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Writing Sample; Booklet – "Who Wears The *Financial* Pants?"
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Who Wears The *Financial* Pants?
12½ Ways for Women to Get a Leg Up on Their Finances

Women face many issues particular to their finances. In this book, we touch on just a few. Primarily, we believe that we—as women—need to take as much control and ownership of our money as we have of our careers, personal choices and lifestyles. Over the last several years we have educated many women who follow a similar pattern regarding their finances. This pattern reveals that the role most women have is not one of collaboration. It is more important than ever, for our society and for ourselves, that we begin to change. It is our goal with this handbook to give women a base of knowledge on which to build – so they can wear the *financial* pants.

The following are statistics that galvanized us to write this handbook:

- Death and taxes are *not the only* certainty. 90% of all women will be solely responsible for their finances at some point in their lives.
- By 2010, women will control 60% of the wealth in this country; however, women will remain the majority of the elderly poor in America.
- Women will eat, on average, 32,850 meals during retirement. At $5.00 per meal, that's $164,250! Do *you* know where that money's coming from?
- Women own 48% of all closely held businesses. They employ 19.1 million people and generate $2.5 trillion in sales revenues.

1. Designer Accounts
Are your accounts titled specifically to your personal situation?

Taking into consideration the ramifications of your living situation when constructing your financial plan is important. Are you married? Divorced or widowed? Cohabitating or single? They all affect your assets and how they should be *titled*.

For instance:

- If you become disabled or die, have provisions been made to allow access by another party to bank accounts in order to pay fixed expenses or provide for the immediate care of the family?
- Usually bank accounts and property_titling should be joint, if jointly

owned. Don't allow *only* your husband's or life partner's name to appear on titles (cars, houses, accounts, etc.) Death, divorce, and separation can affect your access to your own assets!

Call Out Susan, age 32, bought a house with her boyfriend four years ago. If they break up, what happens? Who gets what? And how much? An attorney can help a couple draft a pre-determined division of assets – much like a pre-nuptial for non-marrieds.

Call Out Cheryl is a single mom, and only her name appears on her checking and savings accounts. If she dies her life insurance may not pay out for 60 to 90 days! At least one account should have a 'Transfer on Death' title with the guardian/executor's name. This will help with the children's immediate care and the cost of final expenses.

"Nothing in life is to be feared. It is only to be understood." – Madame Curie

2. Stonewashed Heirs
Don't let your beneficiaries get taken to the cleaners

The "financially" well-groomed woman does not let her intended heirs get taken to the cleaners. She plans for a seamless transition. Whenever possible, name beneficiaries, both primary and contingent. If you don't have a named beneficiary, your property may need to be probated.

  - Don't name a minor as beneficiary: insurance and investment companies *will not write checks to a minor.* Further, check your old accounts and policies, to make sure you want to retain the current named beneficiaries, especially if you have been divorced. Ask your financial advisor and attorney about utilizing a trust, if you have minor children, and if one is suitable for your situation.
- Is the amount of insurance on you or your partner's life sufficient in the event of death? Do you know how to calculate the appropriate amount of insurance required, and have you done this?

Call Out Susan, a 45-year-old widow, has two minor children, and is killed in a car accident. Her life insurance policies and her 401(k) still have her deceased husband as the primary beneficiary and name the children as her secondary beneficiaries. Instead of the proceeds of her estate passing seamlessly to benefit the children, Susan's mother, the designated guardian and conservator, now has to work within the legal system to obtain the funds intended for the children, which may cause delays.

"A goal not in writing is simply a wish." – Unknown

3. Your "Investment" Style
Determine your investment risk tolerance and asset allocation

Your investment risk tolerance should be what determines your asset allocation. Risk tolerance is one component of investing that takes emotion into consideration. An investor that feels "comfortable" in the market is going to have a different portfolio than an investor that feels "uneasy" in the market even if the two have identical goals and financial situations.

Key questions to ask yourself when determining how to allocate your assets are:

Investment Goals: Why are you investing? Income, emergency fund, accumulation?
Time Horizon: When will the money be needed? In retirement or for college expenses in the near future?
Liquidity Needs: How quickly do you need to be able to recover your investment and turn it into cash?
Risk Tolerance: How comfortable are you with the inevitable ups and downs of the financial market?
Tax Impact: Will the investments add greatly to your income tax burden?
Economic Conditions: Inflation, interest rates, and the state of the economy are essential factors to consider.
International Exposure: How comfortable are you investing in foreign markets?

