

# Financial Planning for Women

We are going to talk about:

- The announcement you will never hear the U.S. Postal service make.
- Your life expectancy and risk tolerance.

You are going to see:

- A pyramid that you can invest in,
- Learn what the vast middle is
- Why a super highway can help you stick to your financial plan.

Whether it is through death, divorce or choosing to remain single, women have up to a \_\_\_\_\_% chance at some point in their lives of having to be solely responsible for their finances.

This doesn't mean that women \_\_\_\_\_ make decisions; it just means that in the world today, they may not have \_\_\_\_\_ the opportunity to make them. Often, when it finally becomes necessary for a woman to make financial decisions, she is not \_\_\_\_\_.

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## Unique Challenges for Women

There are many challenges that women face in achieving a secure financial future.

- Although there are encouraging signs that the gap is closing, typically women earn \_\_\_\_\_ money than men.
- If her husband's job requires moving, a woman usually \_\_\_\_\_ her job and starts a new one in the next location, often at a \_\_\_\_\_ salary.
- Women often leave the work place to \_\_\_\_\_. Even if she returns to work later, she saves less money and generally has smaller \_\_\_\_\_ and \_\_\_\_\_ benefits.
- On average, women live \_\_\_\_\_ years longer than men. This translates to seven more years of expenses, meals, clothes, etc. If a husband was five years older than his wife, on average she will spend \_\_\_\_\_ years as a widow.
- Eighty to ninety percent of women will one day be solely responsible for their finances, primarily through death and divorce.
- In married households where there is more than \$1,000,000 in investable assets, over \_\_\_\_\_% of the women don't know where the finances are. (When I mention this to my clients, they remark, "I wouldn't be surprised if the number wasn't higher.")

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## Planning Addresses Life Challenges

*Every tomorrow has two handles. You can take hold of the handle of anxiety or the handle of enthusiasm. Upon your choice, so will be your day.*

Author Unknown

The three planning concerns are:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

\_\_\_\_\_

### Life Expectancy

The first reason why creating your financial recipe is so important is that our average life expectancy is getting longer and longer.

The price of a stamp is not going to go \_\_\_\_\_.

If you only have traditional bank deposits (CD, checking, saving, money market accounts), you are on a \_\_\_\_\_.

Below is the life expectancy chart.

If you look at the chart below, the average life expectancy for a 60 year old woman is \_\_\_\_\_ more years. This means that there is a 50% chance that she will live \_\_\_\_\_ than 23.2 more years.

If she puts money that she just received (either due to death or divorce) in deposit accounts, she will quickly loose \_\_\_\_\_.

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They are sound and FDIC insured. But like any recipe, if all you have is one ingredient, you don't have a meal; you just have a lot of one ingredient.

As we become healthier and medicine gets even better, life expectancy is increasing. I bet you have \_\_\_\_\_ to live than a \_\_\_\_\_

term financial plan will support. My wish is that while you are alive, you live.

Why bother? Because if you don't, your life style will be compromised by inflation, that will erode your \_\_\_\_\_.

