Regions Wealth Podcast

Episode #49

Financial Planning For Women: How to Be Present, Proactive and Prepared for the Unexpected

While women are increasingly becoming primary breadwinners, studies show that 58% continue to leave financial planning to their male partners — a decision that can put their future at risk. In this episode, Heather Davis, Senior Trust Advisor and Jama DeHeer, Senior Wealth Planner share key financial planning considerations for women. From discussing finances with your partner to planning for the unexpected to recovering from the death of a spouse, we'll discuss actionable steps all women should take to ensure they're present, proactive, and prepared for the future.

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Sarah Fister Gale:

Welcome to Regions Wealth Podcast - the podcast that tackles life's challenges with financial experience. I'm your host, Sarah Fister Gale. According to the U.S. Bureau of Labor Statistics, married women are increasingly becoming primary breadwinners, with 30% earning more than their husbands. However, despite increased earning power, 58% leave financial planning to their male partners. And numerous studies — including Regions' Women and Wealth Study — have found that women continue to underestimate their financial know-how, despite earning higher average returns compared to men. Unfortunately, not taking an active role in financial planning can put all women at risk - regardless of their earning power or marital status. To discuss this topic, we have with us today Heather Davis and Jama DeHeer. Jama, Heather, thanks for joining me today.

In this episode of Regions Wealth Podcast, we'll be discussing what women can do to ensure they're prepared, proactive, and present in financial decisions. We've taken some frequently asked questions and have developed two characters who need your help. But before we listen to their story, I'd like to ask: Jama, in your experience as a senior wealth planner, what are some of the common challenges women face when it comes to financial planning?

Jama:

This is a great question. Women have so much demand on their time, caring for their children, often caring for their parents, working, right? It leaves them very little time to devote to managing the household finances. So that often gets left to the other spouse or the husband. This does create potential financial risk for the woman.

Sarah:

Heather, as a Trust Advisor, what are some common barriers you help women overcome?

Heather:

Sometimes women get in their own way. They underestimate their financial know-how, and confidence when it comes to their finances. As advisers, it's important that we help women overcome this confidence gap, especially when it comes to their finances. My advice to women is, be confident, strong, and decisive. We have to be proactive, present, and prepared, and ready to make the decisions.

Sarah:

I love that. So let's listen to our first story.

"My 26-year-old daughter, Ava, is pregnant with her first child, and we're absolutely over-the-moon. As the youngest of four, she has always wanted a large family — and she's always wanted to be a stay-at-home mother like I was. With that in mind, she'll be leaving her successful career after the baby arrives. Her husband Liam is a good man, and he earns more than enough to support a growing family. However, as Mom, I'm worried that Ava isn't thinking about — or planning for — the "what ifs". My own husband and I divorced when our children were in their teens, and for me, the financial upheaval was just as difficult as the emotional. While I was lucky enough to enter my marriage with wealth of my own, Ava doesn't really have that same safety net in place. Also, she and Liam haven't always seen eye-to-eye when it comes to household finances, and their solution has been to simply ignore the topic altogether.
Listen, being a stay-at-home-mom is the best job in the world, and I'm so thrilled that she's able to live that dream. However, I also want to make sure she is protecting herself in the process. What advice can I give my daughter before she and her husband embark on this journey?"

Sarah Fister Gale:

So Jama, let's start with you. Studies show women are more likely to leave financial planning to their spouses, a tendency that's particularly prevalent among women ages 20 to 34. Based on your work with clients, how common is it for that to occur, and what are the potential risks?

Jama:

Great question. Actually, this is very common. Unfortunately, this really puts the woman at a greater financial risk, and there are a couple of reasons why. Should an unforeseeable event take place, whether that be a divorce, a disability, or premature death of the working spouse, now the woman finds themselves in a position where they have to figure out all of these pieces at such an emotional time and try to make sense of it. So the more they can be involved throughout the development of the budget, understanding the household finances and making sure safety nets are put in place for them, they're gonna be in a much stronger position should something happen in the future.

Sarah:

So regardless of who takes the lead on financial planning, you're saying that both spouses should be involved?

Jama:

Absolutely. And I think when both spouses are involved, what you're going to see is a greater continuity among the day-to-day finances.

Sarah Fister Gale:

I love that. So Heather, how can all women, regardless of career or family plans, ensure they remain financially involved and aware?

