

5 Things Every Woman Should Know About Investing

5/11/2023

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FRANKLIN TEMPLETON ACADEMY®

Take control of your financial future

Five things every woman should know about investing



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Assessing our financial future

Reflection Questions:

- 1) How satisfied are you with your current level of investment knowledge?
- 2) How optimistic are you about the overall outlook for your investments?
- 3) How confident are you that you would be able to manage milestones or major life events such as a new baby or a job loss?



Purchasing power



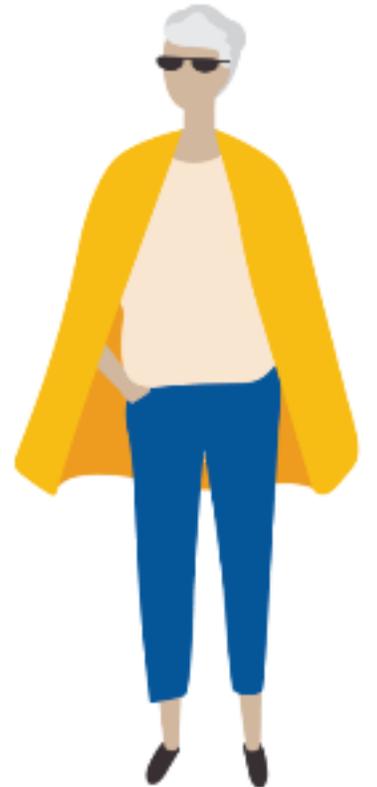
Women in the US control

\$10.9 trillion

in assets

Which is **31%** of
investible assets.¹

Over **70%** of consumer
purchasing is done
by women.¹



5 things every woman should know...

About investing:

- 1) You have instinctive investor skills
- 2) Life's other priorities can impact your plan
- 3) Investing for a family adds complexity
- 4) Genetics are in your favor
- 5) Expert help has benefits



1

**Your instinctive
investor skills**

Calm, cool & collected



**Women trade up to
50% LESS
often than men¹.**

1. Source: "The same but different: Gender and investor behavior in Vanguard retail accounts." Vanguard Research, May 2020.

Greater returns



On average, women's
investment returns were
HIGHER
than men's¹.

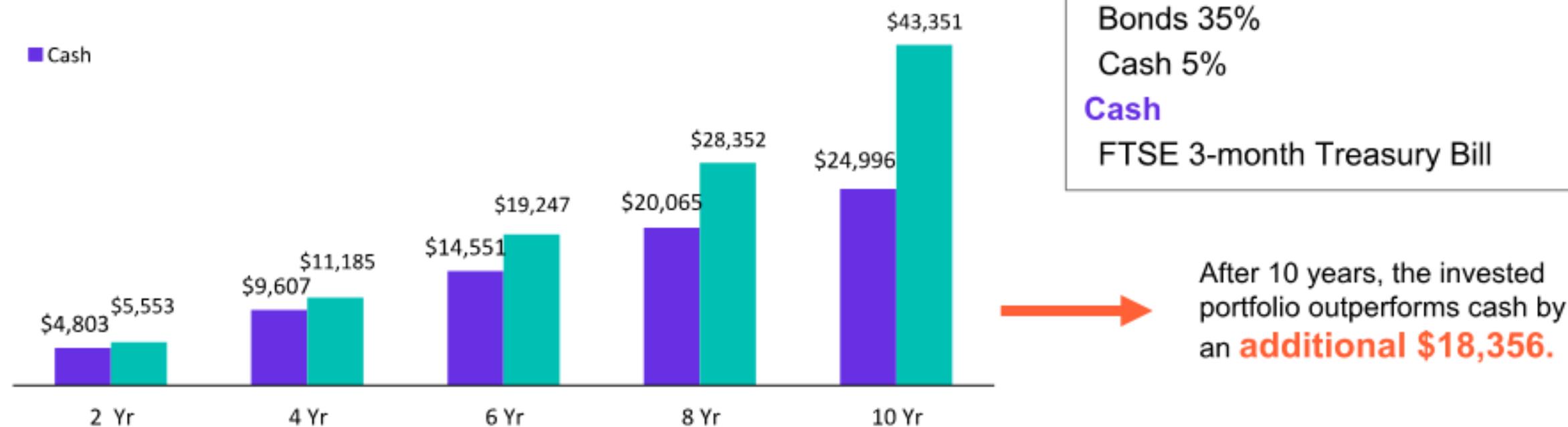
1. "2021 Women and Investing Study." *Fidelity Investments*, 2021.

