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FINANCIAL BUILDING BLOCKS BY HUB

Financial Planning for Women

Overcoming Challenges to Achieve Your Goals

Knowledge is Power

When it comes to achieving financial security, women face unique challenges. Recognizing these challenges and understanding their potential impact is the first step toward living your best financial life. Let the following challenges inspire you to take charge of your financial future. Then get ready to learn about strategies to overcome them and build the confidence you need to achieve your financial goals. Are you ready to start living your best financial life?

Women Face Unique Challenges

Challenge: The Gender Pay Gap

For more than two decades, women have typically earned between 80-84 cents for every dollar earned by men.[1,2] And despite women today being more likely than men to have graduated from college, the pay gap between college-educated women and men is not any narrower than the one between women and men who do not have a college degree.[1]

This gender pay gap can negatively affect the ability of women to save toward financial goals—particularly retirement. The median 401(k) account for women is 65% lower than the balance for men. In addition, while women and men tend to have the same access to retirement plans, women lag in the amount they contribute to these accounts, their overall level of savings and how confident they feel financially when they retire.[3]

Challenge: Taking Time Off Work to Raise a Family or Care for Loved Ones

On top of earning less money, women are more likely to take time off from work to raise children or care for elderly relatives, which can further reduce their earning potential. According to a 2023 survey,[4] 40% of women leave their jobs for caregiving responsibilities, whether for childcare or eldercare. Furthermore, 21% have left a full-time job for part time work to fulfill their caregiving roles. The Department of Labor reports that caregiving costs women nearly $300,000 in lost earnings over their lifetime.[5] In addition, the design of Social Security often does not account for career breaks and part-time work, which can lead to lower benefits and pension income during retirement.

Challenge: A Longer Life Span Compared to Men

Compounding the challenges of lower pay and lower retirement savings, women also generally live longer than men—by nearly 6 years.[6] This increased longevity will require more substantial savings to cover healthcare costs and living expenses in retirement. According to Millman's 2023 Retiree Health Cost Index, a healthy 65-year-old female retiring in 2023 was projected to spend approximately $315,000 on healthcare expenses during her retirement.[7] In addition, women are more likely to need long-term care services at some point in their lives due to their longer lifespan. These services can be costly and are often not covered by traditional health insurance. And experiencing a longer retirement period also means the purchasing power of retirement savings will likely be significantly eroded by inflation.

[1] Pew Research Center: "The Enduring Grip of the Gender Pay Gap"(March 1, 2023);
[2] American Association of University Women (AAUW), "The Gender Pay Gap" (2022 Update);
[3] T. Rowe Price: "Closing the Gender Gap in Retirement Savings" (March, 2023);
[4] Goldman Saches Asset Management: "Challenges Women Face Saving For Retirement"(2023 Retirement Survey & Insights Report);
[5] Department of Labor: "Lifetime Employment-Related Costs to Women of Providing Family Care"(Urban Institute, February 2023).
[6] National Center For Health Statistics, Center For Disease Control and Preventions (CDC);
[7] 2023 Milliman Retiree Health Cost Index (May 1, 2023);

Challenge: Financial Literacy

When it comes to making decisions about budgeting, spending, investments and other financial matters, financial literacy—knowing how to make informed decisions about money—is critical. But recent research by TIAA Institute suggests women are less financially literate than men.[8] The survey found that women answered an average of only 45 percent of personal finance questions correctly, whereas men fared significantly better with 55 percent correct on average. The survey also found that women with low financial literacy are five times more likely to have difficulty making ends meet, three times more likely to be debt constrained, and three times more likely to be unable to handle a $2,000 financial shock.

Challenge: Divorce

When it comes to the unfortunate event of a divorce, women tend to experience significantly more financial hardship versus men.[9] The cost of going through the legal process of a divorce can be as high as $13,000 (the actual amount will depend on complexity, attorney fees, and other factors). Another consequence of divorce is that women usually have a harder time regaining financial stability than men. The average household income of women tends to fall by nearly 40% after divorce, which is double what men typically experience. One major contributing factor is that women often take on more custodial responsibility after a divorce (divorced women typically have custody over 65% of the time). In addition to the depth of emotional responsibility, this adds additional financial pressures.

