

Women & *Wealth*

7 Critical Questions



Women and *Wealth*:

A Shifting Story

While the wage gap between men and women continues to narrow, women often take a backseat when it comes to their family's wealth management and investing decisions. However, the tide may be turning.

Consider:

- In 45% of American households, women now earn as much or more than their male partner.¹
- Women in America start more businesses than men—and single women are more likely to own a home than their single male counterparts.²
- The share of wealth controlled by American women is expected to rise to roughly \$30 trillion by 2030.³

Despite these shifts, many women remain uncertain about their finances. Only 25% of affluent women say they're comfortable making their own financial decisions, compared to 40% of men.⁴ Similarly, almost 50% of women with annual household incomes over \$200,000 still worry about their financial security.⁵

Women's Earning Power is Growing

In households,

45%

of women earn as much or more than their male partner.

Challenges remain as only

25%

of affluent women are comfortable making financial decisions.

¹ <https://www.pewresearch.org/social-trends/2023/04/13/in-a-growing-share-of-u-s-marriages-husbands-and-wives-earn-about-the-same/>

² <https://www.washingtonpost.com/business/2024/01/16/women-economic-power-demographic-shifts/>

³ <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>

⁴ <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>

⁵ <https://hermoney.com/invest/financial-planning/yes-even-higher-earning-women-worry-about-money/>

Sources: Pew Research Center; McKinsey & Company

As women continue to accumulate and save, they are increasingly looking for ways to enhance their financial acumen. This trend will only gain momentum as a growing number of women inherit the assets passed on by their baby boomer parents.

All this means that it’s time for women to take control of their own financial futures. After all, with knowledge comes power, which makes it important to amplify your financial knowledge.

To get a head start, here are seven questions you should ask yourself—and seven actions you can take—to protect your wealth for the future.

Table of Contents

Am I Investing Well?	4
Do I Need a Prenuptial (or Postnuptial) Agreement?	5
Is My Life Insurance Sufficient?	6
Are My Parents Set for the Future?	7
Are My Long-Term Health Care Costs Covered?	8
Is a Charitable Giving Strategy Right for Me?	9
Do I Have a Financial Plan in Place?	10
Ask Questions and Own It.....	11



7 Questions to Boost Your *Confidence*

1

Am I Investing Well?

Investing is critical for building wealth and preparing for your future retirement. Although your investment approach will be unique to your risk profile and values, consider these common practices:

Tax Diversification

Diversification is a familiar concept with investments. However, not everyone realizes that diversification applies to tax treatment too. Creating a tax-efficient portfolio involves allocating your holdings across investments that attract different types of tax treatment. There are basically three tax “buckets” investments may fall into:

- **Taxable investments**, such as savings and brokerage accounts, where gains realized are fully taxable at year end.
- **Tax-advantaged investments**, such as Roth IRA or Roth 401(k) accounts, where contributions are made with after-tax dollars, so earnings grow tax free and there are no taxes on withdrawals, as long as certain requirements are met.
- **Tax-deferred investments**, such as 401(k) and IRA accounts, where earnings grow tax free, but withdrawals are taxable and Required Minimum Distributions (RMDs) begin at age 73.

Most often, people are over-concentrated in tax-deferred investments—which translates into bigger tax bills in retirement. Tax diversification can help you guard against this by filling different tax buckets based on your income needs and shifting tax bracket.

Buy and Sell Strategy

You’ve likely heard of the “buy and hold” strategy, where you buy stocks and hold them over time regardless of market fluctuations. Although there is data backing up the efficacy of this approach, it also introduces a risk that is not always acknowledged. If you invest too passively during your accumulation years, you may miss the opportunity to over- or under-weight sectors in your portfolio based on the current macro-economic landscape. This is particularly relevant in a market characterized by volatility, uncertainty, and complexity.

Tip: Consider State Taxes

If you have excess savings today and are in a high tax bracket (and living in a high income-tax state), you may want to consider treasuries and/or municipal bond-backed savings where you may save on state taxes. Traditional money markets, savings accounts, and certificates of deposit (CDs) all have interest that require tax payouts.

2

Do I Need a Prenuptial (or Postnuptial) Agreement?

