and continuing education requirements. For more details, go to www.theamericancollege.edu.

The CFP Board and American College maintain high standards and are proactive about stripping the certifications they supervise from those who fail to uphold ethics standards. There are many other designations, but some of them have few requirements and minimal standards, so there is no reason to trust the ethics or competence of a planner who holds them. There are honest, capable planners without credentials, but potential clients have to do a little more research on them before making a commitment.

Choosing a Professional

This is a topic worthy of its own white paper, but there are a few basics we can outline right here – among them are the planner's status and history:

- Does the professional have one of the above designations or certifications?
- Does he or she have a clean record with FINRA, the SEC and state regulators?
- Does he or she work with friends or other relations, and have they been satisfied?

Equally important is how they are willing to work with clients. All planners should be willing to speak with potential clients without obligation and explain how they work. Below are some red flags – signs that this isn't an advisor for you. Don't engage any advisors who …

- Are vague about their processes.
- Patronize you because you're a woman.
- Make promises about returns.
- Don't ask about what your needs or fears are.

The first point is one of the most essential, yet one of the most ignored by those who aren't used to working with a financial planner. It's not about giving an advisor money to choose what you hope are good stocks. If only it were that simple!

There are elements that are part of every good client-advisor relationship: frank discussions, willingness to answer questions and a focus on long-term financial needs rather than merely what the market is going to do next quarter. The next section discusses the way we like to work. It's not the only way, but it does incorporate the aspects of an advisor-client relationship that are most important.

The Consultative Process

You should hire financial professionals who are focused on what you need, not on the products being sold. Yes, you may be buying stocks, bonds, mutual funds, life insurance and more to help ensure your financial future, but these products are means to an end, not an end in themselves.

That's why we call our process "consultative" – it involves working together, rather than merely selling products. We divide this process into multiple meetings, which occur both before and after the planner and client agree to work together. And by "together," we mean both members of committed couples, as well. Although in many families there is one partner who does the lion's share of the financial management, no plan will work without input from both partners. Especially in the beginning, advisors should show themselves as open to – and even insistent on – working with both.

The Discovery Meeting. This is the first meeting a client will have with a financial professional. The planner will interview you to find out what your needs and goals are. Potential clients should feel as if they're being listened to. For example, let's say a woman has been out of the job market for years raising children and is now divorced and looking to get back to work. She may have a settlement from the divorce and might receive child support payments. She'll want to discuss her concerns about eventual retirement and the income she will likely get from a new job. Planners at this first meeting will be collecting information to see if this is a situation where they can help.

The Investment Plan Meeting. The next time a potential client meets with the planner, they will go over an investment plan together. Planners will discuss risk tolerances and give benchmarks for tracking them. For example, a woman leaves her job after 10 years to work with a new company. She has money disbursed from her 401(k) plan, so the planners will create a road map to show what is being planned for these funds, which would most likely go into an IRA.

Additionally, this woman may have savings outside of retirement accounts, which could be from work or an inheritance. The advisor should have plans for these funds as well, which take into account the client's feelings about risk. No matter what the process, advisors at this stage should be asking about long-term goals and values. Are these funds being invested for eventual retirement? Funding a child's college education? Starting up a business five years from now? These time horizons are all different, and no advisor should make automatic assumptions about what a particular woman's goals are.

Planners will then get into the "nitty gritty" of investments. They will discuss different kinds of portfolios and the risk and return expectations. There are no guarantees, but generally, greater returns go with greater risks. Planners should be open at this stage, discussing the planned securities and the asset classes. Based on a particular woman's risk level, a planner may recommend a portfolio invested mostly in large, stable companies, with some funds put away in bonds in case of volatility.

But this one-time plan is not enough. Financial professionals need to be open to making adjustments to portfolios as needed based on performance compared to a preset benchmark.

Consider a hypothetical woman in her 20s with a good job. She may have a high tolerance for risk because she is young and has time to make up any shortfall if a high-risk investment doesn't perform well for an extended period. Later on, she gets married and has children. She and her husband both work, so they hire a nanny. Needs have changed now because the nanny is expensive, and the planner should make adjustments accordingly. Eventually, the children will attend school full-time and only need an after-school program, not a nanny. Now may be a good time to put funds into a 529 college savings plan.

Even a brief example like this shows the need for advice well beyond investments. At the investment meeting, the planner should be doing more than talking about securities and funds: "What kinds of life insurance will be appropriate? How are investments coordinated with a company-sponsored retirement plan?"

The Mutual Commitment Meeting. This is where the potential client and the planner make a decision to work together. Once again, planners should be open to answering any questions. If everyone is happy with each other, the planner should give the client some papers to read and sign. Afterward, the financial professional will begin implementing the plan the parties fleshed out in previous meetings.

The 45-Day Follow-Up Meeting. This is the "overwhelming" time, as this is a major commitment to trust the planners with an important part of their future. The amount of anxiety depends not only on a particular woman's personality, but on her background. A woman may be new to the whole process or experienced with financial management. Perhaps a single event has brought the woman to this point: A major promotion at work leads to a significant change in financial status; an entrepreneur has been successful and is thinking of selling her business and using the money to fund the next stage of her life; a recent widow receives the proceeds from her husband's life insurance.

Experience and circumstance make a big difference at this meeting. Planners should be willing to go over every detail to show how the finances are being held in this particular situation. Some women will be very familiar with the brokerage and bank statements they will receive, but others will not, and the planners should be pleased to explain them.

Regular Review Meetings. The work between client and planner doesn't end with the signing of papers and the start of the investment process – it's just beginning. Some planners will advise quarterly meetings, whereas others will propose meeting only once or twice a year. At that point, the planners should update the client on performance, but the questions are just as important. A good financial professional will ask if there are any concerns or life changes that require a re-evaluation of the plan. Often, regular meetings lead to little or no change in the overall plan or immediate investments – but that doesn't mean the time was wasted. It's important for lines of communication to remain open.

Indeed, communication is always important – even between meetings. There are two major situations where a planner should be quickly available:

A life change, as in the following examples:

- A 27-year-old woman is considering quitting her job and going to law school.
- A 30-year-old woman is expecting her first child.
- A 50-year-old woman wonders if she can retire early from her executive position and open a bakery.

The other situation is when there's a major market tumble. When the market plummets, good planners will be available for discussion. Great ones will be proactive and call their clients to reassure them and explain how they're adjusting the portfolio accordingly, or why they see no need to make a change, because it's just a short-term problem.

Notice that we're using the word "reassure," not "condescend." No one wants a planner who says, "There, there, we're taking care of it. Don't worry." Of course the client is worried! A good planner may explain why this isn't the end of the world, but won't patronize clients. Of course, clients can't expect planners to address every change as a major problem. If the market has a bad week, that's not cause for a complete change in the portfolio. Remember the woman who said she was counting on her planner to provide the rational response to her emotional thoughts? She was right – that is very important. In fact, it may be the most important aspect of working with a financial professional.

We hope that this brief introduction has given women an idea of why to work with an advisor and how. Women can, and should, take charge of their finances from the day they get their first job, throughout their entire work and family life, into their retirement.

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The Gervais Group of Baird in Mequon manages wealth for select families and family business owners, developing strategies to help clients preserve, protect, enhance and transfer wealth. The team oversees the complete financial picture for clients by employing strategies to address investment issues as well as special family, business and philanthropic interests. To learn more about our unique approach to wealth management, visit us at gervaiswealthmanagement.com or contact Lori Gervais at 262-240-3519 or lgervais@rwbaird.com.

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