

Money Matters

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Skloff Question of the Month: Do Women Face Unique Challenges with Finances?

By Aaron Skloff

Q: Do women face unique challenges and opportunities with their finances?

A: Yes. The Problem: Many women are remaining single, marrying later in life, getting divorced more frequently and outliving their spouses by an average of seven years. Due to these factors, almost 90% of all women will end up managing their finances alone at some point in their lives, according to the National Center for Women and Retirement Research. Unfortunately, the first time that many women become truly involved with their financial matters is during a crisis, such as a spouse's death or divorce.

When surveyed, 37% of women thought they would need to financially support an adult child and 38% thought they would need to financially support aging parents. More than 70% of Baby Boomers have at least one living parent. The Sandwich Generation, as they are called, care for their aging parents while supporting their own children, is often stretched to the point of snapping.

The Solution. Fully understand your family's finances or your own if you are single. This includes your sources of income and expenses as well as your assets and liabilities. Gain an understanding of your employee benefits.

This includes pensions, 401(k)s, 403(b)s, health insurance, life insurance and long term care insurance. Review your tax situation. This includes preparing for tax obligations and developing avoidance and mitigation strategies. Review your estate plan to protect your family and avoid estate taxes. This includes updating your will, living will, power of attorney and trusts.

One of the most important goals for many women is retirement. Since women often assume the caretaking responsibilities for children, aging parents and infirmed spouses, their long term salaries, employee retiree benefits and Social Security benefits are compromised. Make sure you are saving and investing enough to meet your short and long term goals.

Married women need to learn more about their money, where it is invested and why it is invested as such. Risk diversification is widely recognized by finance academics and practitioners as the most important risk management technique.

Too many women rely upon their spouse, loved ones and friends to guide their financial matters. Some rely upon Financial Advisors who are not obligated by law to place clients' interests before every other party, including the shareholders of their investment firm.

While all of these sources of guidance may have the best intentions, none have the experience, licenses and legal obligations required for such an important matter. Ideally, seek guidance from a Financial Advisor who is obligated by law to place clients' interests before every other party, including the shareholders of their investment firm – this is called true fiduciary duty.

Another important goal for many women is having sufficient resources to meet health care costs in retirement.

A recent study showed that a 65-year-old couple retiring in 2010 will need \$250,000 to pay for medical expenses throughout retirement, not including nursing-home care. That estimate is 56% higher than in 2002, when the calculated retiree health care costs were \$160,000.

Although the average stay in a nursing facility is 2.5 years, it is longer for women. This translates to approximately \$210,000, based on the average stay and the national daily rate for a private nursing home room. The average length of time for home care services is 3.6 years.

Action Step: Develop a clear actionable financial plan that addresses your most important goals.

Optimize tax advantaged investment vehicles and maximize tax deferred and tax free retirement accounts.

Devote the ongoing time and resources needed to address your finances or seek guidance from a Financial Advisor who is obligated by law to place clients' interests before every other party, including shareholders of their investment firm.

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