The Financial Planning Path Women Need To Know

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In the United States, 63% of women report having less than $10,000 in savings for retirement, compared to 52% of men.

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This means that more women are vulnerable to unexpected financial emergencies, like major medical situations or job losses. The savings gap can also compound over time, with many women having significantly less in investments and savings for their retirement.

The reasons for this phenomenon are multifaceted. The gender pay gap sits at around 80% (depending on who you ask). More than two in five women give up a highly skilled job to raise a family. And many women engage in unpaid work that averages out to an extra $40,000 per year per woman).

This is just scratching the surface.

Understanding these circumstances, we feel it is more important than ever to provide financial planning education and support to women - helping to empower them to prioritize and positively shift their financial well-being.

Common Obstacles to Financial Planning for Women

While financial challenges are not unique to women, many statistics support the notion that when it comes to financial planning, women often face more obstacles than men. This spans a wide range of areas in financial planning, including caring for both children and parents, taking on more custodial responsibility after divorce, and having less access to financial education and resources.

Women in the "Sandwich Generation"

The "sandwich generation" comprises over 50% of Americans and includes those in their thirties and forties with the dual responsibility of not only caring for their own children but looking after their aging parents. This duty of care includes providing financial stability to both parents and children while simultaneously interrupting the work lives of women.

With so much responsibility for others, many women can find it particularly challenging to "put themselves first." This includes focusing on their own financial well being - keeping healthy bank and credit card statements and educating themselves on current economic events.

Without the proper financial guidance and strategies, many women are left to their own devices to answer questions about their parents' retirement savings, how they should effectively distribute that wealth once they retire, and how to fund college education.

Divorce

Women tend to experience the brunt of financial damage when it comes to divorce: The cost of a divorce can be as high as $13,000 when all is said and done. But that's not the worst of it.

The rarely discussed side effect of divorce is that women usually have a harder time regaining financial stability than men. The average household income of women tends to fall by nearly 40% after divorce, *twice* what men usually experience.

One major contributing factor is that women often take on more custodial responsibility, after a divorce—divorced women typically have custody over 65% of the time. This often comes with not only added emotional responsibility for children, but also added financial pressures.

Lack of Financial Literacy

In our experience, many women tend to be less confident in their financial knowledge and decision-making than men. Of course, this doesn't mean that men are always more financially literate, but we do find that many women feel less supported in pursuing financial planning education and resources and are sometimes hesitant to ask for help or don't know where to start.

Lack of financial literacy and access to resources can lead to ineffective or nonexistent planning. This can exacerbate financial difficulties, because of overly conservative or aggressive investments, retaining too much credit card debt (another obstacle many women, in particular, struggle with), and not properly budgeting.

Despite these unique challenges, there are steps *all* women can take to help improve their financial situation.

Financial Planning Strategies for Women

Overcoming these obstacles means solid financial planning, which starts with first identifying your specific planning needs and the issues you're facing, then creating strategies to tackle and solve those problems.

We can effectively break these issues and strategies into two-time horizons: the short-term and the long-term.

Short-Term Financial Planning

The first step to short-term financial planning is creating a comprehensive picture of your household expenses. Write down how much money you must spend on a monthly basis to keep a roof over your head. These expenses include your mortgage, homeowner's insurance, and property taxes.

Then, move down the list: What else is a necessary, short-term expense that isn't necessarily related to your homeownership? These costs may include groceries, gasoline, leisure spending, and any recurring subscriptions you're paying for.

Take a look at how much you currently have in savings now. Once you deduct all necessary expenses, how much can you afford to add to this amount? A good figure to shoot for is 20% of your monthly income.

How much goes towards managing and paying off your current debts? Answering these questions will help you better manage your finances on a short-term basis and discern what type of financial assistance you truly need.

Long-Term Financial Planning

Very simply put, long-term financial planning includes **investments** and **insurance** (the two "I's").

Investing your money now in a disciplined, diversified way is a great way to grow your savings over time. Still, many questions laden this approach: How much should you invest each month? Into which assets should that money go? What kind of retirement account should you be contributing to?

How much money will you need to retire safely? What other investment milestones should you be aiming for? While there usually aren't any one-size-fits-all answers to these questions, starting somewhere is imperative. For instance, saving up to 12-20 times your working salary for retirement is a commonly used benchmark.

Health and life insurance requirements also go into this long-term equation. What can you reasonably anticipate your health to be like when you retire? What can you disseminate to your children and family after you pass away?

There's No Rush, But Waiting Can Cost You

To anybody new to financial planning, answering the questions that come with it can be overwhelming, and *that's okay*. It takes time, practice, discipline, and guidance to keep your emotions out of your finances and plan strategically. What's important to understand is that there's almost always something you can start doing immediately to help set you on the right path.

Making financial decisions in the dark can lead to unnecessary stress, the same way that *not* addressing your financial circumstance at all. You don't know what you don't know. Good coaching and guidance from a trusted partner can help alleviate some of this stress.

Waiting can cost you so it's important to take action. Find a way to take your first step, no matter how small it may seem. Remember that professional advice and help is never far away.

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