"You have to reach a level of comfort with that risk." – Sally Ride, Astronaut

4. Some Pants Are Made For Protection
How do you manage risk?

As you strut down the path of life, one thing is certain: unexpected events will occur that will affect your life. Preparedness for these events may not change the emotional impact; however, the financial burdens can be greatly reduced. Assessing, minimizing and preventing risk should remain a key component to a woman's financial picture.

- Emergencies: They will happen, and timing will never be convenient. Do you have enough in your emergency fund? A good rule of thumb is an amount equal to three to six months of your living expense costs, and this account should retain liquidity.

- Property Insurance: Is your property adequately insured? In the event of a catastrophe, do you know if your homeowner's coverage will be sufficient? Have you made an accounting of your property, and if so, is there an accessible off-site backup.

- Disability Insurance: There's a 30% chance between the ages of 35 and 65 you will suffer a disability lasting 90 days or longer. Do you have the necessary cash or insurance protection to pay your living expenses? Group disability insurance seldom provides more than 60% of your income, is integrated with Social Security benefits, and may be fully taxable.

- Long Term Care Insurance: There is nearly a 50% chance during retirement a person will eventually require 24 hour skilled nursing care. In 2006, the average annual cost nationally for this care was $66,795.

How long could your cash reserves pay for your care?

- Life Insurance: Death - yes, it is a certainty. If you die, do you really have enough life insurance to provide for your loved one's needs?

"We can tell our values by looking at our checkbook stubs." – Gloria Steinem

5. Lining Your Pockets With Free Money
How to take full advantage of your 401(k)

Smart women always recognize a good opportunity. This is the case when you have an employer-matched 401(k) plan. *Always* take advantage of free money. You should contribute enough to receive the maximum employer's match. Then, before making additional contributions to the plan, make sure that you are fully funding your Roth IRA. This tax strategy allows you to reduce your current income (401(k) as well as fund an account that will provide income that will be federally tax free (Roth IRA).

If your company's stock is offered inside the 401(k), be careful not to have too much invested in the stock, even if it has performed well over the years. A good rule of thumb is to not have more than 20% of your total portfolio in company stock.

Also, individuals 50 and older can take advantage of the catch-up provision, which allows contributions in excess of $15,500 (2007).

Finally, you don't want holes in your pockets, and you don't want holes in your financial plan. Therefore, don't leave one of your best assets – your 401(k) – behind when leaving a job. Why? You can roll over your 401(k) into an IRA, have more investment choices, easier access if needed, and you are not subjecting yourself to the plan fees inside the 401(k).

Call Out An employee making $75,000 per year who contributes to a 401(k) that has an employer match of 3% could potentially accumulate $45,000 in free money, not including interest or compounding over 20 years.

"You can be young without money, but you can't be old without it." – Maggie in Tennessee Williams' 'Cat On a Hot Tin Roof'

6. *Financial* Wear and Tear
How does time affect your goals?

Time alters all things. When it comes to your assets, time should be your best friend. Like any best friend, attention is necessary, thus your portfolio and financial goals should be attended to at least twice yearly. Just because your goals do not change does not mean that the market or tax law has not changed.

Some of the considerations that need to be addressed as time passes are:

- Life Changes: Has your living situation or marital status changed? Are you faced with caring for your elderly parents now? Is retirement looming in the near future, and is your portfolio going to be able to provide sufficient income?

- Market Changes: When market changes occur, how is your portfolio affected? Do you find that you are too heavily weighted in the "jewelry and shoes" categories?
- Tax Law Changes: Are you aware of tax codes that can impact your financial plan?
- Inflation: Is retirement looming in the near future and is your portfolio going to be able to provide sufficient income? The future is going to be expensive, and your spending power will be diminished each year. The average inflation rate over the past 5 years was 5.27%, over the past 10 years was 2.84%, and over the past 20 years was 3.59%. When calculating future retirement income, have you considered an inflation factor?

Call Out Kelly has had the same financial goal for 20 years. Her plan requires a 5% rate of return on her investments in order to reach her goals. Karen is six years from retirement and has maintained her savings goals. Unfortunately, she did not review her portfolio holdings and has suddenly realized that her aggressive investments are down 25% this year. If the market does not recover, she will need to work longer, save more or retire on less income

"Change is the law of life. And those who look only to the past or present are certain to miss the future." – John F. Kennedy

7. Put On Your Skinny Jeans

You have just slimed down that tax bill!