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## Actuarial Chart

| Age | Male life expectancy in years | Female life expectancy in years |
|-----|-------------------------------|---------------------------------|
| 20  | 55.5                          | 60.4                            |
| 21  | 54.5                          | 59.4                            |
| 22  | 53.6                          | 58.5                            |
| 23  | 52.7                          | 57.5                            |
| 24  | 51.8                          | 56.5                            |
| 25  | 50.8                          | 55.5                            |
| 26  | 49.9                          | 54.6                            |
| 27  | 49.0                          | 53.6                            |
| 28  | 48.0                          | 52.6                            |
| 29  | 47.1                          | 51.7                            |
| 30  | 46.2                          | 50.7                            |
| 31  | 45.2                          | 49.7                            |
| 32  | 44.3                          | 48.8                            |
| 33  | 43.4                          | 47.8                            |
| 34  | 42.4                          | 46.8                            |
| 35  | 41.5                          | 45.9                            |
| 36  | 40.6                          | 44.9                            |
| 37  | 39.6                          | 44.0                            |
| 38  | 38.7                          | 43.0                            |
| 39  | 37.8                          | 42.1                            |
| 40  | 36.9                          | 41.1                            |
| 41  | 36.0                          | 40.2                            |
| 42  | 35.1                          | 39.2                            |
| 43  | 34.2                          | 38.3                            |
| 44  | 33.3                          | 37.4                            |
| 45  | 32.4                          | 36.5                            |
| 46  | 31.5                          | 35.5                            |
| 47  | 30.7                          | 34.6                            |
| 48  | 29.8                          | 33.7                            |
| 49  | 28.9                          | 32.8                            |
| 50  | 28.1                          | 31.9                            |
| 51  | 27.3                          | 31.0                            |
| 52  | 26.4                          | 30.1                            |
| 53  | 25.6                          | 29.2                            |
| 54  | 24.8                          | 28.3                            |
| 55  | 24.0                          | 27.5                            |
| 56  | 23.1                          | 26.6                            |
| 57  | 22.3                          | 25.7                            |
| 58  | 21.6                          | 24.9                            |
| 59  | 20.8                          | 24.1                            |
| 60  | 20.0                          | 23.2                            |

| Age | Male life expectancy in years | Female life expectancy in years |
|-----|-------------------------------|---------------------------------|
| 61  | 19.2                          | 22.4                            |
| 62  | 18.5                          | 21.6                            |
| 63  | 17.8                          | 20.8                            |
| 64  | 17.0                          | 20.0                            |
| 65  | 16.3                          | 19.2                            |
| 66  | 15.6                          | 18.4                            |
| 67  | 15.0                          | 17.7                            |
| 68  | 14.3                          | 16.9                            |
| 69  | 13.6                          | 16.2                            |
| 70  | 13.0                          | 15.5                            |
| 71  | 12.4                          | 14.7                            |
| 72  | 11.7                          | 14.1                            |
| 73  | 11.1                          | 13.4                            |
| 74  | 10.6                          | 12.7                            |
| 75  | 10.0                          | 12.0                            |
| 76  | 9.5                           | 11.4                            |
| 77  | 8.9                           | 10.8                            |
| 78  | 8.4                           | 10.2                            |
| 79  | 7.9                           | 9.6                             |
| 80  | 7.4                           | 9.0                             |
| 81  | 7.0                           | 8.5                             |
| 82  | 6.5                           | 7.9                             |
| 83  | 6.1                           | 7.4                             |
| 84  | 5.7                           | 6.9                             |
| 85  | 5.3                           | 6.4                             |
| 86  | 4.9                           | 6.0                             |
| 87  | 4.6                           | 5.6                             |
| 88  | 4.3                           | 5.2                             |
| 89  | 4.0                           | 4.8                             |
| 90  | 3.7                           | 4.5                             |
| 91  | 3.4                           | 4.1                             |
| 92  | 3.2                           | 3.8                             |
| 93  | 3.0                           | 3.6                             |
| 94  | 2.8                           | 3.3                             |
| 95  | 2.6                           | 3.1                             |
| 96  | 2.4                           | 2.9                             |
| 97  | 2.3                           | 2.7                             |
| 98  | 2.2                           | 2.6                             |
| 99  | 2.1                           | 2.4                             |
| 100 | 2.0                           | 2.3                             |

<http://www.ssa.gov/OACT/STATS/table4c6.html>

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## Inflation

The most significant reason for planning your finances is to ensure that your money stays \_\_\_\_\_, and hopefully \_\_\_\_\_ inflation.

Inflation is the silent killer of the value of money.

No matter how you received this money, the U.S. Post Office is not going to announce:

“Attention please, in light of the fact that (insert your name here) has received this money because of (insert reason here, death, inheritance, lottery, retirement, sell of assets), and in light of the fact that she is concerned about how to properly plan and really doesn't want to be bothered with creating a plan, be it hereby known that we The U.S. Post Office therefore resolve to no longer raise the price of a stamp so she doesn't have to worry about inflation.”

