



Women's Finances Require Specialized Advice

Introduction

As a financial writer, I am frequently asked about planning or investment strategy. I make it a point to refer people to financial professionals who answer these questions for a living. Recently, a good friend who belongs to a women's business association asked if I knew anyone who could speak to her group about financial planning and investments for women.

I recalled hearing about Jamie Head, a financial advisor who specializes in women's financial issues. I called and he agreed to meet me while attending a convention in San Diego.

Jamie has been a financial advisor for almost 30 years. While he has some male clients, his practice has evolved into one that focuses on the unique financial needs of women. These include women who lack financial savvy because their spouses make the important financial decisions, divorced women, surviving spouses, singles, and women business owners and professionals.

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The Interview

Mitchell: Thanks for getting together, Jamie. I'm fascinated that a financial advisor would specialize in women. Are their financial needs different from men?

Jamie: Many married women are left out of financial decision making or have little input in the financial affairs of their families. When the breadwinner dies or they become divorced, they are suddenly faced with important

financial decisions but lack the acumen or experience to make sound choices. Given the stress of a death or divorce, the situation can be overwhelming.

Mitchell: What is the most common problem you see in these situations?

Jamie: In the case of surviving spouses, misconceptions regarding their financial condition can create unrealistic expectations. I recall one woman whose husband left her \$500,000 in life insurance and the family home. She thought she was well off. She was fairly young and wanted to preserve her principal. She assumed she could live on the interest from the half million. A conservative investment strategy, however, only yields about 5% or \$2,000 a month in income, and that's before taxes. In addition, her husband had taken out a second mortgage on the house and the first mortgage had an adjustable rate. The combined house payment alone was almost \$2,000 monthly!

Another issue is inflation. What happens 5, 10 or 15 years later, when the dollar may be worth half of what it is today? Consider what has happened to the cost of real estate and gasoline in the past couple of years.

Another potential problem occurs if the assets won't generate sufficient income with a conservative strategy. The surviving spouse faces the choice of finding work at an advanced age, dramatically lowering her lifestyle, or adopting a more aggressive investment strategy with the attendant potential for portfolio losses.

Mitchell: Providing for one's spouse in case of death or disability is such an important issue; why don't couples discuss it?

Jamie: There are different reasons. Women typically think about it but don't know how to approach their spouse without feeling awkward or sounding mercenary. Husbands may feel any questions are a challenge to their financial competence. In second or third marriages, the husband's estate may have beneficiaries the new wife is unaware of, such as ex-wives or children from previous marriages. This can be a difficult topic for a new wife to bring up for discussion. I know of one case where the husband died and left his entire estate to an ex-girlfriend. The surviving spouse was left with nothing.

Mitchell: Do women with their own income face different challenges?

Jamie: Yes. They tend to have more financial savvy but many are so busy with a professional career or running a business, they lack the time to safeguard their assets and estates. That's especially true where career women are also raising a family. If the woman is the breadwinner, she must consider the ramifications of being unable to work, unable to provide income for herself or her family.

Another important consideration for women business owners is an exit strategy. What happens if they die, are disabled, want to retire early or sell their business? Depending on the objectives, there must be a strategy in place that maximizes the benefits for the business owner. If the woman is the primary asset of the business, her death may leave the business with no value. Disability insurance may have to be used to pay business overhead if there is no contingency plan for creating additional income while she is unable to work. A competent advisor may be needed to provide a gentle nudge to get busy successful women to create an exit strategy.

Mitchell: What are some financial “basics” women should look into?

Jamie: They should make sure they and their spouse have an estate plan and that documentation is up to date. Financial and healthcare power of attorney forms should be in place so she can make those decisions if necessary. Without a *No Resuscitation* document, a \$500,000 or \$1,000,000 estate can quickly be decimated by medical expenses. Most couples hold their assets in joint tenancy but the spouse should ensure she has the authority to sign and make decisions if necessary.

Mitchell: Any final thoughts for readers?

Jamie: Two thoughts: Women often fail to use the tools available to them, such as trusts. Whether you are single, married or re-married, trusts can make certain your share of the family’s assets don’t go to a future female companion instead of to your heirs in the event of your premature death. Trusts can prevent your assets from being used for the nursing home expenses of a new spouse.

If you want your spouse to have access to the income from the assets during his lifetime, a trust allows you to make sure the money eventually goes where you want it to go, and not to some unrelated family.

Everyone *thinks* about their financial future, but most people fail to actually *plan* it. I think it’s really important for women to ask themselves some hard questions about their finances and their future, for example:

- Today is the Eve of the rest of my life; do I know what my financial future will be?
- If I continue to do what I am doing today, I’m likely to be in the same place in the future. Am I satisfied with where I am financially?
- I know where I want to be someday, but do I have a reliable financial map to get me there?

Mitchell: Good advice. Thanks, Jamie.

Michael Mitchell is an independent financial writer based in San Diego.