REGIONS

Regions Wealth Podcast
Women and Wealth: Rebounding From the Financial Impact of COVID-19

Episode #31:

The pandemic has had a significant financial impact on women of all income brackets. In a recent survey, 72% of women with investable assets of at least $100,000 said their retirement plans have been impacted. Thankfully, there are options to help you back on track. In this episode, we chat with Area Investment Executive Deena Espinosa about what steps women can take to rebound and recoup their lost wealth.

Episode Transcript

Sarah Fister-Gale:

Welcome to Region's Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Sarah Fister-Gale.

The pandemic has had a significant financial impact on many Americans, particularly women. McKinsey reports that women account for 54% of overall job losses, despite making up just 39% of global employment. And women of all income brackets have been impacted: 72% of women with investable assets of at least $100,000 say that the COVID-19 pandemic has negatively impacted their retirement plans. So what steps can women take to rebound from this period and recoup their lost wealth? Joining me remotely is Deena Espinosa. She's an SVP, an area investment executive for Region's Investment Solutions. Deena, thanks for joining us today.

Deena Espinosa:

Thank you very much for the opportunity, it's a pleasure to be here.

Sarah:

So Deena, in this episode of Regions Wealth Podcast, we'll be discussing how the pandemic has impacted the financial health of women and what steps they can take to get back on track. We've taken some frequently asked questions from a bunch of people and developed a character who needs your help. Let's listen.

Imani:

"Hello, my name is Imani. I'm 48, and I've got two grown children, both of whom are in college. I've worked at a top accounting firm for 23 years, and I've made a good name for myself while also being a present mother. My husband passed away six years ago, so it's been tough at times, but I've always been good with money and budgeting, and I've made some smart investments over the years. I was contributing at least 10% of my salary to my 401(k) for years, and I'm close to paying off my mortgage.

I decided to start contributing even more to my retirement in my 40s with the goal of retiring early, but the pandemic threw a wrench into those plans. Initially, I was furloughed from my job, and I assumed it was temporary. But in December, I was formally laid off. Now I'm luckier than most: my company did right by me and gave me a very generous severance package. Unfortunately though, over the past year, I've had to make a lot of difficult choices to make sure my savings could carry me through until my next job, like pausing my retirement contributions. To be honest, I'd been so focused on saving for retirement, I'd prioritized that over building a safety net. I suppose I always assumed my job was secure."

Sarah:

So Deena, in episode 29, we spoke with senior wealth strategist Julia Weaver about the overall financial impact of the pandemic. I'm curious: In what ways have *women* been impacted by the pandemic?

Deena:

Women have always been the backbones of their family and women have been impacted with these issues for a century. According to the Department of Labor, women in general were impacted because most women work in the hospitality industry, they work in the retail industry, a lot of women are in the front lines of health care. Because they feel compelled to take care of their children and their families, a lot of them stayed home to homeschool their children. More importantly, they were heavily impacted if they had parents to take care of, so they really couldn't leave their homes.

Sarah:

It seems like women faced kind of a perfect storm there, right? On the one hand, they were in industries where more people got laid off and on the other hand, they had to make tough decisions about staying home versus going to work, so do you think that financially they were more heavily impacted by the pandemic than their male peers?

Deena:

I would agree with that statement. It all depends on the personal situation and the circumstance but a lot of times, most women will take on the role to be the backbone of the family and be the caregiver. For the folks in her situation an alarm clock went off when it comes to emergency savings. For those that continued to contribute to their 401(k), the market was good and it rebounded.

Sarah:

So for many, the pandemic has been a wake-up call, as you said, to build an emergency fund. How much should people have set aside?

Deena:

Well the rule of thumb is six to 12 months of living expenses and that would include, rent, mortgage, car payment, utilities and the essentials for survival. I would say six months is great, three months is good, but one year is optimal. In today's world, a lot of people like that immediate gratification so their income comes in and they're immediately buying cars or they're buying material things and they don't think about an emergency fund. It's not really emphasized. We emphasize that with our clients when we sit down with them.

Sarah:

And should someone who's younger take a different approach compared to someone like Imani, who's closer to retirement?