Put your money to work

Hypothetical Example

10 years saving comparison: \$200/month¹

January 1, 2012 - December 31, 2021



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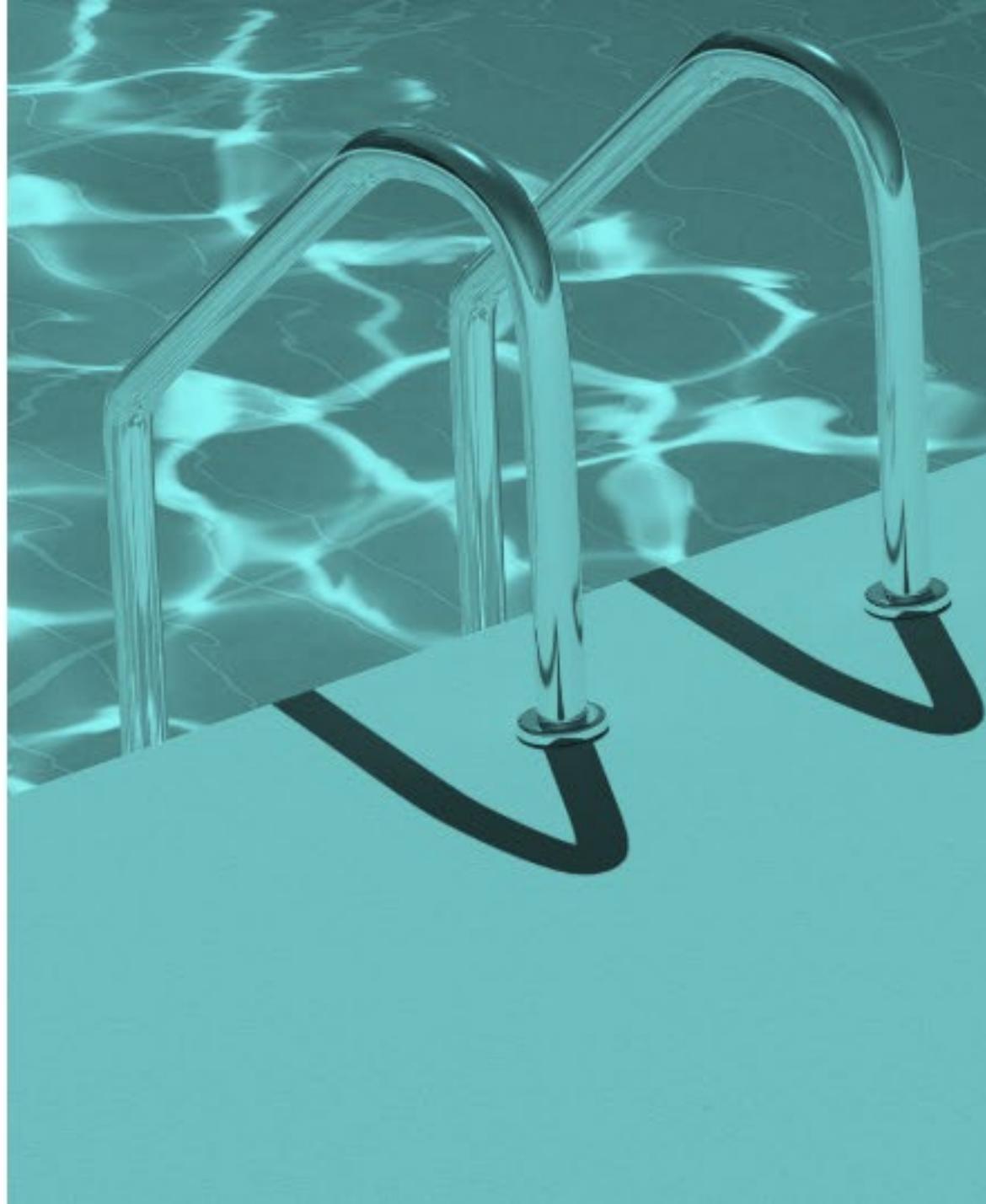
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Start investing today

Don't be afraid to dip your toes into the investment pool.

