

Financial concerns of women

The BMO Wealth Institute provides insights and strategies around wealth planning and financial decisions to better prepare you for a confident financial future.

Women have made incredible strides, both professionally and personally, in the last half-century. They are better educated, have greater responsibility in the corporate world and are leaders in many professions. Despite the professional and financial successes that women in the workplace have earned in recent generations, they are still facing personal issues and unresolved challenges.

Male superhero characters dominated the golden age of American comic books from the late 1930s to the 1950s. In those early years, the only female character to gain any prominence was Wonder Woman¹. This paralleled societal expectations of the roles of men and women at the time, with men having the responsibility to provide financially for their families and few women working outside the home. *Like many superheroes, and the many incredible women in our lives, Wonder Woman has both substance and great inner strength.*

When Wonder Woman was introduced by psychologist William Moulton Marston in 1941, it was explained that her role was *to set up a standard among children and young people of strong, free, courageous womanhood; to combat the idea that women are inferior to men, and to inspire girls to self-confidence and achievement in athletics, occupations and professions monopolized by men because the only hope for civilization is the greater freedom, development and equality of women in all fields of human activity*². It should not be surprising that Wonder Woman was created shortly after women gained the right to vote with the passing of the 19th Amendment only 20 years earlier³. Her character incorporates and embodies many of the struggles of the women's movement from the early part of the century⁴.

Today, women have made incredible strides, both professionally and personally. Women are better educated, have greater responsibility in the corporate world and are leaders in many professions. According to the National Center for Education Statistics, female college enrollment in 2012 was significantly higher than male enrollment, both in undergraduate programs (56% vs. 44%) and in graduate level programs (59% vs. 41%)⁵. In fact, women have outnumbered men in higher education since the late 1970s⁶. This represents a major change from the early 1900s when only 19% of all undergraduate college degrees were earned by women⁷.

In 1940, before the start of World War II, women made up only 27% of the U.S. workforce⁸. Women now hold the majority (52%) of management, professional and related positions⁹. Women are successful in many professions, comprising 60% of accountants and 54% of pharmacists nationwide¹⁰. However, one area that has not seen comparable growth is the top leadership position in the country's largest companies. As of 2014, women held less than 5% of the CEO positions and only 25% of executive and senior level roles at S&P 500 companies¹¹. In time, more top roles will likely be filled by women as exceptional women move up through lower management ranks, where they are already in the majority.

With all of this progress, women are now the primary breadwinners in over 40% of U.S. households. This represents an almost four-fold increase from 1960¹². Women also own 30% of all private businesses in the United States, employing over 7.8 million Americans¹³, and control 51% (\$14 trillion) of U.S. personal wealth. The wealth that women control is expected to grow to \$22 trillion by 2020¹⁴.

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Despite all the professional and financial successes that women have earned in recent generations, they are still facing personal issues and unresolved challenges. The U.S. Census Bureau reports that women overall earn only 78 cents for every dollar that a man earns. While this gap is still large, it is smaller than it has ever been¹⁵. And women aged 25 to 34, who are better qualified than older age groups, earn 93 cents for every dollar that a man earns¹⁶. Much of this differential increase is tied to improved education and employment opportunities for women.

Equally troubling is the fact that highly paid time-starved women are still taking on significantly more of the housework than their spouses. They are also more likely to be unhappy in their marriages and to get divorced, in comparison to couples where the husband earns more¹⁷. Progress is a double-edged sword, complicated by the pressure many women feel to take care of loved ones, sometimes at their own personal and financial expense. It seems that financial and career success comes at a price for women and there is still more work to be done to truly level the playing field. For many women, taking care of others is a personal expectation, despite its high cost. However, loss of financial independence is a significant concern¹⁸.

The caregiver burden

More women than men are caregivers, and with an estimated 66% of caregivers being female¹⁹. Providing for loved ones is an emotional burden shared by the majority of successful women. Whether it is for elderly parents who have health concerns or have not saved enough for their own retirement, less well-off siblings, or their own adult children who have yet to move out and establish themselves, there is seemingly no shortage of family members to support²⁰. In many cases this support is financial, but often it involves considerable time and emotional capital. A successful self-employed consultant described this challenge to her financial advisor.

When my mother was ill with Alzheimer's I was fortunate enough to have my dad there on a daily basis to be her primary caregiver. However, he needed a break from time to time and I knew my time with my mother was limited. As an entrepreneur I was fortunate enough to have a flexible schedule. However, that flexibility was a double-edged sword. For two years, I struggled with driving the four-hour round trip to see her during the week versus focusing on growing my new business.