Financially, you have to at least keep your purchasing power and stay even with inflation. If you put all your money in the bank and delay creating a plan, you are indeed \_\_\_\_\_ a decision and \_\_\_\_\_ a plan.

According to the *Wall Street Journal*, January 3, 2006, inflation has impacted some of our basic needs in a dramatic way.

| Single family home |           |
|--------------------|-----------|
| 1934               | \$5,972   |
| 1980               | \$62,200  |
| 2005               | \$215,900 |

| Automobile |          |
|------------|----------|
| 1934       | \$1,436  |
| 1980       | \$6,200  |
| 2005       | \$20,125 |

| One day in the hospital |         |
|-------------------------|---------|
| 1934                    | \$12    |
| 1980                    | \$344   |
| 2005                    | \$4,848 |

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## Real Rates of Return

The third reason that you need to make the effort to create a plan is because not all investments choices will keep you ahead of inflation. You \_\_\_\_\_ to invest to beat inflation and the impact of taxes. The real rate of return that I am talking about is a) \_\_\_\_\_ of your money after you consider your tax bracket and b) the \_\_\_\_\_ cost of goods and services (inflation).

Remember, purchasing power is measured from your \_\_\_\_\_ money and its ability to \_\_\_\_\_ goods after the impact of inflation.

From 1956 to 2005, if you were in the 28% tax bracket, the real rate of return:

|                       |      |
|-----------------------|------|
| Stocks                | 3.5% |
| U.S. Corporate Bonds  | 0.8  |
| U.S. Government Bonds | 0.7  |
| CDs                   | -0.4 |

You may be shocked to find out that over the last fifty years, holding money in CDs actually \_\_\_\_\_ your purchasing power with bonds about even.

According to [www.bankrate.com](http://www.bankrate.com), which daily watches rates across the nation, the average checking account paid just \_\_\_\_\_% (8/15/2008). A one year CD paid 3.63%. Inflation calculated at the end of December 2007 was 4.08%. Consider the following example as to why you just can't put money in the bank and think you have a proper long term plan.

If you deposited 100,000 into a "safe" CD paying 3.63%, at the end of the year, you would earn \$3,630. In the 28% tax bracket, you would pay \$1,016 in taxes, leaving you with \$2,614 of interest and a total balance of \$102,614.

If inflation is 4.08%, you would need 104,080 just to stay even with your purchasing power. Therefore, with your "safe" investment, you are \$1,466 underwater! The savings account is much worse. Do you remember in 2002 when banks were paying 1% on one year CDs?

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NOTE: Average inflation includes all Americans purchasing all goods. From baby formula and diapers, to sports cars and club memberships, to medicine and walkers. *But*, if you look at those in retirement, and separate their goods and services from the rest, the inflation rate for medicine and walkers, entertainment trips, and items that those in retirement are purchasing, their inflations rate goes up! This makes the need to stay level and outpace " \_\_\_\_\_ " even greater.

## Reflection

Did you know that a married, sixty-five year old, couple who are healthy, non-smokers have a 58% chance that one of them will live to be ninety years old?

That's twenty-five years from now. Twenty-five years is \_\_\_\_\_ a short amount of time.

Spend a moment with me and look back just twenty years. According to [www.1980sflashback.com](http://www.1980sflashback.com) here is what we see:

|                                  | <u>1987</u>   | <u>2007</u>   |
|----------------------------------|---------------|---------------|
| President                        | Ronald Reagan | George W Bush |
| Vice President                   | George Bush   | Dick Cheney   |
| U.S. Population is               | 242,288,918   | 303,477,505*  |
| Life expectancy is               | 74.9 years    | 77.9**        |
| Dow Jones Industrial Average     | 2,722         | 13,907        |
| Inflation                        | 3.6%          | 2.85%***      |
| Cost of a new home               | \$127,200     | \$289,000     |
| Median household income          | \$26,061      | \$59,000      |
| Price of a gallon of regular gas | \$0.95        | \$2.89        |
| Price of a first-class stamp     | \$0.22        | \$0.41        |
| Cost of a dozen eggs             | \$0.78        | \$1.39        |
| Cost of a gallon of milk         | \$2.28        | \$3.39        |

