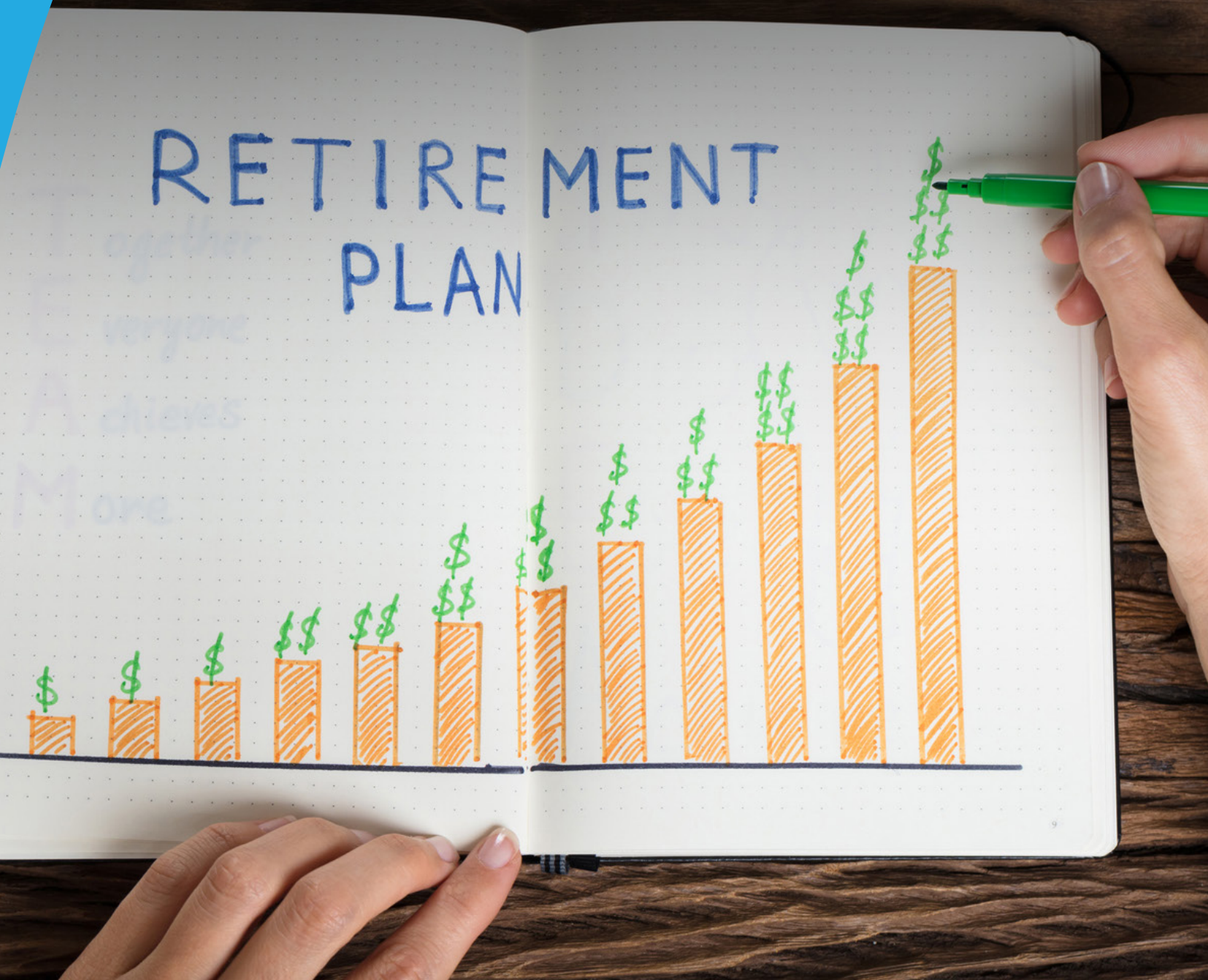
Springwater
WEALTH MANAGEMENT

An Independent Woman's Guide to Retirement



Independent women, or those who are single, divorced or widowed, are a growing demographic in the United States. According to the latest American Community Survey, 50% of women over the age of 20 are either divorced, widowed or have never been married. As women are becoming increasingly independent in their living arrangements, so, too, are they seeking greater financial independence.

