

Ensuring Your Financial Future

Women and Investing



When you think of your future, what do you see? College for your children? Owning your own business? A rewarding retirement?

They can all be yours — but you'll need to plan for them. And you'll need the resources to help transform your hopes into realities. The questions below are designed to help ensure that you are asking yourself all of the necessary questions to have a complete picture of your financial future.

What resources do I have available to achieve my goals?

Everyone's long-term goals are different. It is useful to envision what you want to accomplish in the future, such as the type of retirement lifestyle you desire, and then put a "price tag" on it. By knowing about how much you will need to save, you can choose the appropriate investment strategies. And to successfully achieve the accomplishments you have envisioned you will need to rely on all sources of income, now and in the future.

What can I count on from my significant other?

If you are married or in a domestic partnership, make sure you know what legal arrangements have been made for you to receive financial assets from your significant other should you outlive them. Make sure all wills and living trusts are in order and updated,

and that all beneficiary designations are correct. This is especially important if your significant other has been married previously; many times, people neglect to change names when their family situation changes.

Am I able to be a stay-at-home parent?

It is a very difficult, and emotional, decision for a family to decide whether or not a parent should stay home to care for children. There are numerous financial considerations, such as: Can we afford the loss of income? Can we afford, or still afford, to save money for a college education? How will this decision affect our retirement plan? You will want to sit down and develop a budget, and then a plan. Figure out what your expenses are, and where your income sources. With that information, you can set goals and have a plan in place to help you ensure you stay on track.

Can I afford to start my own business?

According to the U.S. Census Bureau, women own 30% of non-farm businesses. There are numerous items to take into consideration, such as: can you afford to lose a regular paycheck and be at the mercy of others to receive your cash flow? Where will your start-up funding come from? Can you take on the additional substantial risk? Complete an assessment of your financial requirements and a schedule of your



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daily activities to see if you have the ability to spare the amount of time needed to run a business for yourself. Keep in mind that you will no longer have paid vacation, sick time, or health insurance, if those are currently provided by your employer.

Am I taking full advantage of my employer-sponsored retirement plan?

Because women earn less, on average, than men, and they take far more time away from the workforce to help raise their families, it is of little surprise that their average retirement savings are much lower than men's — only about 60% of what men accumulate, according to one survey.¹ So, if you do have access to an employer-sponsored retirement plan, such as a 401(k), contribute as much as you can afford each year — and every time you get a raise, boost your contributions. This may be the single most important move you can make to increase your retirement savings.

Can I afford to send my child to college?

Being able to send your child to college is near the top of the wish list for most parents. A college education can open doors to many opportunities, and is increasingly necessary in today's economy. However, many well-intentioned parents, especially mothers, put their own retirement savings on hold while they save for their children's college education. But if you do so, you're potentially sacrificing your own financial security. To help ensure you don't do this, start by estimating your child's costs for four years of college. Then start saving as early as possible, even if you're able to save only a small amount at first.

What's my investing style?

Some evidence suggests that, in some ways, women are more conservative investors than men.³ On one hand, this could be a positive, as more conservative investors are less likely to chase “hot” stocks — and then get burned. However, if you are

too conservative, you may not achieve the long-term appreciation you need. In any case, you need to become familiar with your own “investment personality” so that you can make decisions that feel right to you.

What are my protection needs, now and in the future?

At various times of your life, you will have different protection needs. When you are just starting out in your career and you have a young family, for example, you will need adequate life insurance to help educate your children, pay off your mortgage, and meet other long-term expenses in the event of your death. Other important protection needs that should not be overlooked are health and disability insurance. If you were to fall ill or be injured, how will you stay on top of medical bills or help ensure your expenses get paid? As you get older, you may need other types of coverage, such as long-term care insurance to help protect you against the astronomical costs of a nursing home stay, which now average more than \$77,000 per year.⁴

How should I allocate my assets?

Asset allocation is the way you spread your money across various classes of investments including stocks, bonds, and cash reserves. Two ways to help ensure your retirement income will last is to:

- *Ease up on Conservatism* — Women tend to be too conservative in their investment decisions, with the majority worrying that they haven't saved enough for retirement. One of the biggest risks is deciding not to do anything or being too conservative in your investment strategy.
- *Diversify* — Diversification means your money is spread among a number of different investments so your return isn't dependent on any single investment. No single type of investment performs well all the time. In fact, each tends to

follow its own cycle. Within your asset allocation, you should diversify the investments within each asset class.

How much can I expect from Social Security?

You can contact the Social Security Administration to get an estimate of your benefits, although benefit statements are also sent out on your birthday. It is important to keep tabs on how much you can expect, because women are more likely than men to depend on Social Security payments as a key source of retirement income. In fact, for unmarried women, including widows, age 65 and older, Social Security comprises more than 53 percent of their total income, compared to just 38 percent of unmarried elderly men's income.²

Am I considering inflation when I invest?

Consider this: Everything you buy today will cost about twice as much in 25 years, assuming a 3 percent annual inflation rate. In other words, if you need \$75,000 a year to retire comfortably now, you will need about \$150,000 per year in 25 years to maintain your standard of living. Consequently, you will need to build a diversified investment portfolio that provides enough growth potential to keep you ahead of inflation.

Am I a "tax-smart" investor?

Taxes can lower the "real" return of your investments — so it pays to be a tax-smart investor. How? For starters, take advantage of tax-advantaged retirement plans, such as your IRA and 401(k). Also, if it is appropriate for your individual needs, consider other tax-favored investments, such as municipal bonds. And try to avoid excessive trading, which can generate heavy capital gains taxes.



Have I taken care of my estate planning needs?

Everyone should have an estate plan. An estate consists of all the assets you leave behind when you die. There are certain issues that, if not planned for, can create a burden on those who are left behind, such as financial burdens, transfer of asset issues, and care of minors. In distributing your estate, an estate plan allows you to direct how and to whom your accumulated assets are distributed after your death. A sound plan should be designed to accomplish personal, family and charitable objectives.

How do I want to leave my legacy?

You've worked hard to accumulate and protect your wealth. You deserve the right to determine how your assets are distributed after your death. There are numerous vehicles that you can choose from, the most simple and successful being a proper will. There is also the route of creating a trust, which also provides numerous options. Donating to charitable causes and organizations is another strategy you could employ, and it can be implemented at any time, not just after your passing.

1 *Transamerica Small Business Retirement Survey*

2 *Social Security Administration*

3 *Barber, Brad, and Terry Odean, 2001. "Boys will be boys: Gender, overconfidence, and common stock investment." Quarterly Journal of Economics 116, 261-292.*

4 *2007 MetLife Market Survey of Nursing Home and Assisted Living Costs*

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