[www.1980sflashback.com/1987/Economy.asp](http://www.1980sflashback.com/1987/Economy.asp)

\*As of 2/20/2008 according to <http://www.census.gov/main/www/popclock.html>

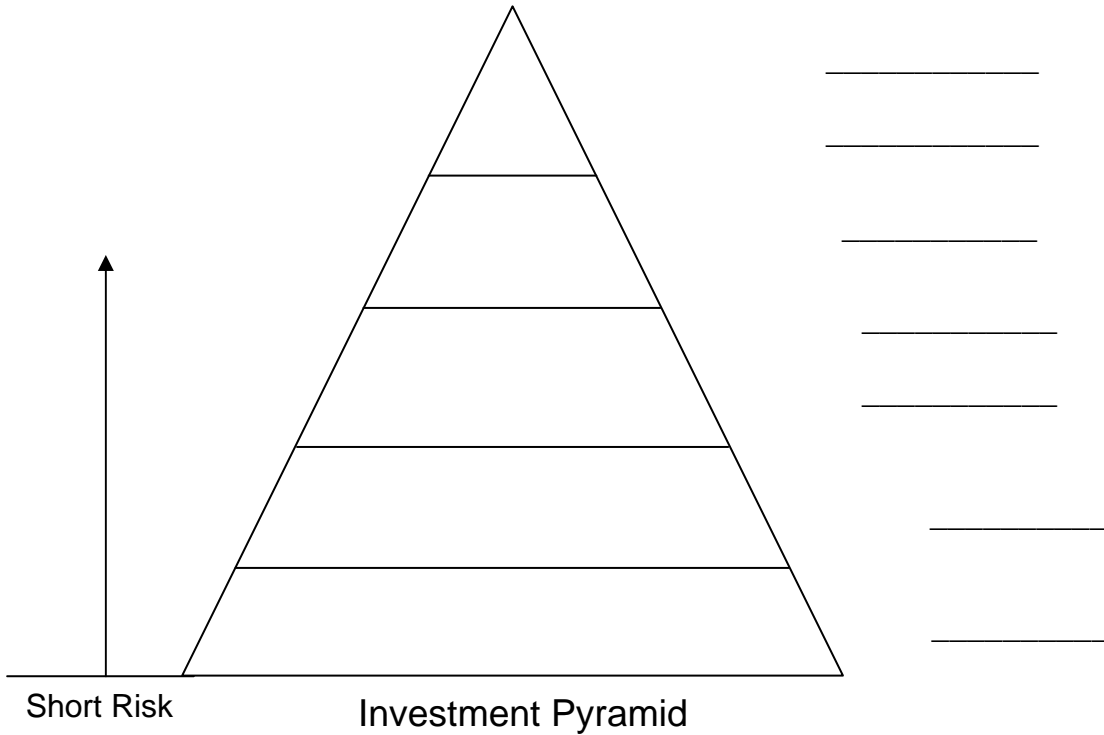
\*\*<http://www.ssa.gov/OACT/STATS/table4c6.html>

\*\*\*[www.inflationdata.com](http://www.inflationdata.com)