No one should have to choose between helping your elderly parents when they need you and running a business. I know a lot of my executive girlfriends have the same dilemma. I tried to find a balance between caring for my mom and taking care of my family and career. Whether it's time or money you contribute, it is emotionally draining.

This emotional burden created by the challenge of trying to balance personal needs and the needs of loved ones can lead to health consequences that include stress, decline in happiness, and less self-acceptance²¹.

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Many professional women are conflicted about taking care of their children or their elderly parents and at the same time focusing on their careers. Talking about this conflict from an emotional standpoint is an important step and should happen before reviewing financial solutions.

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Health care costs keep rising

After several years of historically slow growth in health care spending, the overall cost of health care in America increased by 5% in 2014, compared to 3.6% in 2013²². In 2013, doctor's office visits increased by 2.7%, specialist visits rose by 4.9%, hospital admissions were up 2.6% and spending on medications increased by 3.2%. These increasing health costs will result in much higher health insurance premiums in the years to come²³. As women live longer than men and are often more aware of and proactive about their own health needs, women will also face comparatively higher health-care costs in the years to come²⁴.

For professional and executive women, paying for health care for their parents, for their children and for themselves is a financial issue with real emotional costs. Women are relationship-oriented and focused on others regardless of their disposable incomes. As women typically assume more of the caregiving responsibility than men, the stress that women feel as a result also has a greater negative effect on their own physical and mental health²⁵. With costs of health care increasing, affluent women worry that they may be risking not only their own health, but their own financial security by putting the needs of others ahead of their own requirements.

Becoming financially dependent on others

Of all of the money-based fears, the thought of running out of money in old age is the greatest concern of many affluent and successful women²⁶. This is compounded by the worry of not having anyone to turn to for support. Most of these worries are due to insecurity about long term financial prospects, having spent so much time and energy on day-to-day family concerns.

Even financially astute women who manage their family's financial affairs can worry about not having enough money one day. For example, a 40-something executive couple illustrates these concerns. Even with their high salaries, maximum contributions to retirement accounts, and the purchase of a beautiful retirement property, she is **afraid to stop making money**, fearing **that something's around the corner**. Almost half (48%) of women earning more than \$100,000 have similar fears²⁷.

The daily reality

The combination of professional responsibilities and personal obligations leaves many successful women with not enough time to concentrate on protecting their own and their children's financial futures. To save time, they spend money on products and services that help them to manage their busy lives. Many also feel responsible for their parents' finances and health-care costs. A 50-year-old remarried professional and stepmother of two children described having so many things going on at the same time.

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Being in the sandwich generation is stress on steroids. You think you have launched your kids and you enjoy your career and your partner, and then reality steps in. You have aging parents who need you, kids who can't find jobs, or work so much they need help with their kids, and your job is now asking you to do more with less²⁸.

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It is a myth that women are not interested in their financial lives. They're interested, but they want a female-friendly advisor who will coach and educate them about how to best navigate the twists and turns of their financial lives. Not one that just sells products.

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Many professional and executive women face complex wealth planning challenges due to the various demands on their time and financial resources. A comprehensive wealth plan can help provide for family and loved ones, but also help achieve financial security for themselves, as well.

Taking the next steps

The challenges of taking care of loved ones, the rising costs of health care, and the worry of maybe one day becoming financially dependent on others may be overcome. These issues can be addressed and planned for by following a financial plan, which expresses short-term and long-term goals and how one's current wealth and future earnings will be used to meet each of their goals.

Many professional and executive women say they are too busy to take time for financial planning. But think of a written financial plan as a personalized financial GPS. It helps you know where you are, know where you are headed, track your progress and forecast your path toward the goals that are important to you. While this may sound like a lot of work, a qualified financial advisor can make this process easier for the individual.

Finding an advisor who is a good match is important. This professional needs to not only be competent but also demonstrate an interest in their client's life. Female-friendly advisors ask their clients questions about more than the numbers. They want to know about their values, dreams and concerns. They view the financial planning process holistically. While many women may find discussing their thoughts and feelings about finances uncomfortable at first, a skilled advisor will create a safe environment and in time this process will become more comfortable. As these conversations progress the individual will also examine what is important to them personally—for their family, for their business, for others who are important to them, and most importantly, for themselves.