Deena:

If they're older, they need to focus on the retirement piece because they have a short time horizon to get there. If they're in their 20s, they should focus on their emergency fund because they can always recuperate if they have a couple years where they haven't been contributing to their retirement account. I would say if you're still working and you have a paycheck coming in, you should focus on the goal, but you should also focus on building an emergency fund. If you feel like your job is at risk, you can scale back a little from contributing to your 401(k) and focus mostly on your emergency fund. Try to get to that optimal of living expenses for a year. Look at the financial picture. If you're still working, perhaps you might think about taking out a line of credit for emergency purposes if you have equity in your home. And again, everything is situational. I think that this was a wake-up call for a lot of Americans.

Sarah:

It really *was* a wakeup call for many of us. Let's pause here and listen to a bit more of Imani's story.

Imani:

"Raising two kids without my husband has been hard work. Now that they're both out of the house, I've been looking forward to retirement — I even thought I could do it early! Now, not only do I have to start job hunting again, after more than 20 years, but when I go back to work, it may very well be at a lower salary. It's not just my own future I'm worried about. If I have to downsize my lifestyle, I can do so. But my kids are a different matter. My goal was to get them a four-year college education with as little debt as possible, so I've been helping them pay their student loans forward. But it adds up, especially when I don't have income anymore. I still want to be a mother they can rely on, but eventually I'm going to have to choose between helping my kids and ensuring I'm comfortable during my golden years."

Sarah:

So Deena, it sounds like Imani has been out of the job market for roughly a year or so, and during that time, she's been unable to save for retirement. How much of an impact can these have on someone's retirement savings?

Deena:

It can be significant depending on how much they were putting away and how it's being managed, more importantly. There's a lot of factors that come into play. What's their time horizon, what's their risk tolerance, what's their return. She's 48 and she has ways to get that back. Once she's 59, if she was 59, it would be a little harder because her time horizon is smaller. She could go with a more aggressive strategy right now at 48 to make up for that year. She needs to work with an adviser and they can determine what that looks like together.

Sarah:

That's really good advice. So if someone has been impacted, if a woman has been impacted by the pandemic, maybe losing their job, getting furloughed, is this a good time to reach out to your financial adviser and, and figure out what your next steps are?

Deena:

Absolutely, because we could sit down and look at what your strategy has been up until today, what's, what's the strategy going forward, how much do we have to make up, how long are you going to stay in the job market, do you want to retire early. I think in general, you should be sitting with your financial adviser every six months, once a year to just go over your plan, go over your strategy because life throws you boomerangs. Look at the pandemic. I'm sure there were a lot of folks that had a certain strategy during the pandemic that had to switch gears quickly. That's why it's so important to visit with your financial adviser.

Sarah:

OK, let's listen to the final portion of Imani's story.

Imani:

"My last employer offered wonderful retirement benefits, they matched a very nice portion of my contribution. It may be difficult for me to find a company that offers such benefits, and, of course, it'll take time for me to become fully vested. Also, I realize that any gaps in employment are going to have an impact on my retirement savings. … I'm just not sure how I'll be able to make up for that lost time once I'm back in the workforce. I'll have to make a decision: do I focus on rebuilding my savings, paying down debt, or keep planning for my future? When it comes to managing money, I've always been quite confident, but now? I'm just not sure what my next steps should be."

Sarah:

So it sounds as though Imani is trying to decide whether she should focus more on her short-term or her long-term financial health, and her new job will obviously influence that. When looking for a new job, should she prioritize salary, or retirement benefits?

Deena:

I think salary would be important. Her former employer will still have her 401(k). She can take that 401(k) and manage it herself with her financial adviser. Her new employer is going to hopefully offer her a 401(k), but if not and if she's salaried, she can determine how much more she can contribute to her retirement plan and even make up the difference, but she's got to sit with her financial adviser and have that conversation. A bigger salary will help her make up her savings. A bigger salary might help her also implement an emergency fund where maybe in her previous job she was saving mostly for retirement and didn't have enough for an emergency fund. A bigger salary will also give her that peace of mind to help her children. It might fit that immediate need that she struggles with, helping the kids, contributing to retirement and the emergency fund, so it might cover all those buckets.

Sarah:

So what steps can women like Imani start taking right now to get back on track financially, and perhaps even to make back the retirement savings they lost?

Deena:

Sitting with her financial adviser is probably the first piece of the puzzle. Sit down, discuss what's changed, has the income changed, put a budget together, strategize on how they're going to make up that one year that she may have lost in her 401(k). Add to the fact that she needs to contribute to an emergency fund, she wants to continue to help her children, so I think that when you sit with a financial adviser, and you discuss that strategy and come together with a plan.

Sarah:

And would someone who's a bit younger benefit from a different approach?