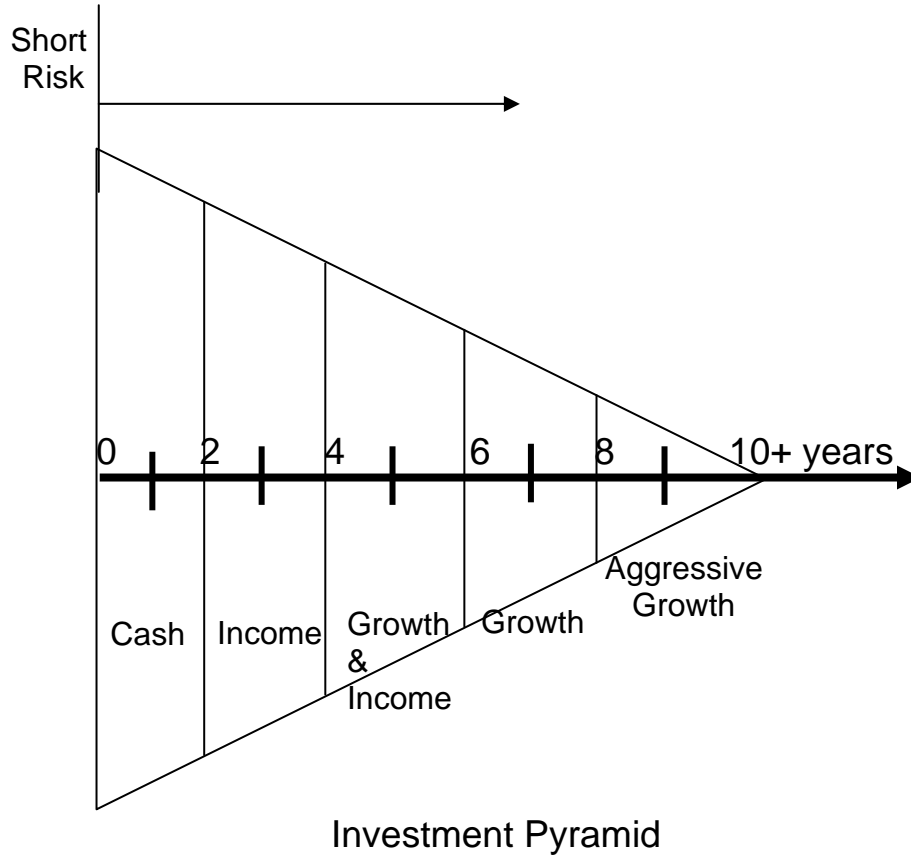
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## Investment Pyramid and Time Line

Take a look at the Investment Pyramid below. You will see that it is divided into five equal sections. At the bottom of the investment is where there is no short-term risk and the top is the most risky!



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Let's walk through this illustration, starting at the left side of the pyramid.

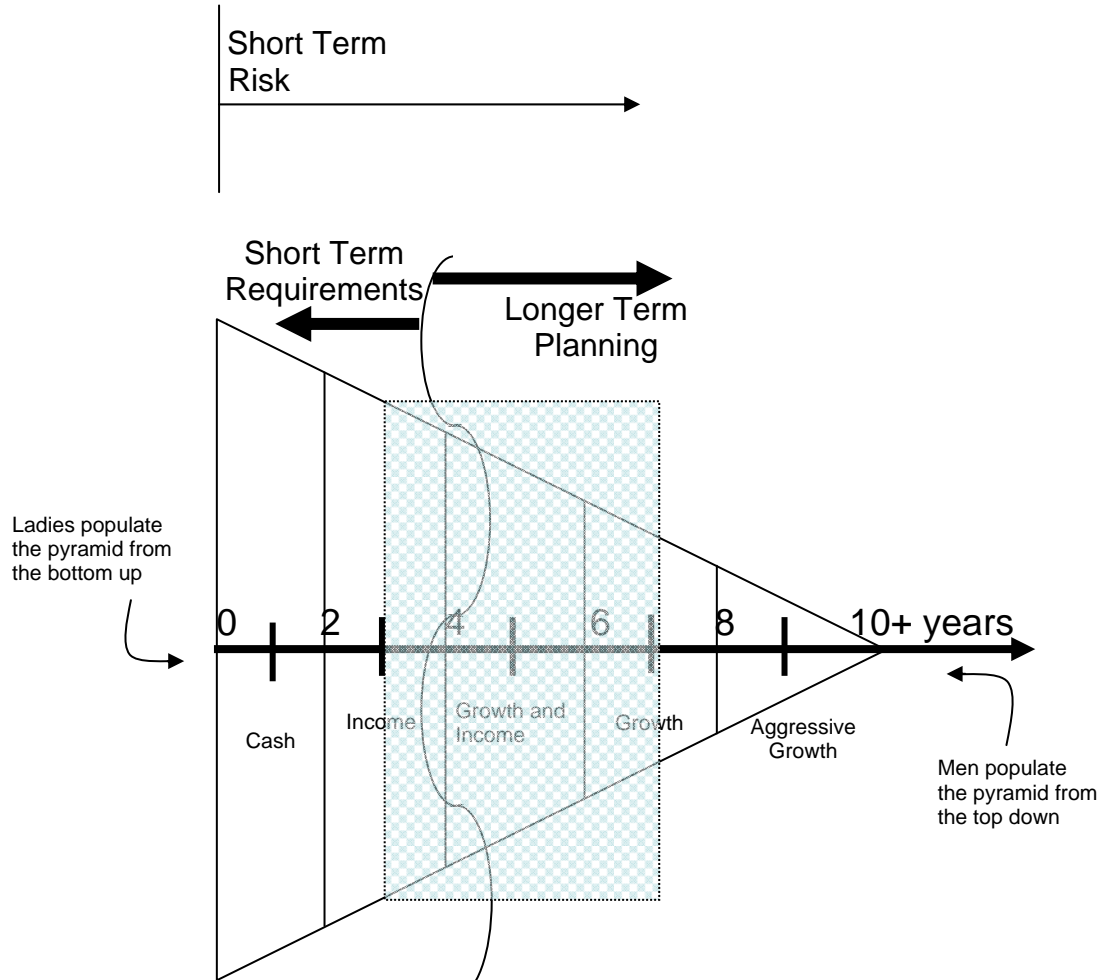
If you need to spend the money today, then you need to have the money in