Heather:

Women should make sure they are present, proactive and prepared. I would echo Jama's comments in the fact that I think that women should be involved in the day-to-day finances and having regular conversations about them. It's not gonna achieve the financial goals to not have conversations or avoid them, so better to get it out in the open and come to an agreement. It's really important that the woman knows the inflows, the salaries, bonuses, benefits, especially if she's leaving her job, and he's still going to be working. She needs to know the outflows. They have to establish a budget together and they have to have actual goals that they're working towards so they can determine how they're going to achieve them on one income. It's important that the woman also attend the meetings with the advisors and that they have a plan that they continuously update. I's important for the women to educate themselves.

Sarah Fister Gale:

Okay, so Ava's mother mentions that she and Liam are avoiding the topic of money altogether, and this is quite common — 80% of women say they've refrained from discussing their finances with loved ones. Jama, how important is it for long term partners to have these conversations?

Jama:

I believe it's critically important to have these financial conversations and to have them very early on in your relationship. You're really going to want to be open and honest with your partner and share your beliefs about money. What do you both hope to accomplish over the short and long term? What are your ultimate goals? Are you willing to make sacrifices today to save more to build potential wealth in your future? I can't really emphasize enough how important it is to have these conversations and to have them regularly to make sure you're on the same page with your partner. In fact, I've seen statistics that show the second leading cause of divorce is money matters — couples that just were not on the same page around their finances. The earlier you can get started having money meetings and have them regularly, be very proactive in connecting with your spouse to say, "Where are we? Are we on the same page? What needs to change?" I think the healthier the relationship will be over the long haul.

Sarah:
Heather, what topics should Ava address with her husband Liam during these conversations?

Heather:

Well, to name a few, they're going to be discussing his income, increases in his salary that he might get year over year, talking about their budget, what are they willing to spend money on? How much are they willing to spend? What's their discretionary spending budget? How will they save for their future? Are they sufficiently insured? How are they saving for retirement if he's the only one working? How much can they afford to put into his 401K or 403B? Whatever company plan offering they have, they want to max out their contribution as much as possible, but also get to a point where they get the company match. That's free money that they're leaving on the table if they're not contributing to an employer plan. They also have to discuss, will they be contributing toward college education of their child or children? There are lots of things to be considering and as the child comes into this world and they're blessed with that child, it's gonna be more difficult to have these conversations, so they might as well start now.

Sarah:

And it sounds like this is not just an opportunity to learn what's going on with the finances, but to really participate in making those decisions. Right?

Heather:

Absolutely. It's a great time to take control and get involved.

Jama:

Sarah, I'll even add a little bit to that. And I know Heather alluded to it a few minutes ago — putting emphasis on risk management, planning for those what-ifs in life. So what if there was a disability? What if there was a premature passing? Do they have the right safeguards in place to protect the family unit? That becomes incredibly important when there's one spouse that's bringing in the income to support the family.

Heather:

You make a good point there Jama. That's a very typical conversation that we have with clients, especially if only one of the spouses is working outside the home. They want to know, do they have the right measures and insurance in place and will that be sufficient in terms of meeting their family needs?

Sarah:

So Jama, Ava is giving up her career to raise her family. Are there any steps someone in her position should take before making that leap?

Jama:

Yeah, I think this is an interesting question. It is really a big decision when you think, "I'm going to step away from this career that I've studied for and prepared for to raise my family and to take care of the household unit," but I do think there are certain things that a woman should do when she's making this decision. And the first thing is before turning in that resignation: sit down with your spouse, put some numbers to paper. Make sure that you both understand the type of income they'll need to meet their basic needs. Will one income support that? And then start to layer on your goals as well. So in addition to just covering the expenses, will there be sufficient income to save for longer term goals, whether that's sending the kids to a private school, whether it's buying new cars at some point, and ultimately saving for retirement. So put numbers to paper, make sure it makes sense. I would highly encourage any woman who's looking to step out of the workforce, even for a short period of time, ramp up your savings as much as you can before you leave. Have some of that savings set aside to cover any of those unexpected expenses during your time away from work. Also, when you're away from work, try to take on some activities that keep your skill set relevant. So if that's volunteering, or taking online classes to keep your skills sharp, that's gonna make you a lot more attractive in the workplace when you're ready to reenter.

Sarah:

And now let's flip it around. We've talked a lot about women stepping away from the workplace to raise a family. But data from the Bureau of Labor Statistics shows that married women are increasingly becoming the primary breadwinners. Heather, are there any special financial planning considerations for women who plan on being the primary or sole earner in their family?