Deena:

For someone who's younger, this year that went by probably taught them a good lesson to save. I think it's easier for them to bounce back because they have so many years, but for someone who's older they may not have visited their financial adviser as often as they should have, they're going to be concerned with are they saving enough, are they putting enough away. When you're older, I can tell you from experience, you worry about running out of money. You worry about, what's it going to be like in retirement? Am I still going to be able to live the lifestyle that I live today? People don't realize that sometimes retirement means. You're not employed, you're not getting a check, the check you're getting is your social security and the savings that you put away in your 401(k). Again, it's situational and it all depends on how long you plan to work. It's all going to be different depending on the person and depending on their time horizon.

Sarah:

Let's talk about financial advisers for a moment. Would you say it's important for all women to work with a financial adviser?

Deena:

I think we should. When you look at how many female business owners we have out there, how many single mothers, how many young women leaving college and getting their first job, there's nobody really advising them on their financial future. You need to think about how comfortable you're going to be with retirement. Do you want to take a backpack and travel through the world? You will be able to do that. So it depends on what your goal is. So, you have to be able to get a good, clear picture of what the goal is.

Sarah:

For women who don't currently work with a financial adviser, what's the best way to go about finding one?

Deena:

I would give the advice of interviewing financial advisers. Get someone that you feel comfortable with and you can ask questions and when you don't understand, you can raise your hand and you feel confident and you trust them that they're helping you get to where your goal is. They should meet with a financial adviser, lay out the plan, bring statements, ask questions and even put a budget together because they can figure out where they're cutting corners where they shouldn't be cutting corners or where they're spending money that they shouldn't be spending money.

Deena:

We have so many resources nowadays. I just feel like we've come a long way. There used to be a commercial out there that says, "We come a long way, baby, to get to where we've gotten today."

But, you know, we have come a long way as women. We have to see the value that we add, and we have to know the resources that we have and getting a financial adviser that connects with you, that can help you understand how important your finances are, to really help you feel like you're accomplishing your goal is key, and that keeps you motivated when the market is not going well. And I have six female financial advisers on my team. This industry does not have a large percentage of female financial advisers. This particular industry is male driven and the six that I have on my team are so successful because they can have great conversations. They know exactly what female business owners and executives are fearful of and they understand the caregiving and they understand they're the backbone of the family and they understand that they're the ones that say, "Okay, I'll sacrifice, I'll stay home," or "I'll get another job," or whatever the case may be.

Sarah:

I love that, and it makes a great case for a female financial adviser. So Deena, at the end of each episode, we like to ask for some key takeaways. What are some key takeaways you'd like to share with our listeners?

Deena:

It's always going to get better. If you get anything from this, it is, you need a plan, you need to speak to someone that you can trust, and understand, that you can ask questions and that they don't make you feel like they're not helping you. And what I mean by that is: A lot of us sit and shake our heads and act like we understand what a financial adviser is saying to us, and we leave here and we have no idea. We didn't ask the question, we're embarrassed. So that's why I say interview financial advisers. You'll find the one that you have chemistry with, that you feel comfortable with, and ask questions. I think that's the most important thing. We don't ask enough questions and no question is stupid. Every question is important. It helps you to understand your goal. If it's retirement, how do I save for it? And I think budgets are important. We didn't talk much about budgets but that's the key to everything. If you don't have a budget, it doesn't matter how much money you make. If you're spending it on shoes and purses and all kind of other things and you're not putting away for retirement, or emergency funds, it doesn't matter. So it starts with a budget.

Sarah:

There's a lot of good nuggets in there.

Deena:

We’ve been through these bumpy roads before and if you had a good plan in place, you’re okay and that’s the proof in the pudding. We never want a client to feel that there’s a dead end or that there’s no resources or that they cannot trust the answers. It’s all about our client, it’s all about them feeling good about the advice we give them, and I’ve had many clients in the past come up to me and say, “We did it. I retired, I feel good with the plan that we put together, thank you so much.” That’s the gratification for us as financial professionals.

Sarah:

That was great, Deena, thank you so much. That was Deena Espinosa, senior vice president and area investment executive for Regions Investment Solutions. You’ve given us some great, actionable insights today.

Deena:

I really appreciate the opportunity. Thank you.

Sarah:

And thank *you* for joining us today. For more on this topic, be sure to check out episodes 29 and 30. These special episodes have some great, actionable insights on what you can do to rebound financially from the pandemic. Visit **regions.com/wealthpodcast** to listen to these and other past episodes.

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