Millennial women, in particular, are driven by the desire to be financially independent. In a survey of 2,700 millennials from across the country, Merrill Lynch found that millennial women (70%) believe more strongly in the need for financial independence than millennial men (57%). As such, women are becoming financially independent at earlier ages, despite facing steeper hurdles to do so, such as lower pay and more career breaks. By age 30, only 49% of women receive financial support while 63% of 30 and over men still do.

But while women are achieving financial independence at earlier ages, hanging onto it remains a challenge. Women today, who are now earning more bachelor's degrees than men, hold two-thirds of student loan debt – a burden that rose by nearly 500% between 2003 and 2018.

On top of being more indebted, women have less income to pay off their debt thanks to the gender pay gap, which sees women earning only 80 cents for every $1 men earn. Women's pay peaks around age 44 at about $66,700 whereas men continue to climb the salary ladder into their 50s, often exceeding $100,000.

Women are also more likely to take career breaks to care for family members, further handicapping their income potential. The result is the average woman may find herself with over $1 million less come retirement than a man who started at the same salary, according to Merrill Lynch.

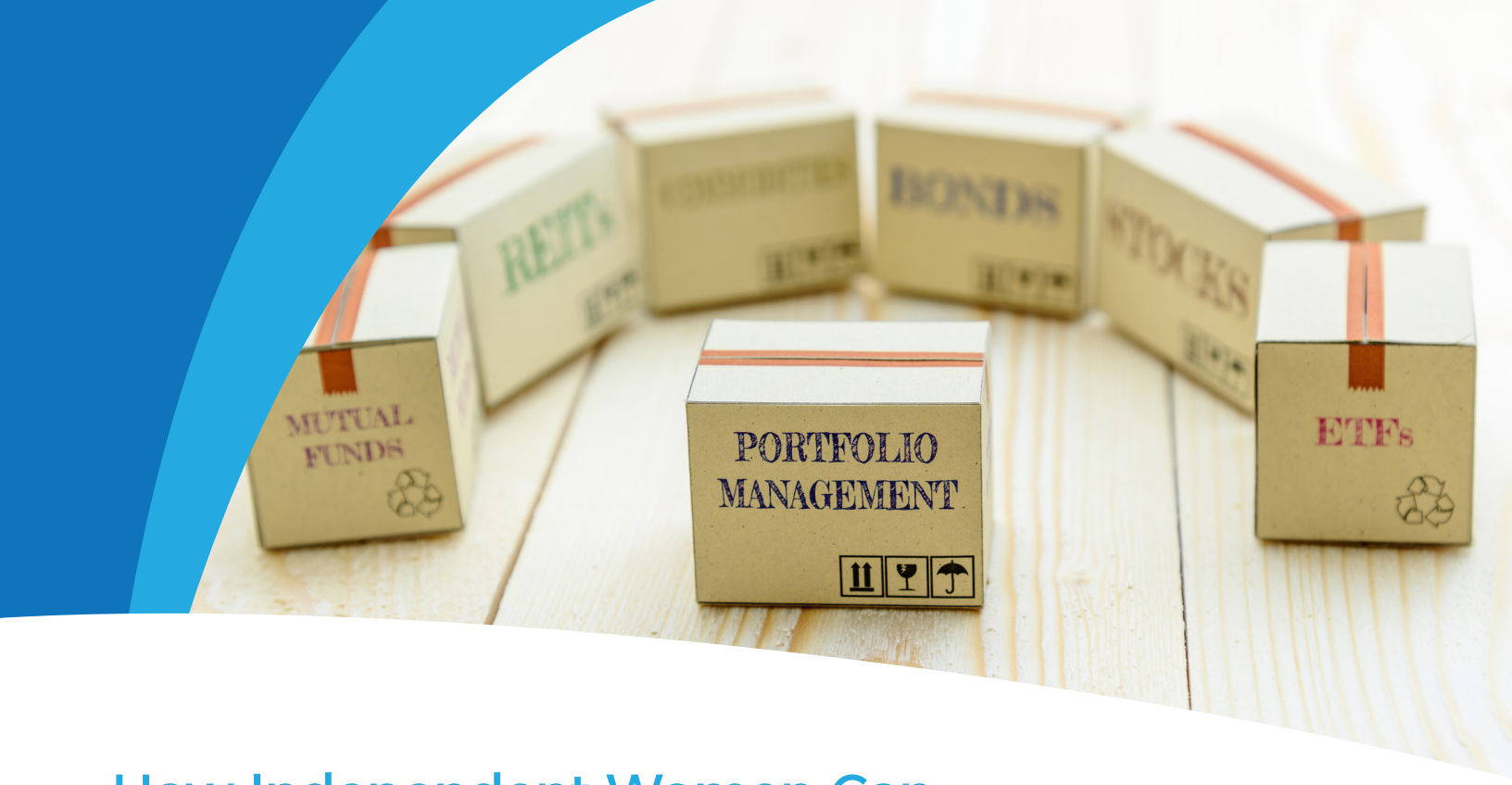
And once a woman reaches retirement, the challenges only compound. Women face higher healthcare costs than men in retirement. Single women are estimated to incur $150,000 in health care costs in retirement compared to $135,000 for single men. This is due in part to women's longer lifespans, which average six to eight years more than those of men, according to the World Health Organization.