Heather:

Absolutely. Once again, it's all about having an active role in the finances, understanding the inflows and the outflows and the savings goals. They have to come to a collective agreement in terms of, are they living within their means? Are they managing their savings properly? Again, going back to contributing enough to their 401K plans. Other things they would save for aside from college would be home repairs, vacations, those sometimes come in very large lump sums. If you're not prepared for them, that can frustrate families if they don't have the savings to tackle those home repairs, for example. Oftentimes, we find clients socking away a significant amount of money into 529 college savings plans before they max out their own 401K contributions. We remind our clients, "Hey, it's okay to save for yourself first." Save for your own retirement while you're working. You can tackle what you can and what you can afford with regard to college education later, but there's no time like the present to save.

Sarah:

That makes a lot of sense. So let's listen to our next story.

Tanya:

"My name is Tanya, and I truly appreciate you both taking the time to speak with me. Last month, I found myself in a position that I never expected to be in at age 45: Preparing to become a widow. My husband Will has been diagnosed with Stage 4 cancer, and while we're praying for a miracle, the devastating reality is, I've had to start mentally preparing myself for life without him.

Will has always been incredibly smart and hardworking. He's had a successful career as an investment banker and in my opinion, he's way more financially savvy than I'll ever be, so he's always managed our household finances. Because of this, I know absolutely nothing about our financial affairs, and asking Will about money right now feels…well, awful, to say the least.

I've been working with a counselor to address the emotional aspects of this transition, but I'm not quite sure where to begin with the financial side. We have three kids under the age of 18, so I need to make sure I'm equipped to step in and take the lead. Needless to say, I'm feeling a mixture of emotions: I feel lost, I feel scared, and… I guess I'm just really uncertain what the future will hold for me and the kids. I'd genuinely appreciate your help in determining how to handle all of this."

Sarah:

So that's a difficult story to hear, and there are some big financial implications. In a study conducted by Allianz Life Insurance, for example, they found that 84% of widows said the loss of their spouse drove home the importance of being financially aware, and of those, 61% said the death of their spouse resulted in a significant financial wake up call. So, Heather, is this something you've observed firsthand with clients?

Heather:

Unfortunately, I've had many clients in this exact situation. I've spent 20 years in this business, and it just drives home the importance of having a plan. By plan, I don't just mean a financial plan. They also need to have an estate plan. How do they want their assets to be divided? Do they have charitable intentions? In Tanya's case, she has three children under the age of 18. Will she be helping them pay for college? How does she do that without disrupting her own finances? The most common concern we hear from our clients is they don't want to outlive their money. How does she juggle all of that and make sure she doesn't outlive her money and she has enough to take care of herself. This is a very common situation.

Sarah:
Jama, Tanya says that she’s uncomfortable addressing money matters with her husband during this time. What are the risks of not doing that?

Jama:

Yeah, this really is an unfortunate situation. Trying to have conversations around your finances when you're going through so many emotions preparing for this loss would be a very difficult time to start the conversation around the finances, but it's critical. If the conversation doesn't take place, then Tanya is really at the risk of an increased stress level for herself and she's in an increased likelihood of making financial mistakes — potentially mistakes she can't recover from. Try to have that conversation, and I think it's gonna provide a lot of peace of mind for both spouses knowing that she's gonna be in a more secure position and aware of their household finances. If they come together and take an inventory together to say, "What are our assets? What do we need to deal with? How should it be dealt with?" Do you have an advisor that you work with, and if Tanya hasn't been introduced to that advisor, try and make that connection if you can, together. This is going to set her up for peace of mind and put her in a much better position to rebuild her financial future going forward.

Sarah:

And Heather, as a wealth advisor, how do you coach clients through situations like this?

Heather:

The first thing I would do with Tanya is just stress to her that now is the time to do a full, comprehensive financial and estate planning review. Unfortunately, they've had a health concern that's accelerating the need. Hopefully they had done some planning in the past and it won't be starting from scratch. But now is absolutely the time to put their wishes in writing. For example, if they had put together an estate plan before they had their children, they could update them now to include guardianship provisions as well as potentially trust provisions for their children. People's finances change, and they oftentimes have more to consider a decade or two down the road. Once their children start to age, that will influence their decisions with regard to their estate plan. Some people want to possibly include future grandchildren. Albeit difficult, the best time to discuss their wishes is while he's still able to make those decisions and has the capacity to do so. The best thing to do is take action.