[8] TIAA Institute: "Financial Literacy Among U.S. Women" (June, 2022);
[9] Forbes: "The Financial Planning Path Women Need to Know" (March 13, 2023).

Explore Your Current Level of Financial Wellness

Financial wellness is a state of financial well-being in which you can manage your bills and expenses, pay your debts, weather unexpected financial emergencies and plan for long-term financial goals (such as building college funds and saving for retirement). It's also about having a positive attitude towards money and feeling confident about your financial decisions. Use the information below as a guide to help you perform a self-assessment on your current level of financial wellness.

Survey Says

How do women rate their financial health? According to a recent survey, one in five say it's time to make a change in their finances.10 Which level of financial wellness below best describes your current situation?

Financial Wellness Level	Percent Chosen in Bank of America Survey[10]
Doing Great	16%
Doing Well	23%
On the Right Path	24%
Off to a Good Start	16%
Time for a Change	21%

The areas where women are struggling the most include saving for emergencies, saving for retirement and building wealth— activities that could be supported with an increase in investment knowledge and confidence.10 How do you rate yourself compared to the survey results below?

Financial Wellness Activity	Doing Well	Somewhat Struggling	Seriously Struggling	Doesn't Apply
Paying Bills Every Month	70%	19%	8%	3%
Following a Budget	53%	30%	10%	7%
Saving For Emergencies/Rainy Days	44%	30%	20%	6%
Paying Off/Managing Debt	44%	26%	13%	18%
Supporting My Family Financially	38%	23%	11%	29%
Saving/Paying For Current Medical/ Healthcare Expenses, Long-term Care, etc.	37%	24%	13%	26%
Saving/Paying For Retirement	36%	28%	21%	15%
Choosing Investments or Tools That Can Help Attain Financial Goals	27%	26%	15%	32%
Building Wealth	27%	30%	26%	18%

[10] Bank of America Report: "Women, Money, Confidence: a Lifelong Relationship"(2023).

Building Blocks

Now that you're aware of the challenges women face in financial planning, consider these strategies to help you overcome those challenges and achieve your financial goals.

Be Strategic About Budgeting and Spending

Like most women, your days are taken up with work, friends, family and the energy and activities required just to manage your life. There never seems to be enough time to focus on your financial life. However, developing a budget can help you achieve true financial health. The following 5-step process can help you build a budget that works for your life, so you don't have to worry about falling short of your financial goals.

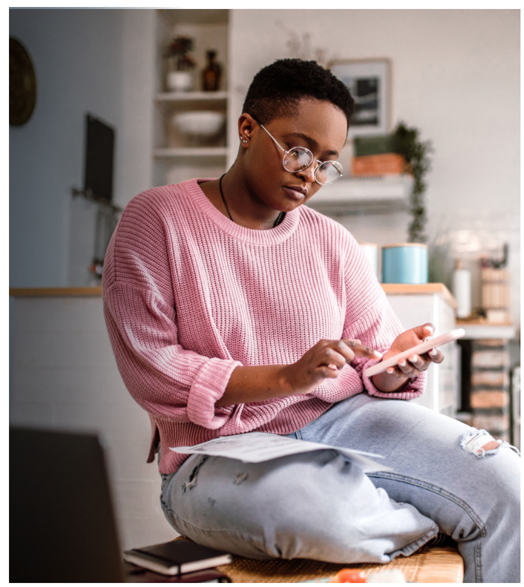
Step 1: Define Your Goals

Financial goals should be both short-term and long-term. Short term goals can look like these:

- Saving for a vacation
- Purchasing the latest Apple Watch
- Upgrading your furniture
- Saving for a wedding
- Establishing an emergency fund

Here are some examples of long term goals:

- Buying a home if you're still renting
- Paying off your student loan debt
- Buying a franchise/starting a business
- Retiring early or on time (or just saving for retirement)



Make Your Goals Measurable

Write down your financial goals and make sure they're measurable (include the actual dollar amounts and time frames for reaching the goals). Here are some examples of measurable financial goals:

- Have a $1,000 emergency fund built up in 10 months.
- Pay off $3,000 credit card debt in 18 months.
- Enroll in company retirement plan with an initial contribution of 8%
- Increase retirement plan contribution rate by 1% on January 1st

For goals similar to the first two above, divide the dollar amount by the number of months in your time frame to figure out your monthly goal. If your goal is to build up a $1,000 emergency fund in 10 months, your monthly goals is $1,000 divided by 10, which equals a $100 monthly contribution to the fund.

