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RETIREMENT RESEARCH & INSIGHTS

Women, money, confidence—A lifelong relationship

A financial checklist for women at every life stage

Being proactive about financial wellness is important for everyone—but even more so for women.

At every point on their life journeys, women face unique financial challenges, whether pay disparity in the workplace, potential career interruptions to care for family or the need to save enough to support their longer lifespans. These challenges are compounded by many women revealing that they lack a comprehensive financial plan for their future.[1]

Often times women say it's time to make a change[1] and are looking for guidance and resources to help them take charge of their financial futures. The following key actions can help women of all ages take the next steps on their journey to improving their financial well-being.

94% of women believe they will be personally responsible for their finances at some point.[1]

Life stages

Entering the workforce and early career

Embarking on a new career is an exciting milestone in a woman's life, and a critical step toward financial independence. As they start receiving a steady income and benefits, it can be helpful for younger women to master financial skills and begin to plan for their future.

29% of women ages 22-39 say that they regret not educating themselves more about money, while 50% of women later in life (age 65 and over) say that their biggest financial regret was not starting to save or invest sooner.[1]

Actions to consider:

- ☐ **Set goals**. Consider near- and longer-term goals.
- ☐ **Get professional advice.** When it comes to developing healthy financial habits and planning for the future, the key is to start early. Consulting a financial advisor at a younger age can help you get on the right track in pursuing your goals.
- ☐ **Create and stick to a budget.** While the majority of women say they are confident in developing and following a budget, 40% still struggle.[1] An online budgeting tool and expense tracker can help.
- ☐ **Reduce debt.** Women say that paying off debt is one of the primary barriers to improving their financial well-being.[1] Many women in this life stage may have educational loans and should be mindful of their total debt before taking on any additional debt. It's important to understand good debt (e.g. a mortgage) versus bad debt (e.g. high interest credit card).
- ☐ **Contribute to employer's 401(k) plan.** While retirement may seem far off when you're in your 20s or 30s, you can use that to your advantage, having more time for your money to work for your future. Consider contributing to the plan to at least maximize the employer match.
- ☐ **Don't wait to start investing.** Many women may be reluctant to invest because they lack investing knowledge or feel that investing is too risky.[1] But investing can be an important strategy to help you build wealth and reach your long-term financial goals. Consider investing early, when your time horizon is longer and you may be able to better tolerate risk. Consulting a financial advisor can provide a source of professional guidance to help you make informed decisions.
- ☐ **Save for health care in an HSA.** You may not have big health care expenses right now, but paying for even routine medical expenses can add up. Setting aside money in a tax-advantaged Health Savings Account (HSA)[2] can help you pay for short-term expenses and be prepared for larger expenses down the road.
- ☐ **Prepare for the unexpected.** Start an emergency fund for unexpected expenses that may come up, and consider disability insurance as well as life insurance.
- ☐ **Build credit.** There are several ways to start establishing credit, from applying for a retail credit card to using rent or utility bill payments to create a positive credit history.
- ☐ **Increase financial literacy.** Take advantage of online educational programs and resources to build knowledge of money matters, from basic finances to a focus on investing.

Partnering and parenting

As women choose life partners and consider starting a family, their financial picture broadens to include others. For example, women may share in financial decision-making with their spouse or partner, such as determining household budgets or saving for children's education. They will also want to ensure loved ones will always be cared for, which may necessitate planning for time out of the workforce to focus on caregiving. In addition, having a family can intensify women's need to prepare for the unexpected.

With 58% of women saying they left the workforce to focus on caregiving, planning for job interruptions should be a key component of women's financial wellness.[1]

Actions to consider:

- ☐ **Agree on financial approach.** Money can be source of friction in a relationship, as each individual often comes with different financial experiences and styles as well as views on fiscal responsibility. Honest conversation can help build understanding and align couples on common goals.
- ☐ **Consider joint and individual accounts.** While relationships are all about "us," you shouldn't neglect the "me." You can continue to nurture personal goals and financial independence by keeping a bank account, credit card and retirement and investment accounts in your own name.
- ☐ **Plan for potential time out of the workforce.** Consider seeking guidance from other women, support groups or a financial advisor about how to manage the impact of career interruptions on your financial and professional goals. Consider maintaining your professional licenses and connections with professional association groups, and continue to educate yourself on current relevant topics as time permits. Ask your employer about benefit programs such as caregiving resources or programs that accommodate time away from work.
- ☐ **Start saving early for your child's education.** A 529 plan can be a valuable tool to help parents save and pay for qualified education costs.
- ☐ **Create an estate plan.** As you think about your family and the future, you may start thinking about what if something should happen to me. Work with an advisor or attorney to establish a will, trust, power of attorney, health care proxy and medical directives to document your wishes and ensure beneficiaries are provided and cared for.
- ☐ **Update beneficiaries.** Life events like marriage, divorce and birth or adoption of a child can trigger a need to update beneficiaries.

Peak career and building years

Many women may hit their stride as they advance in their career and gain financial confidence. Established, experienced and in their peak earning years, it's a good time for women to ensure they are maximizing all their financial opportunities. However, women's attention at this stage could be diverted to caregiving of parents or older relatives. Women may find it stressful to balance priorities and leaning on a trustworthy source of advice and guidance can help them with important decisions in managing their financial lives.