Sarah:

So, Jama, what steps should Tanya be taking now to get her family's financial affairs in order?

Jama:

Tanya should be looking at taking the complete inventory of the marital net worth, understanding all of the assets the couple owns. And that's going to include not only their real estate assets, but all of their investment assets: Where they're located, how they're titled, hat are the account numbers? And then understanding how are those assets going to transfer based on how they're currently titled. Review any beneficiary designations that are in place and make sure that they're still the desired transfer. Are they going to the right person based on any changes that may have taken place since the initial designation was made? And as Heather alluded to earlier, make sure your estate plan is up to date. If any changes need to be made, you can reach out to your estate planning attorney and have any of the current estate planning documents amended as needed. And this also includes sharing of passwords to any accounts that may be out there that you'll need access to.

Heather:

I would add that 20 years ago, when you settled somebody's estate and you did not know about all the finances and you had a grieving widow or widower that came to you asking you for help, one of the first things you did was a mail forwarding request as an executor or personal representative. And once you start to get somebody's mail, you'll learn a whole lot about them. Fast forward to today, a decade or two later in the electronic world that we live in, many companies charge people for paper statements. Unfortunately, we don't get that same mail delivery that we used to get when we settled somebody's estate. We just live in a different world now. So it's critically important that both spouses know exactly where the financial assets are held. We just can't stress that enough.

Sarah:

What are the first steps you’d advise women like Tanya to take after the death of a spouse?

Heather:

She's gonna need to rely very heavily on her team of advisors and get the coaching that she needs. This is going to include their full financial team, ranging from financial advisors, CPAs, estate planning attorneys. Some people have businesses, so you need to get the business attorneys involved. They really should be relying upon that team for the best advice during that time.

Jama:

I would kind of build upon that: In working with her advisors, thinking through what her financial situation will look like going forward. Income sources may now change. If there was a pension that was only being paid out to the former spouse, now that inflow has stopped, how will that impact her as the survivor? If they're receiving Social Security benefits, do they need to reach out to the Social Security Administration and potentially switch to a survivor benefit? And then understanding not only the changes in their income sources, but thinking through what income plan they need to have in place to support their lifestyle goals going forward, to make sure that all of their investment assets are allocated properly to support their needs.

Sarah:
That’s excellent advice. So, we’ve discussed a lot today. With that in mind, I’d love to know what key takeaways you’d offer our listeners to help them prepare for the future. Jama, let's start with you.

Jama:

What I would recommend is for all women: have a written financial plan, and it can be very simple. But start to write down your financial hopes and dreams. What do you hope to accomplish over the near term, the next one to three to five years? That may be paying down credit card debt, paying down student loans, starting to build an emergency fund, but have it written down. Start to layer on more of those long term goals, planning for major purchases throughout your life and ultimately saving for retirement, and then build a budget. Making sure that you're paying yourself first. Start to save for those goals, and then ensuring that you are living within your means. Lastly, I would say manage risk. Think about worst case scenarios, what if scenarios. What if there is a health event, how would you provide for yourself? Do you have the right insurance in place to support you during that time?

Sarah:

Okay, and Heather, how about you?

Heather:

I would reiterate and just reinforce that it's very critically important to regularly review your plans to make sure you're on track, including updating beneficiary designations and revisiting that estate plan over the years. It's definitely not a one and done process. People should be revisiting that. Assembling a binder with all that important information, user IDs and passwords, and having contact information for your advisors is also critically important. We do offer a legacy planning checklist. It's a nice booklet that organizes such information that you can keep in a safe deposit box or somewhere that your family members would be able to access at the time that it's needed. The key is that you just cannot wait for the inevitable circumstances that will happen. You have to be proactive, present and prepared.

Sarah:

I love that, I love that. Well, thank you so much for taking time to talk with us, Heather and Jama. This has been very interesting.

Heather:

Thanks.

Jama:

Oh, you're very welcome, thank you for having us.

Sarah:

That was Heather Davis, trust advisor, and Jama DeHeer, senior wealth planner at Regions Bank. In our next episode, Wealth Advisor Linda Thompson will join us to discuss financial planning considerations for female business owners, so be sure to check back. For more on this and other topics, visit regions.com/wealthpodcast to explore past episodes.