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Progress complicated by pressures of caregiving

Taking on caregiving represents a much greater source of risk to income security throughout the life course for women than it does for men for a number of reasons²⁹:

- More women than men are caregivers: an estimated 66% of caregivers are female, and, one-third (34%) take care of two or more people.
- Women shoulder the major burden of care, spending more time providing care than men do (21.9 vs. 17.4 hours per week).
- 36% of women caregivers handle the most difficult caregiving tasks when compared with 24% of men.
- Female caregivers are more likely than males to have made alternate work arrangements: taking a less demanding job (16% females vs. 6% males), giving up work entirely (12% vs. 3%), and losing job related benefits (7% females vs. males 3%).
- The total costs are higher for women who lose an estimated \$324,044 due to caregiving, compared to men at \$283,716. Lost wages for women who leave the work force early because of caregiving responsibilities equals \$142,693, and for lost Social Security benefits an estimated \$131,351, and pensions an estimated \$50,000.

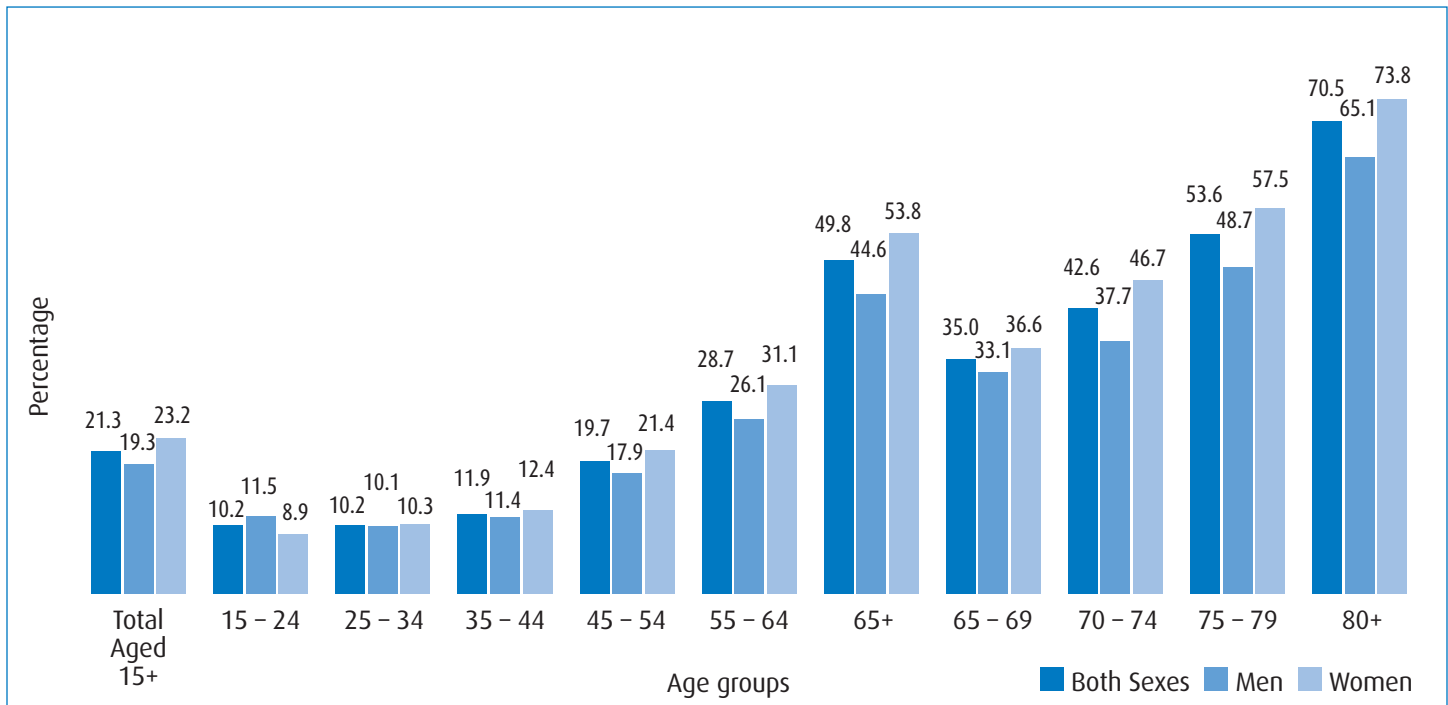
Caregiving is more of a roadblock for women than men.

The economic costs of caregiving pose financial roadblocks and are interrelated. For example, spending more hours caregiving is associated with a higher likelihood of experiencing care-related employment consequences, including missing work days, reducing work hours, and exiting the labour force.

Risk management for potential roadblocks

Talking about money can be uncomfortable at first but is a great way to start addressing concerns with a financial advisor. Whether one feels burdened by the weight of caring for others, worried about the rising cost of health care, or fears running out of money one day, a financial professional can help.