- Work with a financial advisor
- Reevaluate cash allocations
- Review retirement investment allocations
- Educate yourself
- Advocate for yourself and your work



2

**Life can impact
your plan**



FACTORS AFFECTING WOMEN'S RETIREMENT

**Women take
more extended
leave from the
workforce.**

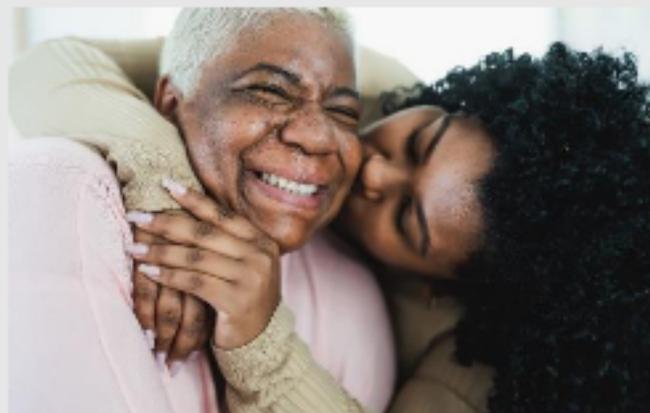
Taking a Leave

CHILDREN



27.0% stay at home¹
20.3% work part-time²

LOVED ONE



16.8% unemployed³
17% work part-time³

1. "Analysis of Current Population Survey Annual Social and Economic Supplements (IPUMS)." Pew Research Center, 1990-2017.

2. "Full-time and part-time employment annual data. Employed parents by full- and part-time status, sex and age of youngest child (under 18 years)." United States Department of Labor, Women's Bureau, 2020.

3. "Economic News Release. Table 1. Number and percent of the U.S. population who were eldercare providers by sex and selected characteristics, averages for the combined years 2017-2018." Bureau of Labor Statistics.

Cost of time away

You could be missing out on more than just salary...



Resume



Promotions



Networking



Knowledge

Potential impact of 1 year away from work

Case study – Hilary's year away



Age

45

Occupation

Nurse Manager

Hilary quit her job a year ago to take care of her sick father. She is now able to return to work.

“Catch up” considerations

- Salary before leaving: \$85,000
- Salary upon return: \$70,000
- 401(k) contributions, matches, earnings
- Annual raise