Step 2: Know Your Income

Before you can establish a budget, you have to know exactly how much money you have coming in every month from your employer and other sources. Make sure to include only the money you actually receive (the exact amount of your net pay, not your gross pay before taxes and other deductions).

Step 3: Total Your Monthly Expenses

You can't budget until you know how much money you're spending each month. When figuring out your monthly expense number, be sure to include the following:

Groceries	**Student loan payment**	**Credit card payment**	**WiFi/Streaming apps**
Rent	**Car loan payment**	**Cell phone plan**	**Entertainment/eating out**

Also remember to include occasional expenses such as doctor and dentist visits as well as car and other insurance payments, haircuts, gifts, manicures and/or pedicures, and others. It's also important to look through past bank and credit card statements to get a realistic picture of your spending.

Step 4: Create a Realistic Budget

To take your first stab at a budget, add your monthly expenses from Step 3 to the monthly goals you calculated in Step 1. Then, subtract that total from your monthly income calculated in Step 2. If the balance is positive, you've created a budget that works for your current lifestyle. Here's an example:

Monthly income (from Step 2)	$3,750
Monthly living expenses (from Step 3)	($2,900)
Monthly financial goals (from Step 1)	($700)
Total left over	$150

If the balance is negative, you have some more work to do. That leads us to Step 5.

Step 5: Revisit Your Goals and Expenses

If the first swipe at your budget came out negative, rework the numbers and try again. For example, you can revisit expenses and decide which ones are top priority and need to stay in your budget and which you can do without. Also consider changing the amount of time needed to meet your financial goals. Or you can figure out a way to increase your income.

Thinking about your goals can give perspective on how to approach financial planning. Once you have the bigger picture sketched out, you can begin to fine tune the details and develop individual action plans for achieving each goal.

A Spending Strategy to Consider

Despite all the budgeting and cash flow tracking apps available out there, many people still struggle to manage their spending habits on a daily basis. The 70-20-10 rule is a popular guideline for personal finance that involves separating your take-home pay into three buckets and dividing each into the following percentages:

70% **Monthly bills and daily spending.** This includes expenses like mortgage, utilities, transportation, insurance premiums, food, clothing and entertainment. If you owe money on credit cards, personal loans or student loans, include those minimum payments here, too. Periodic expenses like travel, haircuts and gifts are also in this category, so estimate their monthly costs and add them in. If you contribute to an IRA or other self-funded retirement plan, add in those amounts. This bucket wouldn't include money going into workplace retirement savings plans, such as a 401(k), because your employer already deducts those from your paycheck.

20% **Saving and investing.** Put this percentage of your income away for an emergency account, college tuition, investments or other financial goals.

10% **Additional debt payments or donations.** Getting out of debt as fast as possible will reduce finance fees, so if you're carrying balances try to add as much as you can to those minimum required payments. If you don't carry debt, you may want to use this money to support causes that are important to you.

Build and Maintain an Emergency Fund

One of the smartest financial planning moves you can make is to set aside enough money in an emergency fund to cover an unexpected expense. For example, your budget might be doing fine for several months before you suddenly need a $750 car repair. It can be hard to get back on track once the emergency is over. In general, you need to have three to six months of living expenses in a liquid, accessible savings account.

Keep in mind that emergency savings are just that – money to use for an emergency. It's critical to avoid using a credit card when an actual emergency comes up (and then have to pay interest when carrying a credit card balance). It's okay to use the emergency funds and then start to rebuild those funds again.

Manage Credit Cards Wisely

Without a doubt, credit cards make life more convenient, but not necessarily easier – this is often your most expensive debt. If you use them too much, they can become the biggest obstacle to reaching your financial goals. When using credit cards, consider these tips:

5 Good Habits to Develop

1. Review your credit card statements regularly to keep your purchases in check.
2. Pay your bill on time to avoid late fee charges.
3. Pay off your full balance every month to avoid paying interest.
4. Take advantage of rewards programs.
5. Protect yourself against credit card fraud by putting a freeze on your credit bureau records.