Outliving men means that even married women are likely to find themselves solely responsible for their finances at some point in their lives. And they'll need more financial resources to support them through their longer retirements.

To say thorough retirement planning is important for independent women would be an understatement. It's not enough to just become financially independent; you need to stay financially independent so that you don't run out of money in retirement.

As fee-only advisors who specialize in helping independent women plan for retirement, we know well the financial challenges women face and the steps to take to overcome those challenges. We also know that education is the best tool in your toolbox, which is why we wrote this eBook. It's a to-the-point list of actionable steps you can take prior to and during retirement to improve your financial security and secure financial independence for life.

We hope you find the information within helpful. Please don't hesitate to contact us with any questions. We're here to help.



How Independent Women Can **Improve Their Financial Security**

The fact that independent women face more financial challenges simply highlights the importance of improving your financial security before and during retirement. Less than 40% of women say they are confident that they'll have enough savings to last them for 25 years into retirement, according to Morningstar research.

While the odds may seem to be stacked against independent women financially, financial security is not unobtainable. The following are steps you can take to improve your financial security before and during retirement.

Prior to Retirement

- **Look for jobs that support your lifestyle:** If you anticipate needing to leave the workforce temporarily or cut back on your working hours to care for family members, seek out employers who are supportive of this. Companies are increasingly offering paid family leave. Even if your employer doesn't advertise this benefit, it may be up for negotiation so don't be afraid to ask.
- **Maximize your retirement contributions, especially around work disruptions:** We can't always know when caregiving or other life events will interrupt our careers. This makes it all the more important that you maximize your retirement contributions when you can. If you have an employer-sponsored retirement plan, take full advantage of that.
- **Invest early and often:** Women tend to hold 70% of their wealth in cash. But cash cannot generate the growth or future income you need in retirement. Any savings you have earmarked for a financial goal that's over five years in the future should be invested. The longer your time horizon, the more aggressively (read: more weighted towards stocks over bonds) you can invest.
- **Have an emergency fund:** The worst thing you can do for your retirement savings is take them out early. To prevent yourself from needing to tap your investments to cover unexpected costs, build an emergency fund that can cover three to six months' worth of living expenses.
- **Keep working:** One of the best ways to improve your financial security is with regular income. To the extent that you are able, consider delaying retirement so you can maximize your earnings years. Thanks to the Secure Act, as long as you're working, you can continue contributing to an IRA, regardless of age.
- **Pay off debt before retirement:** As you near retirement, you should be focusing on ways to minimize expenses. Do whatever you can to make sure you don't retire with any remaining debt. This means paying off student loan debt, credit cards, auto loans and your mortgage, if you can.
- **Plan for healthcare costs:** How you will pay for healthcare expenses in retirement should be an integral part of your retirement plan. Research shows one in every two people over age 65 are in need of long-term care. Use health savings plans (HSA), if available, and have a long-term care plan to cover medical expenses in retirement.

