



## TAKING THE LEAD

Facing the Financial Realities Unique to Women

By Janice L. Deringer

### CONTENTS AT A GLANCE

Introduction

The Heart of the Matter

From Reaction to Reality

References

As the gap between men and women continues to narrow in many areas of leadership, it is important to address the financial realities that women face today. These realities cause women to be less prosperous than their male counterparts, therefore making smart financial stewardship an essential part of any female leader's arsenal.

The statistics are staggering. Women live longer, earn less and will likely be solely responsible for their own financial decisions at some point in their lives. Women need to be prepared to make confident and financially healthy decisions to get the most out of their resources.

#### THE HEART OF THE MATTER

##### **Women Have a Dual Challenge: Women Earn Less and Live Longer**

Statistics vary with job level, but on average women earn 76 cents for every \$1 men earn. They are starting with 25% less, resulting in an average lifetime earnings deficit of \$300,000.<sup>1</sup> Women, on average, have a six year longer life expectancy than men.<sup>2</sup> Couple this longer life expectancy with lesser earnings and the challenge is compounded.

People are also retiring at an earlier age than ever before, currently averaging sixty-two years old at retirement, versus the traditional retirement age of sixty-five.<sup>3</sup> This means those resources must support a woman for an even longer period of time, if she chooses to retire early.

##### **Women Are More Likely to Have Interrupted Work Histories**

Women are more likely to work part-time, or work fewer years in pension-covered employment because of interruptions in their careers to take care of family members or due to relocations to support a spouse.<sup>4</sup>

This pattern of work further reduces both their income and their savings.

##### **Women Are Less Likely to Have Retirement Benefits and Less Likely to Take Advantage of Them**

Fewer women than men have jobs that include a pension or 401(k) plan (30% of women versus 48% of men).<sup>5</sup> Participating in retirement savings is the first big step towards improving financial security. Yet, only 41% of women participate in their employer's 401(k) or other retirement plans.<sup>6</sup>

##### **Investment Knowledge and Confidence**

Women indicate they have far less confidence about how to make investment decisions, opting for "safe" options that provide a lower rate of investment return, likely leaving them with a retirement shortfall. 83% of women would like employers to provide advice on how to manage retirement savings (versus 76% of men).<sup>7</sup> Of the women in this survey, single women were most in favor of the support, with 89% favoring employer policies that do more to encourage retirement planning.<sup>8</sup>

##### **You Will Be Solely Responsible for Your Finances at Some Point in Your Life**

Currently, 26 million women head households. And, by the time they reach 65, 41% of all women in the United States live alone.<sup>7</sup> At some point in their lives, 90% of women live alone. At these times, each woman must make all of the financial decisions that support her current situation and protect her in the long run.

##### **Women Face a Higher Risk of Poverty**

Women are 70% more likely to spend their retirement in poverty than men.<sup>8</sup> It is a sad and shocking result of all the factors listed above.

## FROM REACTION TO REALITY

### What Does This Information Mean for Me?

Clearly, the combination of lower earnings and less participation in retirement plans is making women more vulnerable in their long-term financial planning than they should be. Women need the knowledge to start planning for their economic well-being earlier and over a longer period of time than ever before. The choices women are facing aren't just about saving for retirement. They need to be able to make deliberate financial decisions with confidence that will allow for a fulfilling and prosperous future, whether they are 25 or 65, married or single and regardless of their level of financial resources.

### Building a Framework to Lead in Making Smart Financial Decisions

The first step in meeting the challenges of the women's unique financial realities is to learn to build a framework for managing your money and to begin taking responsibility for your future. Stay tuned. In this series, I will provide you with just that— a framework to get you started making better decisions and building a better, more stable life.

Women leaders have an obligation to set an example of how we manage our finances at work and at home. In this series, you will learn why the following strategies are important:

- How saving and investing your money strengthens your confidence and your leadership presence.
- Asset Allocation: Savvy investors know this is the crucial investment decision.
- Importance of Diversification: Strong leaders know better than to put all their eggs in one basket.
- Women leaders have the confidence to stay the course in investments as well as strategic plans.
- Effective leaders know when and how to delegate: Finding a financial advisor.

## REFERENCES

1. Williams, Kathleen. Investing Wisely: What Women Need to Know. (24 Apr 11). Womens Media. Retrieved from <http://www.womensmedia.com/money/274-investing-wisely-what-women-need-to-know.html>
2. Johnson, Richard P. (2001). The New Retirement: Discovering Your Dream- Your Mature Career/Life Planning Guide. World Press.
3. Gendell, Murray. (Oct 2001). Retirement Age Declines Again in 1990s. Monthly Labor Review. Retrieved from <http://www.bls.gov/opub/mlr/2001/10/art2full.pdf>.
4. Heinz Family Philanthropies and The Women's Institute for a Secure Retirement. What Women Need to Know About Retirement. Retrieved from [http://www.wiserwomen.org/index.php?id=83&page=What\\_Women\\_Need\\_To\\_Know\\_About\\_Retirement](http://www.wiserwomen.org/index.php?id=83&page=What_Women_Need_To_Know_About_Retirement)
5. National Economic Council Interagency Working Group on Social Security. (27 Oct 98). Women and Retirement Security. Retrieved from <http://www.ssa.gov/history/pdf/sswomen.pdf>
6. Williams, Kathleen. Investing Wisely: What Women Need to Know. (24 Apr 11). Womens Media. Retrieved from <http://www.womensmedia.com/money/274-investing-wisely-what-women-need-to-know.html>
7. Wells Fargo. Retirement is Next Financial Frontier for Women, Wells Fargo Survey Finds. (02 Feb 2011). Retrieved from [https://www.wellsfargo.com/press/2011/20110202\\_Retirement](https://www.wellsfargo.com/press/2011/20110202_Retirement).
8. Sprinkle, Patricia Houck. (March 1996). Women Home Alone: Learning to Thrive- Help for Single Women, Single Moms, Widows and Wives Who Are Frequently Alone. Zondervan Publishing House.

---

*Wipfli Hewins Investment Advisors, LLC ("Wipfli Hewins") is an independent, fee-only, SEC-registered Investment Advisor that focuses on providing financial planning and investment advisory services.*

*This article is written for general educational purposes only. The discussion and information contained in this article does not serve as the receipt of, or as a substitute for, personalized investment or financial planning advice from the author or Wipfli Hewins. To the extent that there are questions regarding the applicability of any specific issue discussed to a specific situation, Wipfli Hewins encourages the reader to consult with a professional.*

*A copy of Wipfli Hewins' current written disclosure statement discussing our investment advisory and financial planning services and fees is available for your review upon request.*