20-year impact of missing 1 year¹

Salary growth: **\$30,774 less**

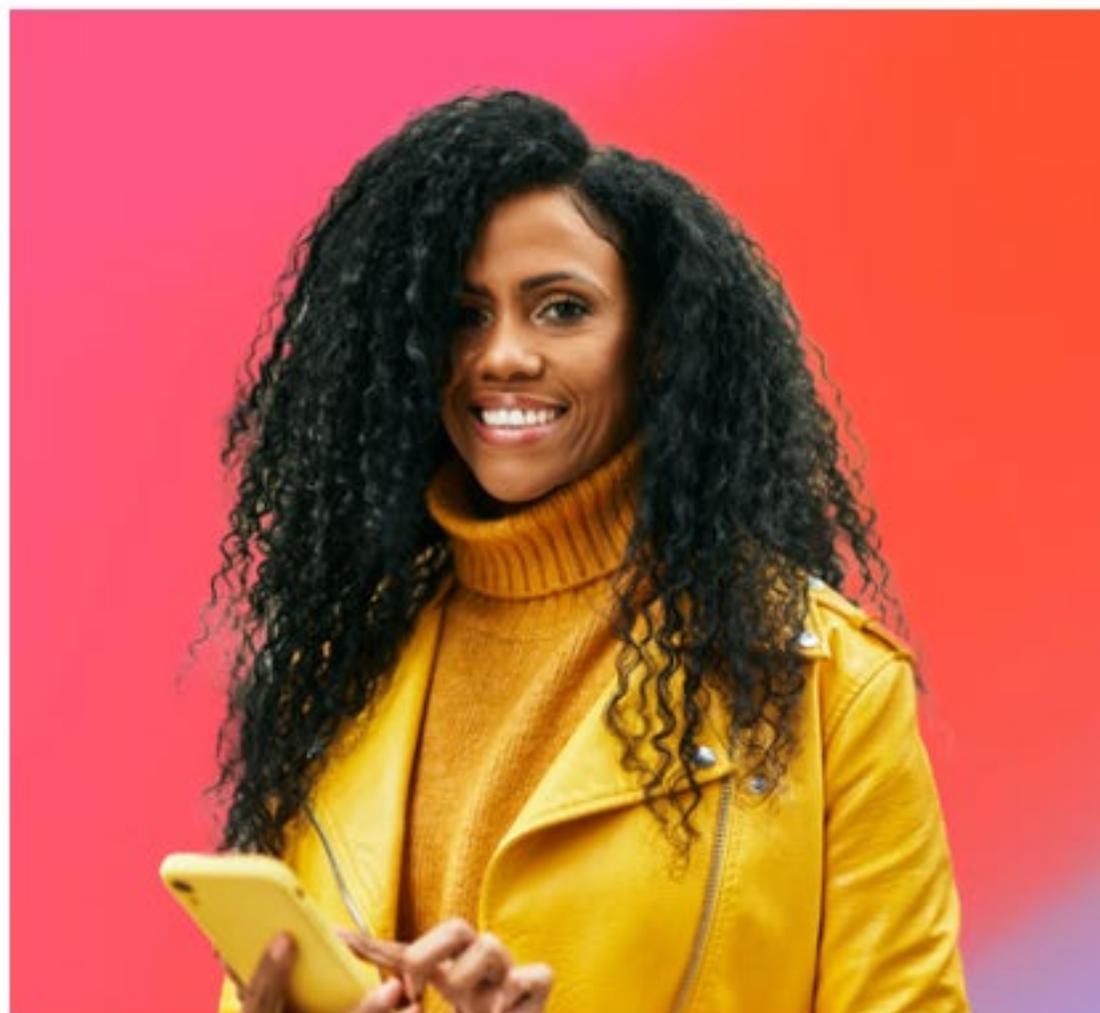
401(k) balance: **\$126,607 less**

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Time out of the workforce: considerations



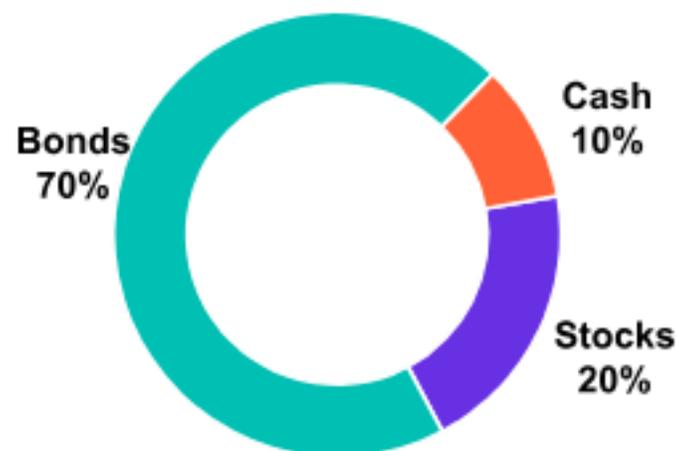
- 1 401(k) Allocation Adjustment
- 2 Annual increases to 401(k) contributions
- 3 Spousal IRA *(if applicable)*

Stay involved with your retirement investments over time.

Things to think about

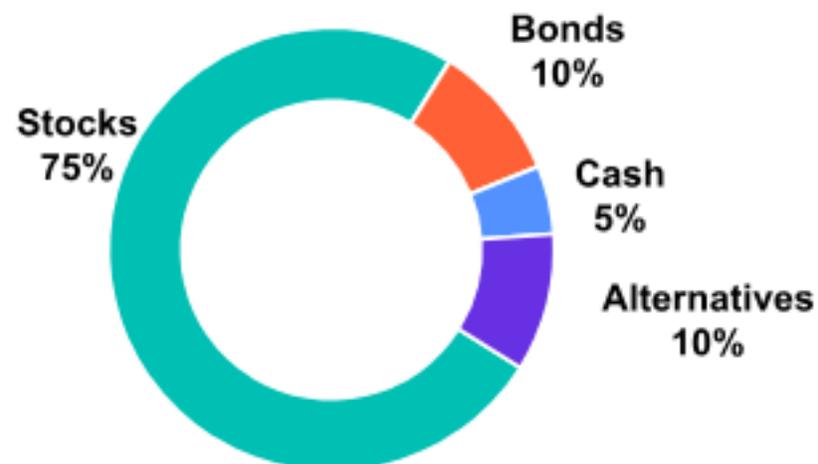
1 401(k) Allocation Adjustment

Conservative allocation



25-year cumulative return: **309%**

More aggressive allocation



25-year cumulative return: **750%**

January 1, 1997 - December 31, 2021

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Things to think about

2 Annual increases to 401(k) contributions



The impact of a 1% increase¹:

401(k) balance after 30 years

Static 6% annual contribution:

\$1,634,888 vs.