6 Bad Habits to Avoid

1. Using a card to make ends meet.
2. Owning several cards at a time.
3. Not researching other options before applying.
4. Exceeding 30% of your credit line.
5. Using rewards programs as an excuse to buy more stuff.
6. Making large purchases unless you can pay off the balance quickly.

Many people carry balances on their credit card and many carry balances on more than one card. When that happens, it can feel almost impossible to pay it off. Where do you start? Here are a couple of strategies to consider:

Snowball Method

It's called the snowball method because your payoffs start small but get bigger over time. To use this payoff method, list all your credit card balances and other debts in order of size, from the smallest balance to the largest. The smallest debt on your list is the one to focus on first. When it gets paid off, the next smallest debt becomes your focus, until you are credit card debt free. For many people, the satisfaction of seeing that first debt get paid off quickly makes the snowball method the best choice.

Avalanche Method

This is called the avalanche method because you are paying off the most expensive debt first by focusing on the debt with the highest interest rate. To use this payoff method, list all your debts in order of interest rate, from highest to lowest. The card with the highest rate on your list is the one to focus on first. When it gets paid off, move on to the debt with the second highest rate until you have zero credit card debt.

Get Invested

One of the biggest opportunities you have to build personal wealth and financial wellness is through investing.

The Link between Investing and Your Financial Goals

No matter what your financial goals may be, here's a quick look at the key types of investments available to help you achieve them.

Stocks. A stock (also known as "equity") is a type of security that signifies an ownership in the issuing corporation. This entitles the stockholder to that proportion of the corporation's assets and earnings. Stocks are bought and sold predominantly on stock exchanges and are the foundation of nearly every portfolio.

Stocks (and stock mutual funds and electronically traded funds, called ETFs) have a high return potential, but the potential risk can be high. They are typically considered as part of a long term financial goal, like retirement, or a college savings account for a new child, where you have time on your side and can afford to be more aggressive and take more risk. They usually do not make sense for funding a short term financial goal where safety and stability are more of a priority.

Bonds. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer. Bond details include the end date when the principal of the loan is due to be paid to the bond owner and usually includes the terms for interest payments made by the borrower.

Bonds (and bond mutual funds) are known for consistent, moderate returns, which may work best for funding a medium term financial goal (such as a downpayment on a new home, a remodeling project or having a child) where you can take on some risk, but not a lot. In addition, as you get closer to retirement (within 10 years in general), bonds and bond funds may also become a bigger part of your retirement account portfolio if you are looking to reduce risk but still want some growth potential.

Cash Alternatives. Cash alternative investments are typically money market funds and can include U.S Treasury Bills as well. They're known for consistent, lower returns with much lower risk that may make more sense for a shorter term financial goals such as saving for a wedding or vacations. As you get closer to retirement (generally within 5-10 years), cash alternatives may also become a bigger part of your retirement account portfolio if you are seeking much more safety at this life stage.

Make Retirement Planning a Top Priority

According to a special report by the BMO Real Financial Progress Index, only 53% of women feel financially confident about their ability to retire at their target age, compared with 66% of men.[11] In another survey, just 53% of women reported having a personalized financial plan for retirement, compared with 68% of men.[12]

A smart strategy is to take part in your workplace retirement plan, such as a 401(k) or 403(b), that automatically deducts contributions from your paycheck. Start as early as possible and save as much as you can (try to save at least enough to get your full employer match). If you're self-employed, open up an Individual Retirement Account (IRA). If you're 50 or older, take advantage of catch-up contributions to workplace plans and IRAs.

On average, Social Security currently replaces about 40% of income. It's important to save as early and as much as you can in a 401(k) or IRA account to help meet all your retirement income needs.

In addition, your retirement planning should include contributing as much as possible to a Health Savings Account (if offered by your employer as part of a High Deductible Health Plan, or HDHP). This tax-advantaged account not only allows you to set aside money for out-of-pocket health expenses you may incur (both currently and during retirement), it can also be applied toward services not covered by Medicare, pay insurance premiums and long-term care expenses during retirement.

Traditional or Roth Savings Option?