Relationships are complicated and not every marriage will stand the test of time. Without a prenup, any assets in your joint accounts will be split according to state law in the event of divorce. Your retirement assets may be split as well. Depending on how much you've saved, and the value of your spouse's accounts, you could find yourself in a precarious financial position. In fact, 62% of divorced women say they are worried about their ability to comfortably retire.⁶

Prenuptial Agreements

One way to free yourself from the mercy of the legal system and gain greater control over how your assets are divided is by entering a prenup. Many couples draft these agreements after engagement, but before marriage, to protect their wealth upon separation or divorce. These contracts allow you to decide what property should remain separate and set out each spouse's right to manage or control specific assets or property holdings.

Postnuptial Agreements

If you didn't enter a prenup before marriage, another option is to consider a postnuptial agreement—a contract that may deal with issues such as the division of assets, protecting an inheritance, or providing for the children of a previous marriage. While the conversation about creating and signing a postnup can be uncomfortable, it may be worth tackling as your personal wealth grows, if you or your spouse own a business, or if you anticipate receiving a large inheritance.

Tip: Lead With Positive Intent

If you have concerns about how your partner may react to the suggestion of a prenup or postnup, one way to allay them is by clarifying your intent. Most people enter these legal arrangements to protect the next generation—an objective that may resonate equally with you and your partner.

⁶ <https://www.marketwatch.com/press-release/women-taking-on-more-financial-responsibility-2713923a>

3

Is My Life Insurance Sufficient?

As women become more active contributors to household finances, it becomes increasingly critical to ensure that your spouse and family are taken care of in the event of your death. That’s particularly true if your family relies on your income for expenses such as mortgage payments, childcare costs, tuition, or debt repayment. A robust life insurance plan can give you peace of mind knowing your family won’t be struggling with finances while they navigate life without you. As an added benefit, the proceeds of your policy may be excluded from probate if you designate a beneficiary.

Irrevocable Life Insurance Trust (ILIT)

To provide your beneficiaries with a tax-exempt inheritance, you may also want to consider an Irrevocable Life Insurance Trust to hold your life insurance policies. When properly established, this type of trust will remove life insurance policy proceeds from federal estate taxation—and may even provide your estate with the funds it needs to pay estate taxes.

Tip: Think Big

Although you may have considered sufficient life insurance to replace your lost wages, it can be helpful to contemplate the replacement cost of all the care your family may need in your absence, including future expenses such as your children’s college tuition or weddings.

4

Are My Parents Set for the Future?

As your parents age, it makes sense to talk as a family about estate planning, long-term care, medical directives, and quality of life. Too often, families are forced into difficult decisions during health emergencies. If you haven't taken time in advance to learn your parent's wishes, understand their concerns, and review any arrangements they may have made, you may find yourself making knee-jerk choices during a time of emotional turmoil.

Family Conversations

To make sure you have the information you need to execute on your parent's intentions, it can be helpful to facilitate family conversations about wealth transfer. This can give you the opportunity to find out where your parents keep their important financial, legal, and medical documents; whether they've created a list of their financial accounts; where to find contact information for their attorney, accountant, and financial advisor; and if their beneficiary designations are up to date.

Tip: Take the Initiative

Many older people neglect to bring their kids into their financial conversations because they don't want to be a burden. By taking the initiative to start the conversation, you can help your parents bridge this tricky subject.

5

Are My Long-Term Health Care Costs Covered?

While life expectancy rates in the US have declined in recent years, women still outlive men by roughly six years.⁷ Beyond the impact this can have on retirement savings, living longer can also translate into higher health care costs. For example, on average, assisted living costs \$54,000 per year, home health aide costs almost \$62,000 per year, and a private room in a nursing home tops \$108,000 annually.⁸ To cover these costs, you need to prepare in advance.

Filling the Health Care Gap

Although Medicare will likely play a key role in your overall health care, it may not cover all your health-related expenses. To close that gap, consider alternatives such as a public marketplace health insurance plan if you are self-employed or don't qualify for Medicare. Another popular option is a Health Savings Account (HSA), which allows individuals enrolled in a high-deductible health plan to save for future qualified medical expenses on a tax-free basis.