\_\_\_\_\_.

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## Cut Time-Line in two parts

In the figure below, you will see that there is a squiggly curvy line that cuts the time line in two sections.



### Investment Pyramid

Risk Tolerance

+

Time Line

+

Vast Middle

Vast Middle

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On the left of the cut are the Cash and Income risk categories. On the right are Growth and Income, Growth and Aggressive Growth. The squiggly line is not straight because life isn't predictable. You will see that it cuts the time line around the four or so year mark.

As you begin to fund your plan, you will fill in your \_\_\_\_\_ and your \_\_\_\_\_ first. You have now filled in the left side of the pyramid. This section represents your \_\_\_\_\_ *Requirements*. You *have* to have readily available money to cover emergencies, unexpected events, and normal life events. You *have* to allocate for known extras. These are important, planned events and expenditures that you predict and allow you to maintain your standard of living.

Only \_\_\_\_\_ you have filled in your short-term requirements do you have the opportunity to fill in the right portion of the pyramid, which is for \_\_\_\_\_ Planning. There is never any requirement to take aggressive risk. Therefore, you never have to fill in to the tip of the pyramid.

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## Basic Truths about Investing:

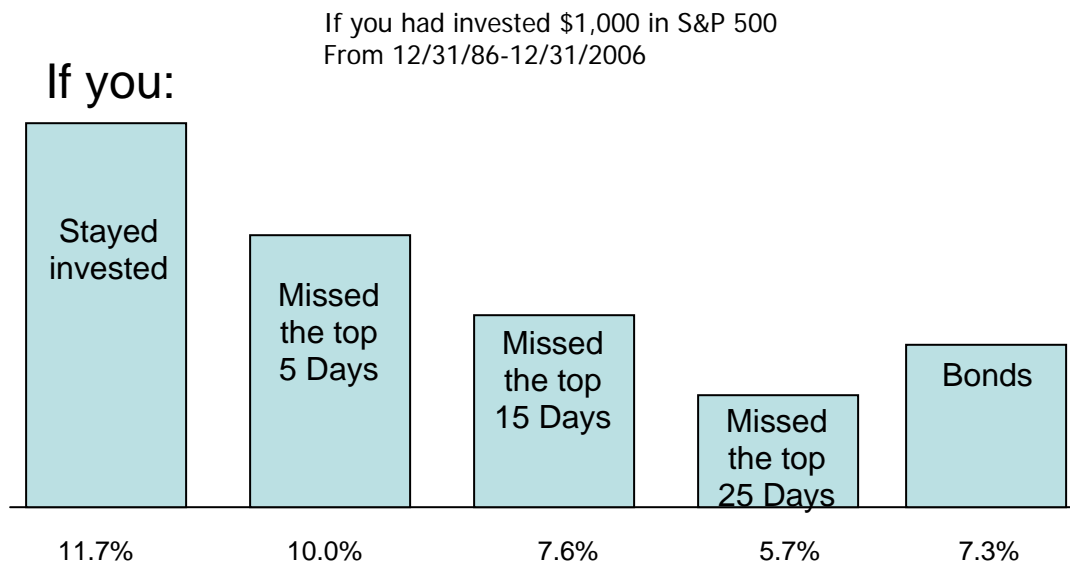
1. Determine your **risk**
2. Determine your **time horizon**
3. Establish your **emergency cash needs**
4. **Work with a professional** and **build a properly diversified portfolio** based on your personal risk tolerance. Too many clients will buy one investment here, and then get another over there thinking they are diversified. Soon, they realize that investments bought in two different places, for the sake of diversification, are substantially the same, so they are really “overlapped” in their investments; they just have two different places reporting to them. Being diversified has nothing to do with hiring several coaches to help you. You can hire one coach or financial planner and achieve all of the diversification that you will ever need. Diversify your investments, but don’t scatter.
5. **Do not delay.** You do not have the time to delay. That does not mean that you should hurry or rush into an investment plan that isn’t comfortable. What it does mean is that when you determine your goals and dreams, when you hire a financial planner, when you have created your team of professionals, then build your portfolio and move forward. Many will delay and drag their feet, but this is a plan for your financial well being. Don’t put it off.  
NOTE: You do not have to implement the whole plan at once. You should implement the pressing part of the plan first (perhaps a need for more income), and after you are ready, start implementing the rest.
