

## Women—plan for financial independence

*Gina M. Barry, Esq.*



When it comes to financial independence and estate planning, women face a unique set of challenges.

Statistically, a married woman is most likely going to outlive her husband. The average age of a widow is 56 years old. Other women never marry or are divorced, and will be facing retirement as a single individual. In fact, older men are much more likely to be married than older women - 72 percent of men versus 45 percent of women.

### **You need to know**

Whether widowed, divorced, or single, these women have something in common – the need to develop their own financial savvy in order to maintain their independence as they age. Imagine the overwhelming anxiety that would accompany managing household finances for the first time after a spouse has passed away or after a divorce. A woman who is familiar with her finances will find it much easier to assume additional financial responsibilities should the need arise. Women should know the location of pertinent financial paperwork, including insurance policies, real estate deeds, mortgages, stock certificates, bonds, and brokerage account and annuity statements. Women should also take the steps necessary to

understand the documents.

### **The wage gap issue**

Another difficulty that is unique to women is that they currently earn only a fraction of every dollar a man earns even when doing the same work. This inequity results in lower total compensation over a woman's lifetime and detrimentally affects the amount of Social Security and pension benefits she will receive upon retirement. Retirement benefits are often further reduced by the time that women typically take off throughout their child bearing and rearing years. In 2016, the median annual income of adults age 65 or older was \$31,618 for men, compared to only \$18,380 for women.

### **The widow penalty**

In addition to having fewer resources due to pay inequity or time out of the workforce, when a woman is widowed, the average total compensation she will receive from all sources is approximately \$15,000, including insurance, savings, and pensions received upon her husband's death. As such, women should take full advantage of any company sponsored retirement plans whenever available. If these options are not available, then Individual Retirement Accounts ("IRAs") and other options must be considered and implemented. The goal is to start this planning as early in life as possible, but even older women can make contributions that

will pay off when they need income later in life.

### **Divorce and your finances**

Similarly, divorce can be as emotionally devastating as the death of a partner and is often a source of financial devastation as well. The number of middle age divorces has risen in recent years. Many older divorced women have been married for many years and have not worked or continued their education. Many are displaced homemakers, who have not participated in the workforce since before having their children. During a divorce, women must protect their financial security. Although state law largely determines property settlements, women should obtain advice from professionals who fully understand all of the available options for securing their support, including social security and pension benefit entitlements.

### **You and your estate**

Another critical step to maintaining independence is establishing an estate plan. The act of drafting a Will forces you to review your financial situation, which enhances your financial savvy. Further, establishing a Durable Power of Attorney and Health Care Proxy allows you to name someone who will make your financial and medical decisions if you are unable to make them for yourself. Creating

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an estate plan harnesses the power you now have to control who will manage your affairs and benefit from your estate.

### **Get financially savvy now**

Women who balk at making financial decisions will encounter even more difficulty if they must face life alone. Without proper planning, divorce, remaining single, or the death of a spouse can financially devastate a woman. The ticket to independence is proper planning and education. Women must understand their finances and have a strategy in place that will maintain their style of living – even if they are unmarried. Retirement and estate planning are critical steps to be taken to ensure this independence.

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