Tip: Consider Long-Term Care Insurance

Long-term care (LTC) from Medicare lasts only 100 days. For extended coverage, consider a long-term care insurance policy. This can give you and your family the flexibility to find the right care for your situation.

⁷ <https://time.com/6334873/u-s-life-expectancy-gender-gap/>
⁸ <https://www.genworth.com/aging-and-you/finances/cost-of-care.html/>

6

Is a Charitable Giving Strategy Right for Me?

Donating to charity is an excellent way to support causes that matter to you. However, to maximize its impact and minimize your taxes, it makes sense to think through a charitable giving strategy. Some tax-smart ways to maximize your financial support include itemizing and bunching your deductions, donating appreciated assets, or donating through a Donor Advised Fund (DAF).

Donor Advised Funds

Some investment companies and community/public foundations let donors set up accounts to support charitable causes. By giving up legal control of the donated assets, you (or your estate) can realize an immediate charitable deduction. Then, on a go-forward basis, you can direct the organization where to gift the funds.

Tip: Use Qualified Charitable Distributions (QCDs)

If you're already taking Required Minimum Distributions (RMDs) from your retirement account, and they exceed the amount of money you need, consider a QCD strategy which lets you send payments directly from your retirement account to the charity of your choice—reducing your income (and taxes owing) in the process.

7

Do I Have a Financial Plan in Place?

A financial strategy should be two things: flexible enough to address an uncertain future and unified. Too often, however, women don't take steps to receive financial advice specifically geared toward their financial realities. As a result, you could end up saving too little for the future—or saving so much that you sacrifice your lifestyle today.

Pursue Personalization

Taking charge of your financial future means pursuing a highly personalized approach to financial planning. Ideally, you'll want access to tools to help you visualize your probability of future financial success based on a range of scenarios with various input factors, such as asset allocation, age at retirement, current assets, and savings strategies.

**Tip: Unify
Your Financial
Planning**

There are three key pillars to financial planning: tax, investments, and legal. A unified plan is one where the three pillars work together, not in silos. If your three pillars are not currently unified, look for a financial advisor who can help you coordinate and simplify your whole financial life.

Ask Questions and *Own* It

Although wealth management may be new to you, it doesn't have to be daunting. Many women say they lack financial self-confidence, but the way to overcome that is by asking questions and owning it. Remember: you are entitled to understand the ins and outs of your financial plan, and the steps you need to take to prepare for your financial future.

Finding Specialists You Trust

According to a recent global study released by the Financial Planning Standards Board, 87% of people who work with certified financial planners say they feel financially secure—and 86% say they are tangibly better off.⁹ In addition, 51% of investors who receive professional financial advice say it has positively impacted their mental health.¹⁰ Realizing these benefits, however, hinges on finding a financial advisor you trust. This means working with someone who can answer the questions you ask—and the questions you may not even have thought of.

Preserve What You've Built. Protect Who You Care For.

At Wealth Enhancement Group, we don't approach your unique situation with a one-size-fits-all formula. Instead, we unlock your wealth's potential with our team-based approach. Our specialists dig into every detail of your financial picture to find the opportunities others overlook, to help you achieve the financial life of your dreams.

Our 3-step UniFi™ process ensures every aspect of your financial life is organized, accounted for, and explained. This gives you a comprehensive view of your financial information, called your UniFi™ inventory. We get to know the details of your financial goals in the context of what matters to you. Additionally, our Roundtable™ team of financial specialists collaborates to make sure your financial plan is addressed from every angle, because we're committed to giving you the care you deserve—so you can protect who you care for.



A 3-step process designed to simplify your financial life.

With every passing year, female investors gain control of more of the world's wealth. As your financial life evolves, the advisors at Wealth Enhancement Group are here to guide you every step of the way, delivering a level of service that defies convention and exceeds your expectations.

⁹ <https://www.fpsb.org/news/financial-planning-leads-to-better-outcomes-beyond-wealth-but-myths-persist/>

¹⁰ <https://www.fpsb.org/news/financial-planning-leads-to-better-outcomes-beyond-wealth-but-myths-persist/>

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Your financial future is now. We're here to help you plan for it.

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