It's in everyone's interest to have a good tax strategy. Your advisor should work with your CPA to help limit your tax liability. After all, we do need public schools, a strong military and some kind of social welfare system, but why should more come out of *your* pocket than absolutely necessary?

Tax issues that a woman needs to consult her CPA and financial advisor about include:

- Divorce: When should you start filing a separate return?
- Marriage: When should you start filing joint?
- Should you file single or head of household?
- 401(k) Contributions are not the only tax deductible/efficient way to save.
- After-tax savings can still be tax-efficient through the investment vehicles that you chose.

Call Out When is a million dollars not a million dollars? When it is in a 401(k). Keep in mind that *everything* will be taxed at some point and an efficient tax strategy will allow you to tax defer the growth.

"Intaxication": Euphoria at getting a refund from the IRS, which lasts until you realize it was your money to start with." – From a *Washington Post* word contest

8. Home is Where You Hang Your Pants
Do you pay cash for your home or carry a note?

Our experience in working with both women and men has revealed that women tend to want to pay off their mortgage more so than men. This is an indication of women's need for security. You need to keep in mind that your mortgage is generally *good* debt.

If an investment can generate the cash flow to pay your mortgage, then it is a wise decision to not pay cash when purchasing a home. Carrying a note that will allow liquidity so that your cash is not tied up in a single asset. Also, if your investment can earn a greater rate of return that the interest rate of your note, you are generating what is called a 'profit margin'. Remember that you cannot live in your investment. Your home becomes an investment only at the point you decide to sell and liquidate.

You should put enough down to avoid PMI when making your purchase. PMI is insurance that the *buyer* pays for to cover the *lender's* risk when that buyer has a down payment less than 20%. Some mortgages, such as FHA or VA loans, require PMI. When you've accrued 20% of equity in your house – cash you've paid – the lender may waive the PMI upon your request. And yes, *you* have to do the asking, or else you can end up paying PMI *long* after the point it's required.

"I long, as does every human being, to be at home wherever I find myself." – Maya Angelou

9. Delicate Cycle
A woman's tendency to *financially* nurture.

There's a reason why the flight attendant always gives the instruction, "If you're traveling with a small child, be sure and put on *your* oxygen mask on first." If you pass out because you attended to the children first, then who's going to take care of *you*? No one. Women have to fight the hard-wiring that compels them to nurture others – even to their own financial detriment. The best gift that you can give is to take care of your financial future so that you do not become dependent on your children one day.

Call Out Francesca is a client of ours that has an adult son that periodically requires loans from Francesca. After taking a cash balance pension, she is afraid to invest $150,000 of that into the market because the son might need it as a loan. That was three years ago and the cash is still there, only earning a 1.2% money market rate. Unfortunately for Francesca, she requires a 4.5% rate of return or she will need to work five additional years.

Call Out Are you a member of the "sandwich" generation – a woman caring for *both* children and aging parents simultaneously?

"If you want children to keep their feet on the ground, put some responsibility on their shoulders." – Abigail Van Buren

10. *Pssst…*Your Zipper is Down
Advocates are there to tell you what you need to know but don't.

Find a financial advisor who will be your advocate – because what you don't know *will* hurt you! Women – married women, anyway – tend to leave financial affairs in their husband's hands. Did you know that 70% of widowed women change financial advisors after their husbands die because, until that point, they've played no role in the area of their own lives?

A good financial advisor does not expect you to just sit back and take their advice blindly. They want you – need you – to understand why this plan suits you in particular and what strategies will facilitate your goals.

Call Out Karen is 60 years old. Her husband, who suddenly died last year, had always handled their investments. Despite Karen being a bright and knowledgeable woman, she has never been involved in the financial decisions. With her retirement coming up in two years, she is not aware of the fact that she needs to make drastic changes to her portfolio due to all of the life events that have taken place.

"It is not fair to ask of others what you are not willing to do yourself." – Eleanor Roosevelt

11. Your Kick in the *Financial* Pants
It's time to get over your mental roadblocks!

Roadblocks that keep women from taking control:	**Roadblock Therapy: Accept Reality**
"My husband handles that."	Your husband may not come home, statistically speaking. Are you prepared to take over where he left off?
"I will receive an inheritance."	Think so? My wealthy-for-their-time grandparents spent from age 86 to 94 in a nursing home. The total cost was over $1,068,000!
Emotional attachment to a current plan or advisor that is stagnant.	We have seen clients attached to a plan that made no sense logically. You are not married to any plan. Change can be good (and profitable).
"I can catch up later."	Possible? Yes! Painful? Undoubtedly!
"I will be in a better position to save later."	Power of compounding: A little now equals a lot more later.
"My business is my retirement plan."	Without a Buy/Sell Agreement in place, NEWS FLASH! …You are just fooling yourself.