1% annual increase: \$1,957,859

\$322,971 more

January 1, 1992 - December 31, 2021

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Things to think about

3 Spousal IRA (if applicable)

- Your spouse has earned income for the year
- Maximum 2022 annual contribution \$6,000



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3

**Investing
for a family
adds complexity**



40% of households
have children¹.

POLL - What is the approximate cost of raising a child in the USA?

a) \$100K

b) \$500K

c) \$200K

d) \$600K



Potential impact of 1 year away from work

Case study – Noor's tuition plan



Age	Salary
35	\$90,000

Noor is planning for the tuition for her almost 1 year old son.

Considerations:

- Retirement plans
 - Child doesn't have to support her in old age
- Rising cost of tuition

Approx. 4-Year Public in-state college tuition (Year 2040)¹

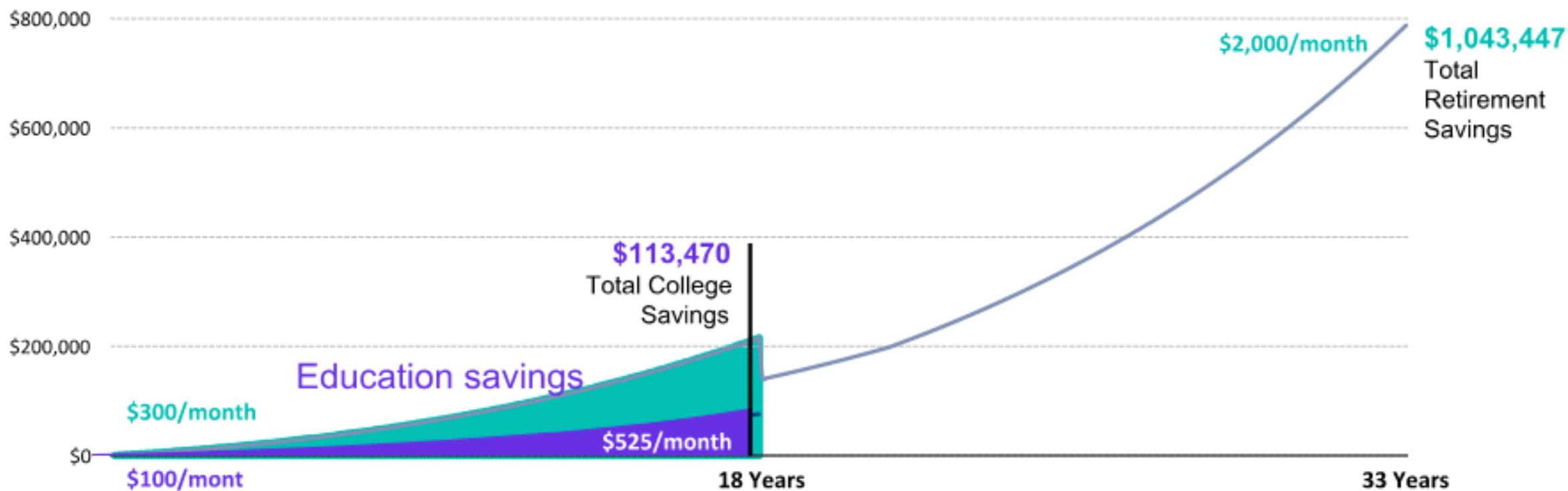
\$111,403

not including any room and board fees.