The following chart shows how women have a higher prevalence of disability in almost all age groups. Disability or income replacement insurance can be purchased on an individual basis and used to replace unearned income by providing a monthly benefit during one's working years.



Prevalence of disability by sex and age group

Source: U.S. Census Bureau, Americans with Disabilities, 2010.

Long-term care insurance is an option that can be used to pay for the costs of continuing care well into the retirement years. It can help people maintain their independence by providing financial resources to enable them to determine how and where they choose to live. Long-term care insurance provides a tax free benefit to cover the costs of a nursing home or professional in-home care.

Health insurance can help cover the cost of care should one have an accident or other medical concerns not covered by either Medicare or private health insurance. This is especially important when considering the needs of children. For a self-employed professional, one should check that they have adequate health insurance coverage. If they have health insurance benefits as an employment benefit or through a spouse's plan, it is worth looking at their coverage to determine if supplemental health insurance would be beneficial.

The next step is to establish an emergency fund to ensure that enough funds have been put aside that are easily accessible and sufficient to deal with any unexpected crisis. This may be a health-related emergency, a family member in need, or even an unexpected change in one's employment situation.

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Save for important goals

Implementing a savings strategy to work towards achieving the goals that have been shared with the financial advisor is one of the most important components of a financial plan. The savings will provide the means to be able to take care of loved ones. Exploring the potential benefits of tax advantaged savings is especially important to helping reach goals faster. Executives and business owners may have the ability to invest through company sponsored 401(k) plans. Advantages to investing through 401(k) plans are the fact that contributions are made directly through payroll deductions and that these payroll deductions reduce the amount of income that is subject to income tax. The employer may even provide a matching contribution based on the amount contributed annually. If a 401(k) plan from a former employer exists, there may be benefits from rolling these funds into an IRA. The potential benefits include more flexibility, control and efficiency now and when transferring to heirs.

Self-employed professionals may want to consider a Solo 401(k). They can look at contributing to a Traditional IRA, and depending on their level of income, a Roth IRA plan. Traditional IRA contributions may be tax deductible, while Roth IRA contributions are not, they benefit from tax free growth and withdrawals if certain requirements are met.

Professionals potentially have a reduced number of working years due to advanced study to earn degrees, professional accreditations and licensing. This will result in less time for the compounding of their investments and result in less growth by the time they would like to achieve their goals. This is also the case if time was taken out of the workforce to have or raise children. For these reasons, one should look to be more diligent with their planning and savings to ensure that they can reach their financial goals.

Planning for a lasting legacy

The ability to earn income and the wealth that will be accumulated make it desirable to plan for a lasting legacy. Comprehensive legacy planning incorporates passing on financial assets as well as family values. Enhanced estate planning involves having discussions with loved ones that help to define how they will be remembered. Leaving behind special memories and sharing objects that have sentimental value are two things that will be cherished by heirs. A report from the BMO Wealth Institute called [The Family Conversation You Should Not Avoid: How to Discuss Your Legacy](#) highlights this important goal³⁰.

Part of a lasting legacy may be personal values, so they may need to invest some of their time and resources to share them with their heirs. Teaching one's children about financial management and responsibility will have a long-term positive impact. When the time is right, consider introducing children to the financial advisor, they will be better able to assume this important responsibility.

Implement savings strategies designed to help you put yourself first.

Women typically view money holistically and see wealth accumulation as a way to provide security for themselves and their loved ones. Legacy planning is something that interests and concerns them and should involve passing down not only financial assets but also goals and values to the next generation.

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From a financial perspective, taxes that result from deemed dispositions can be a significant burden for loved ones, so planning should be done to reduce both the tax costs and the complexity of managing any estate that will one day be left. Through discussions with a financial advisor, the benefits and costs of various types of life insurance can be investigated. While term life insurance policies are less expensive than other types of policies, universal life and whole life policies have a savings component that usually accumulates on a tax-advantaged basis within limits in the insurance policy.

Owning a professional practice or business can also make the situation more complex. Succession planning is important to ensure that patients or clients are well cared for and that one's heirs receive the appropriate value that they have built in their business over their working years.

Conclusion

Over the last few decades, the economic power of women has increased, and with this financial success come new challenges. Female executives and other professional women are poised to achieve the equality that Marston envisioned in his character Wonder Woman. But even a superhero needs guidance and support from time to time.

At BMO, we believe that everyone deserves to work with a qualified advisor who can help them plan for whatever the future holds for them and their family. In a positive and safe environment where they can discuss their concerns. By establishing a relationship with a BMO professional who understands a woman's unique financial needs and the importance of financial planning, women can achieve the peace of mind they are looking for.

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Footnotes

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