6. **Invest to beat inflation, not the market** (unless you are willing to take on the risk of the market, which most investors are not willing to do). **Don’t take too little risk.** It is easy just to buy CDs. It is easy to just do nothing. In this case, easy is often not what is right for you in the long run. You cannot do proper long-term planning with short term CDs.
7. There will always be reasons not to invest. **Invest anyway.**
8. Have a **reasonable expectation** of return based on the amount of risk you are taking.
9. Invest in both stocks and bonds. **Buy quality**, proven investments that have a track record of at least five years! I prefer ten years, but the lesson here is: Don’t buy something that hasn’t weathered good and bad markets.
10. Where available, **reinvest.** The power of compound interest is wonderful. Stocks that pay dividends allow you to start the compounding and with most brokerage accounts, automatic dividend reinvestment comes at no transaction charge.
11. Realize that the **market fluctuates.** By diversifying you will be in position when the market rotates to you.
12. Don’t let the **tax tail wag the dog.** Taxes are part of life. We have to pay them when due. I have seen people lose money because they didn’t want to pay taxes. Well, after they lost money, guess what, they still paid taxes.

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13. **Don't listen to the noise.** Turn off the noise and the programs that sensationalize your emotions about the market. Remember, their job is to sell advertisements. There are so many television shows on now that have so-called "experts" giving you advice. Don't forget that their sole purpose in life is to *entertain* and *sell commercial time*. Turn them off. Don't get caught up in the short-term emotion and "hot stock tip" mentality.

14. **Don't time the market.** No one has figured out how to time the market, so don't wait on the side and watch. Study after study shows that if an investor remains invested in good solid quality investments over time and they are able to ride out the short-term emotions, they are significantly better. Consider the chart below showing how your return would have been dramatically different if you have tried to time the market, but missed some of the best days.

### Don't try to time the market!



Source: Ned Davis research, 12/31/2006

15. **Build your portfolio for the long run** (even if that is only five years). Do not focus on the gains that you have made year to date. Do not look at where you are going to be in six months (that's too short). Look at how your portfolio holds up over time, in good and bad markets, and your ability to outpace inflation. Look for companies that consistently earn profits. Yes, their stock prices will ebb and flow with the economy, but in the long run should create an increasing income stream and future increases in your standard of living. You cannot make a long-term plan based on short-term thinking.