Financing education and retirement

Case study – Noor's tuition plan

Saving for education and retirement simultaneously¹

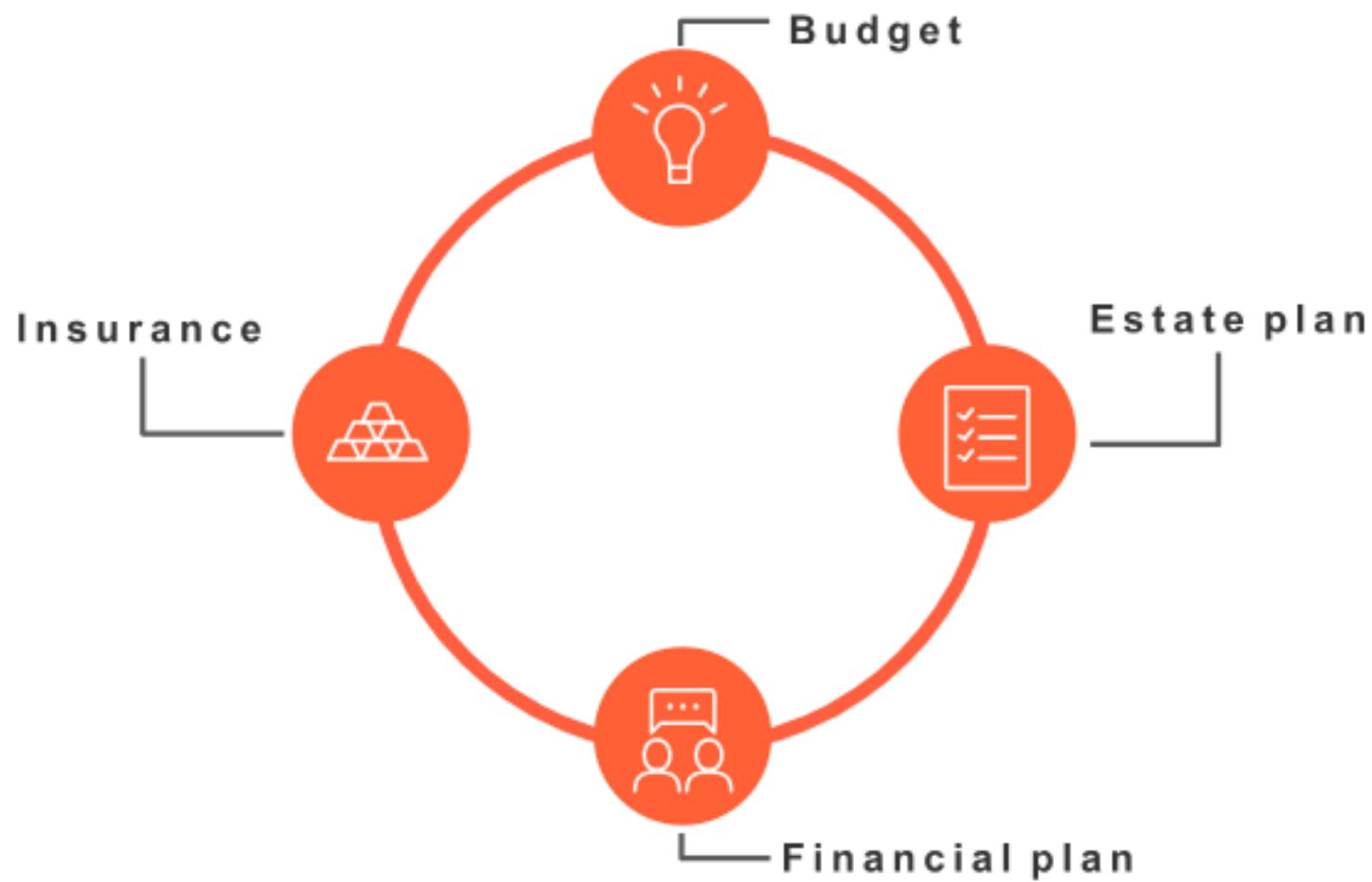


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1. Education calculations assume the family will contribute \$100 monthly to a 529 education savings plan and increase that amount by \$25 every year for 18 years. Education savings assume a 5% average annual total return. Retirement calculations assume a 2019 401(k) contribution limit of \$19,000 for those under age 50 and a \$25,000 for those over 50. Retirement savings assume a \$300 monthly contribution, increasing \$25 every year up until education savings contributions end. Does not account for any matching contributions made by an employer. Starting in year 19, the family stops contributing to education savings and have \$1,300 each month to invest for retirement. This amount is increased by \$50 a year. Retirement savings assume a 7% average annual total return. State taxes may apply to 529 plan qualified withdrawals, and state and federal taxes generally apply to retirement plan withdrawals. The chart does not reflect the effect of investment fees, taxes and expenses; total savings figures shown would be lower if it did. There is no federal or state guarantee of a 529 plan. Principal value may be lost, and there is no guarantee of admission to college or sufficient funds for college or retirement.

Helpful tips

Preparing for children



Dealing With The Unexpected



41% of first marriages
end in divorce.¹

Average cost²
\$12,900+

1. "Divorce Statistics: Over 115 Studies, Facts And Rates For 2020.", Wilkinson & Finkbeiner Family Law Attorneys, 2020.