Call Out The US Department of Labor reports that only 47% of women participate in the pension plans for which they're eligible.

"Take your life in your own hands, and what happens? A terrible thing: no one else to blame." – Erica Jong

12. Social Security is only a *Financial* Accessory
Why it is important to plan beyond social security.

There is absolutely **NO** "rule of thumb" when it comes to Social Security. Not only is every individual's projection drastically different, but a single individual can also have dozens of caveats to their benefits.

If you require retirement income greater than what social security provides, your social security income is merely an ***accessory to your retirement***. In many cases, social security represents only 50% of desired income.

Strategies to make the best use of your social security benefit exist, so ask your financial advisor to explain your options and help you decide which is best for you. You can also learn more about your social security benefits by going to www.socialsecurity.gov.

About Social Security's Future…"In 2017 we will begin paying more in benefits than we collect in taxes. Without changes, by 2041 the Social Security Trust Fund will be exhausted." – Social Security Trustees Annual Report to Congress

Call Out Iris, who is 62, will retire this year, and she could take her monthly social security benefit of $650 now. However, her monthly benefit at age 70 is $1100. If she lives beyond the age of 82, Iris would be better off to take her benefit at age 70. She would have a gross margin profit of $2,400, increasing every month after age 82.

"From birth to age 18, a girl needs good parents, from 18 to 35 she needs good looks, from 35 to 55 she needs a good personality, and from 55 on she needs cash." – Sophie Tucker

12½. One Leg at a Time
How do I start the education process?

Whether it is through socialization or lack of education, women tend to defer decisions regarding what is best for their financial futures to the men in their lives (fathers, brothers, partners, husbands). The problem that arises from this deferment is that statistically, women will find themselves alone at some time in their lives due to death or divorce, and that is not the optimal time to learn about financial planning. Take ownership and don't let someone else decide what is going to fit you financially.

Knowledge will set you free. The path to knowledge is through questioning. If you have an investment that you do not understand, do not hesitate to pick up the phone and call your advisor.

Without the proper knowledge, one of two things is going to happen:
1. What you don't know will hurt you, or
2. You will know enough to be dangerous.

Other Education Resources:
- Take a class on personal finance a community college

- “Every Women’s Guide to Financial Security” by Stephen Rosenberg
- “Smart Women Finish Rich” by David Bach
- Join an investment club

<u>Call Out</u> Recently deciding to take ownership of her finances, Lori interviewed a new financial advisor last week and could not answer questions about her current management fees, rate of return or portfolio allocation on her investments. Her only form of contact with the previous advisor had been the receipt of quarterly statements. Now, as a result of working with the new advisor and having a common, stated goal with continuous review, she is able to make informed decisions in regards to her financial future.

“The willingness to accept responsibility for one's own life is the source from which self-respect springs.” – Joan Didion

In Closing…
While we have had fun with the topics discussed in our handbook, it is important to note that these are all serious situations and we have seen the effects of not planning properly in many women’s lives. It is our hope that you may have learned something from this book and will act on it to design a better financial picture for your future.

About The Authors
Juliann Smith and Christina Lomas are partners in Advanced Financial Solutions, headquartered on the Country Club Plaza in Kansas City, Missouri with offices in Overland Park, Kansas and Estes Park, Colorado.

With a combined experience of 33 years in the industry, Ms. Smith and Ms. Lomas are established figures in the local financial planning, business and philanthropic communities. Smith, past president of the Kansas City Association of Insurance and Financial Advisors, has been in this industry since 1984. She holds Series 6, 63 and Insurance Licenses in multiple states. Lomas, having been in the industry 10 years holds a Series 6, 63, 7, 65, Insurance Licenses and is a 2007 Chartered Financial Analyst Candidate. They’ve hosted two radio shows, “The Entrepreneurial Moment” and “Unlocking the Secrets of Your Small business” for two years, and as independent business owners they have no financial obligation or motivation from any financial products company, and so are able to give their clients’ objective, pragmatic and goal-oriented advice.

Educating the client is a key part of their firm’s mission and passion – working *with* clients to make sure they play an active role in creating that