16. **Never buy anything you don't fully understand.** There are some complicated programs out there.

17. **Don't ever buy from someone you don't trust.**

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18. **Don't chase last year's winners.** Don't chase performance. Winners can sometimes (and often) become next year's losers. Very rarely does a stock or mutual fund perform the best more than two years in a row. The amount of risk that made that fund the best this year may cause it to tank next year. Consider the following analogy.

Think of a five lane superhighway. You are on the superhighway, and invariably there is a slowdown and traffic has slowed to a near crawl. If you are like me, you always get into the wrong darn lane. What is the lane doing just to my left? Yep, it's moving. So, what do I do? I change lanes. Now what? That lane stops, and the lane that I was in starts moving. You know the drill. You can see it happening, and you are probably laughing at me at this very moment.

Well, the best way to get through that slowdown is to be in all the lanes. I can't do that as I drive, but in the investment world I sure can. The best way to get to your financial destination is to be in all five lanes. At any given moment, you will have two or three lanes just moving right along, and if those lanes slow down or stop, then you will already be in the other lanes that start moving. This is why you diversify. Don't jump to last year's winners just to discover they stop and the investment that you were in starts moving.

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### **Stick to your plan, not to your (and the noisemaker's) emotion**

Most investors buy and sell on emotion. This will prove to be a challenge over time. There are significant emotional reasons to be concerned about the world condition. Every time we turn on the news, there is another story about something. But we have to remember, that two-thirds of the U.S. economy is driven by consumer spending and that in the long run company stock prices will go up as they earn a profit. Short-term emotions should not prevent us from having long-term financial plans.

Wouldn't it be great if you could reach back in time and purchase such companies as AT&T, Wal-Mart, Home Depot, 3M, Johnson and Johnson, etc. If you could have purchased these and other companies ten, fifteen even twenty years ago, think of the wealth that would have been created. It is always better to look behind and see what happened than try to look ahead and predict. When we look behind, we see the objective reality. As we live and look ahead, we feel the emotional present and see the emotional future. The emotional present seems to somehow prevent us from making longer term plans that in the future, we will look back on and wish we had made.

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Sure not all of the decisions made would have been successful but more would have been than not.

During anytime in our nation's history, there has always been bad news and otherwise reasons to be nervous about the market and the economy. Let's consider reasons *NOT* to invest.

- 1941 Pearl Harbor Attacked
- 1950 US sends troops to Korea
- 1957 USSR launches Sputnik
- 1960 Bay of Pigs
- 1961 Cuban Missile Crisis
- 1963 President Kennedy is assassinated
- 1974 President Nixon resigns
- 1980 Out of control inflation
- 1987 President Reagan incites with "Tear Down this Wall"
- 1987 Black Monday
- 1991 Desert Storm
- 1998 President Clinton Impeached
- 2000 Y2K
- 2001 9/11
- 2005 Hurricane Katrina
- 2007 Sub-prime market meltdown
- 2008 Record high prices for a barrel of oil and financial crisis

There are always reasons not to invest. Don't let the emotions of the day prevent you from moving forward with your plan. Just think how your life would be financially different if you invested in solid blue chip companies in the early 1980's. What I would give to have been able to invest in solid companies like Coca Cola, Wal-Mart, Johnson and Johnson and the list goes on. Investing when there is bad news will take some courage, but courage well spent. History has shown that in spite of any reasons listed above, long term financial wealth is created in times you least expect it.

This handout is not a solicitation to buy any investment whatsoever. You will want to consider your own circumstances before making any investment decisions. When available, read the prospectus carefully before investing. Investing has risk. Investments are not guaranteed, may lose value and are not FDIC insured. You should consult with a professional to consider the appropriateness of certain investments that may have been discussed in today's presentation. All facts are mentioned to the best of the presenter's ability and are not guaranteed. Interest rates are subject to change. Past performance is not indicative of future returns.