2. "How Much Will My Divorce Cost?", Nolo, 2019

Divorce: Impact On Social Security

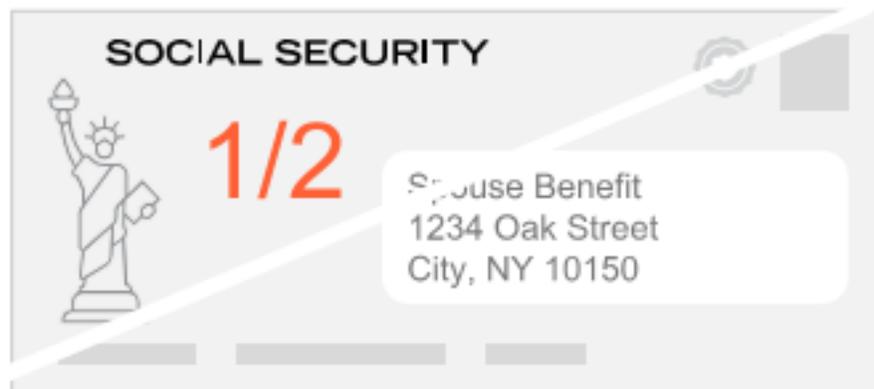
You can receive your ex-spouse's benefits if:¹

SPOUSAL SOCIAL SECURITY REQUIREMENTS

- 10 or more years of marriage
- Unmarried
- 62 years old

CONSIDERATIONS:

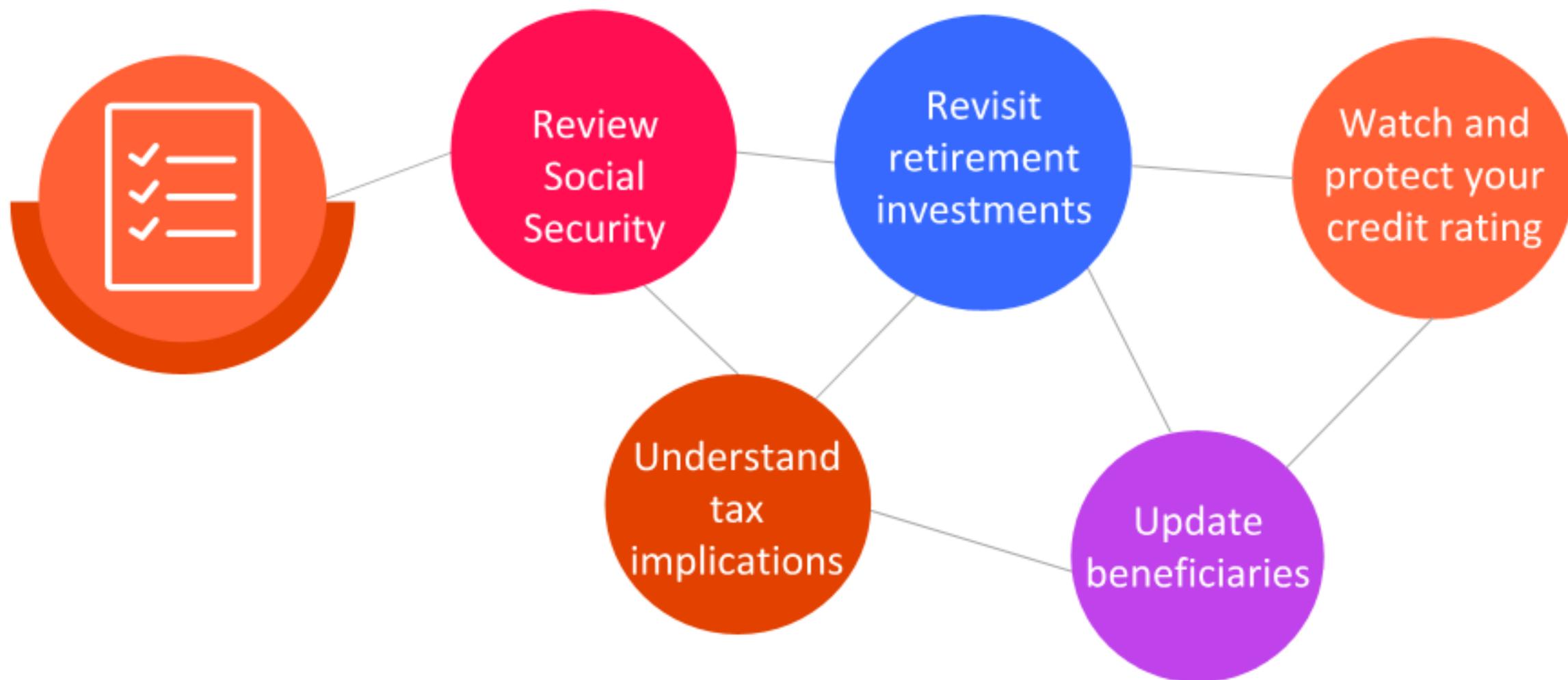
- Receive benefits even if ex-spouse has not applied
- Ineligible if you remarry



YOU CAN'T COLLECT BOTH!