Actions to consider:

- ☐ **Maximize 401(k) contributions.** Contribute up to the annual limit to both fund retirement and potentially reduce taxable income.
- ☐ **Consider an IRA.** Contributing to an IRA can offer an additional way to help you save for retirement.
- ☐ **Use the HSA investment feature.** Contribute up to the maximum and consider taking advantage of the investing option. Investing money contributed to an HSA offers tax-free growth potential, helping you build your savings for health care later in life.
- ☐ **Explore long-term care insurance.** This could help you prepare for your later years and alleviate the responsibilities of loved ones.
- ☐ **Estimate retirement income.** Determine how much money you may need to live comfortably in retirement. Using Merrill's personal retirement calculator can help you compare assets you are on track to have with how much you'll need to cover expenses once you stop working.
- ☐ **Understand your potential sources of retirement income.** Consider Social Security, retirement plans, pensions, personal savings, part-time employment, real estate and other investments.
- ☐ **Contribute to emergency fund.** Add to your emergency savings while you are in peak earning years to avoid having to dip into other savings to pay for any unexpected expenses.
- ☐ **Reassess investments.** Evaluate how your investments align with your changing time horizon and goals, making any adjustments as needed. If you work with an advisor, this is an important conversation as you approach retirement.
- ☐ **Explore elder care and caregiving options.** Talk openly with family about wishes for later life, secure necessary legal and health documents and gain an understanding of Medicare and long-term care options.

1/3 of women say it would be easier to manage finances if they had a trustworthy source of advice; and 44% of women see a financial advisor as a key resource for investment decisions.[1]

Approaching retirement

Naturally, women will have different outlooks about their later working years and what they envision for their next chapter. One of the key considerations facing women in this life stage is if they want to stop working and when, and the financial implications of those decisions. With most women ranking retirement as a top financial goal,[1] they will need to calculate how much they'll need for a comfortable retirement and the income sources to fund their desired lifestyle.

80% of women in this life stage expect Social Security to be their main source of income, followed by personal savings and retirement accounts.[1]

Actions to consider:

- ☐ **Maximize 401(k) contributions.** Take advantage of the catch-up contribution, for those age 50 and over.
- ☐ **Assess retirement income.** Use Merrill's personal retirement calculator to estimate how much you might need in retirement and to identify sources of retirement income.
- ☐ **Review Social Security options.** Go online to ssa.gov to get an estimate of your benefits. Learn about various strategies that can help you optimize Social Security income. Decisions about when to start receiving benefits are based on personal circumstances, such as health, income needs and longevity. In addition, the age you start collecting benefits can impact the amount you will receive.
- ☐ **Understand Medicare coverage.** Keep in mind that Medicare won't cover all your health care expenses. Try to maximize the benefits of your Health Savings Account (HSA) by contributing the maximum allowed and preserving as much of your balance as possible for when you might need it in retirement.
- ☐ **Review insurance needs.** In addition to life insurance, consider long-term care options to support your longer lifespan as well as to help you care for a spouse.
- ☐ **Review investment allocation.** Explore potential adjustments to investment portfolios to balance income-generating opportunities with a continuing growth strategy as you near retirement. If you work with an advisor, this is an important conversation to discuss often.

Next chapter and legacy

Whether women decide to go after their retirement dreams or continue working, their next chapter can be filled with enriching experiences and opportunities to live their best financial lives. While there are more financial actions to consider going forward, the progress women have made on their financial journeys should help them approach this phase of life feeling confident and well prepared.

63% of women age 65 and over say that having money means security and peace of mind.[1]

Actions to consider:

- ☐ **Recalibrate budget.** You will likely experience changes to your income and expenses in this transitional phase of life and should revise your budget to align with your new circumstances.
- ☐ **Determine retirement income strategy.** Decide on an appropriate withdrawal rate from retirement plans, taking into account required minimum distributions (RMDs) at age 72. Understand guidelines related to RMDs and how other accounts and sources of income will factor into your withdrawal strategy. Talk with a financial advisor for guidance.
- ☐ **Enroll in Medicare.** Be aware of specific Medicare requirements for enrollment, three months before the month you turn 65. Review Medicare supplement policies to see if they are appropriate.
- ☐ **Begin collecting Social Security.** While recipients are eligible to receive reduced benefits as early as age 62, there may be advantages to holding off. To help you understand your options, you can find information on the Social Security website. Consulting a financial advisor could help you understand your options as they relate to your own personal circumstances.
- ☐ **Leave a legacy.** Consider the legacy you want to leave for the next generation. An advisor can help identify tax efficient wealth transfer strategies to benefit the people and organizations you care most about.
- ☐ **Discuss end-of-life wishes with family.** While planning for end-of-life may seem unpleasant, 68% of women 65 and older say they feel confident talking about their end-of-life wishes. It's important to have these conversations so loved ones are prepared.
- ☐ **Update estate plan.** An up-to-date estate plan can help ease the transfer of wealth to loved ones as well as outline your wishes for health care in the event you become incapacitated.
- ☐ **Document financial information.** Use Merrill's Family Life Organizer to record important health and financial information, documents and accounts to make it easier for you and your family to make decisions. If you work with an advisor, make sure you have a "trusted contact person" on file.

This material should be regarded as general or educational information on Healthcare and Social Security considerations and is not intended to provide specific advice. If you have questions regarding your particular situation, please contact your legal, tax or healthcare advisor(s).

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[1] *Women, money, confidence: A lifelong relationship.* Bank of America, June 2022.

[2] You can receive tax-free distributions from your HSA to pay or be reimbursed for qualified medical expenses you incur after you establish the HSA. If you receive distributions for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% tax, unless an exception applies. Any interest or earnings on the assets in the account are tax-free. You may be able to claim a tax deduction for contributions you, or someone other than your employer, make to your HSA directly (not through payroll deductions). In addition, HSA contributions may reduce your state income taxes in certain states. Certain limits may apply to employees who are considered highly compensated key employees. Bank of America recommends you contact qualified tax or legal counsel before establishing an HSA.

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