During Retirement

- **Delay taking Social Security:** Social Security accounts for nearly half of a woman's retirement income on average, compared to less than one-third for men. At the same time, because women have only 60% of the lifetime earnings a man typically has, women's Social Security benefits are 20% less than men's, on average. These smaller benefits then need to stretch farther over women's longer lifespans. One way to increase your Social Security benefit in retirement is to delay when you start taking it. For every year you delay taking benefits (after your full retirement age (FRA) and up to age 70), your annual benefit increases by 8%.
- **Take a spousal Social Security benefit:** If you are or were married to a spouse who had significantly higher earnings than you, you may qualify for a higher benefit under the Social Security spousal benefit. As long as you're at least 62 and unmarried now, but were married to your ex-spouse for at least 10 years (calculated from the date of your marriage to the date of your divorce) and your ex-spouse is eligible to receive benefits, you're entitled to half of your ex-spouse's benefit. There is also a widow's benefit that allows you to do the same. You can begin taking a widow's benefit at 60, while letting your own benefit accumulate, then switch to your benefit at age 70, if it exceeds the widow's benefit. Divorced women may retain a spousal Social Security benefit even if they remarry (or their ex-spouse remarries) or if their ex-spouse passes away. The rules for Social Security benefits are complicated, so be sure to check with SSA and your financial advisor regarding which benefits apply to your situation.
- **Lower your cost of living:** Financial security comes down to balancing your income and your expenses. Without much opportunity to increase your income in retirement, the best means of improving your financial security in retirement is by reducing your expenses. Downsizing, moving to a lower cost of living state, and reducing discretionary expenses can go a long way to increasing your financial security in retirement.
- **Go back to work:** There is one surefire way to increase your income in retirement: By working. Retirees are increasingly rejoining the workforce, both full- and part-time. Working in retirement has the added benefit of potentially providing access to employer medical insurance. And as we mentioned before, as long as you're working, you can contribute to an IRA, thus maximizing your tax-advantaged savings for now and later.

Financial Advisors for Independent Women

Given the challenges independent women face in planning for retirement, having the right resources to guide you along the way is crucial. One of the best resources you can have is a financial advisor who specializes in helping financially independent women through the unique financial challenges they face.

What to Look for in a Financial Advisor

You should approach finding a financial advisor as you would selecting a doctor or other trusted professional. You shouldn't take it lightly. Unfortunately, many people end up with an advisor who approached them socially or who was referred by a relative, friend or coworker. Too often that doesn't work out very well.

There are two steps to selecting an advisor. First, identify several candidates who meet a set of objective criteria. Then, interview those advisors and select the one you trust and with whom you have the best rapport.

What are the objective criteria?

- **Fiduciary.** Your advisor should always put your best interests first.
- **Independent.** Work with an advisor who is not employed by some large financial institution that produces and sells financial products. Find an independent Registered Investment Advisor (RIA).
- **Credentialed.** Look for a Certified Financial Planner (CFP®) or Chartered Financial Analyst (CFA). These are the gold standard credentials in the financial planning and investment management fields.
- **Experienced.** Find an advisor who has been through a few market cycles. While there are plenty of young, credentialed advisors, there is no substitute for life experience.
- **Skilled.** Look for an advisor who has skills in your areas of need and interest. Advisors tend to specialize, just as doctors do. Find one who offers the services you want.

Once you find 2-3 advisors who meet these objective criteria, interview them. Select the advisor who feels like a trusted friend who cares about you.

How to Find a Fiduciary Financial Advisor

An easy way to find local fee-only financial advisors is through websites, like the CFP Board, the National Association of Personal Financial Advisors, and the Garret Planning Network. These sites let you search by location to find advisors in your area.

When you meet with a financial advisor, be sure to verify their credentials, areas of expertise, fiduciary status and method of compensation. Don't be afraid to be direct in your first meeting. Ask any questions that are important to you. If you don't like the answer an advisor gives you, find another advisor.

Keep interviewing advisors until you find someone with whom you feel comfortable and trust. A good financial advisor will be a lifelong partner and guide. Someone you can turn to with any financial concerns, and who will be dedicated to helping you achieve all of your financial goals.

About Springwater Wealth Management

At Springwater, we're committed to putting our clients first. As fee-only, independent, fiduciary advisors, our only priority is you. While we work with a diverse group of clients, our specialty is helping independent women, young professionals, and (pre)retirees. Our goal is to help you provide for your lifestyle while supporting the people and causes you love. We can guide you through the steps to accumulating wealth while managing the risks to your financial future and minimizing taxes.

To learn more about how we can help you build a plan for your financial future, you can schedule a free introductory consultation online or by giving us a call. There's no obligation. This is just an opportunity for you to hear how we can help and decide if we're the right financial advisors for you. We hope to hear from you soon!

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