Roth options have become a common choice in many workplace retirement plans as well as IRAs. The appeal with a Roth plan is the potential tax savings when distributions are made in retirement years. Money that goes into a Roth plan today is taxed today, but all earnings and future qualified distributions are free of tax. With traditional 401(k) plans, money goes in tax-free (and all future growth is free from tax), but qualified distributions are taxed at ordinary income rates.

Check out AARP's calculator at: https://tinyurl.com/2s3wthrt to help determine which option might be right for you—and how it could affect your paycheck.

[11] BMO Real Financial Progress Index (March, 2023);
[12] Goldman Saches Asset Management: "Challenges Women Face Saving For Retirement"(2023 Retirement Survey & Insights Report).

Other Financial Matters to Keep in Mind

Here are some additional components of financial planning to keep in mind to help you achieve your financial goals:

Execute Essential Legal Documents

Having a plan for the unexpected will reduce stress and expensive repercussions during potential emergencies. If you haven't already, consider having the following legal documents drafted and executed by an attorney, so a trusted person can step in to assist in case of incapacity or early death:

- **Will.** This document outlines how property should be divided at your death and designates a person responsible for handling the details; without one, courts will make decisions according to state law.
- **Living will (aka advanced directive)**. This document outlines preferences for treatment if you face a serious medical situation and need machines to help you stay alive.
- **Medical/health care power of attorney.** Often part of a living will, it designates a person to make medical decisions for you if you are incapacitated.
- **Durable financial power of attorney.** This document designates a person to make financial decisions on your behalf if you are unable to do so at some point in time.

Maintain Insurance Coverage

Property and Casualty Insurance. It's a good idea to engage an insurance professional to perform an annual review of your homeowner's coverage to make sure it's still adequate and reflects current replacement costs. Renters should also make sure they have adequate renter's insurance coverage, as it can limit the renter's liability if someone sues due to a personal injury or damaged property. An insurance professional can also help you determine the most effective car insurance coverage based on your personal situation.

Life and Long-term Disability Insurance. If your employer offers coverage, this may be your most affordable option. If that is unavailable, obtain quotes from several companies as many provide discounts if you purchase more than one type of coverage.

Consider Partnering With a Financial Advisor or Planner

A financial planner can provide you with guidance, tools, and resources to improve your financial situation and achieve your financial goals. The role of advisors, especially women advisors, in female investors' financial lives has never been more important. Eighty-seven percent of women say they rely on their advisors for information about their finances and investments and nearly half of them agree that a woman advisor would be more attuned to their needs.[13]

[13] New York Life Advisor Advancement Institute, "Inspiring Women by Partnering in Their Financial Growth" (January, 2024)

Stay Engaged

When it comes to living your best financial life, it's important to stay engaged with the learning process and take advantage of opportunities to increase your financial literacy and knowledge. Here are some non-profit resources you may want to check out:

American Savings and Education Council (ASEC)
ASEC provides a wide variety of educational tools and resources that support topics related to household financial and retirement security. ASEC strives to pave the way towards a more secure and prosperous future for individuals and families across the nation.

BetterInvesting
BetterInvesting was established by the National Association of Investors (NAIC). The mission of the NAIC is to offer individuals an unbiased investing education. It focuses on providing information and useful online stock analysis tools that help people to learn about investing and reach financial goals. Its many resources include articles, classes, stock reports, publications, investor clubs, and webinars.

Investor.gov
Investor.gov is a site sponsored by the U.S. Securities and Exchange Commission. It provides visitors with an in-depth introduction to investing, financial tools and calculators, guidance on protecting yourself and your investments from fraud, coverage of financial events in the news and guidance for dealing with their effects, money tips, competitions, games for students, and more.

Additional Informational Sources (Pages 4 through 10):

Investopedia: "What is Personal Finance and Why is it Important?" (February 18, 2024)
NerdWallet: "Financial Planning: a Step-by-Step Guide"(January 5, 2024)
SoFi Bank: "What is Financial Wellness and How Do You Achieve It?" (February 27, 2024)
Clever Girl Finance: "What is the 70-20-10 Budget?"(February 13, 2024)
Trust & Will: "Five Estate Planning Documents Needed at Any Age"
NerdWallet: "7 Habits of Highly Effective Credit Card Users" (January 9, 2024)
Internal Revenue Service (irs.gov)
Social Security Administration (ssa.gov)

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