Handling Divorce

Consult a financial advisor before & after divorce.



4

**Genetics are
in your favor**

Life expectancy¹



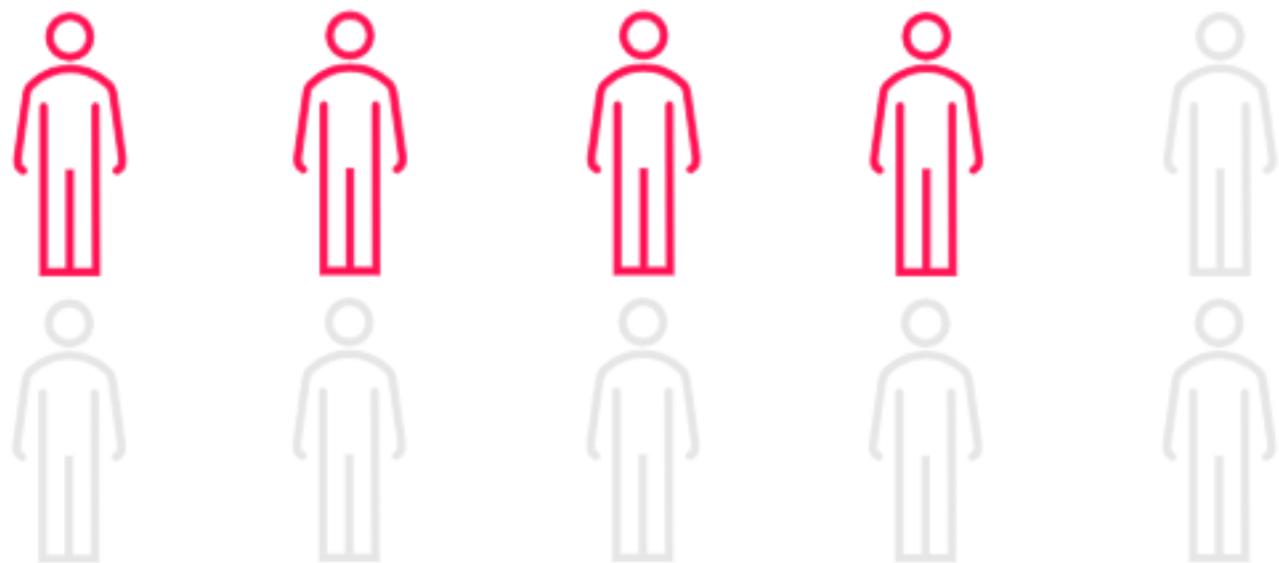
MEN



WOMEN

1. "Mortality in the United States." Centers for Disease Control and Prevention, 2020.
Note: Original study states "males" & "females".

Income in retirement



42% of elderly women receive **50%** or more of their income from Social Security.¹

\$1,555

Average Monthly Social Security Benefit¹

\$3,800

Average Monthly Expenses in Retirement²

1. "Fact Sheet, 2021 Social Security Changes." Social Security Administration, 2021.

2. "Let's Get Real: What an Average Retirement Costs." NerdWallet, 2018.

Social Security basics¹

Social Security is calculated on your highest paid 35 working years

Year of Birth ²	Full Retirement Age (FRA)
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

1. "Benefits by Year of Birth: Retirement," Social Security Administration.

If you were born on January 1st of any year you should refer to the previous year. (If you were born on the 1st of the month, the Social Security Administration figures your benefit figure your benefit (and your full retirement age) as if your birthday was in the previous month.)

If you file for Social Security before your FRA, you will receive a **reduced monthly benefit**.

This is **permanent** and will not be restored once you reach your FRA.

Social Security basics

Here we assume the following:

- The individual was born on June 5, 1957
- Currently still working
- Earning \$80,000
- Works every year until benefits are received

Age	First year estimated monthly benefit in future (inflated) dollars ^{1,2}
62	\$1,437
63	\$1,597
64	\$1,802
65	\$2,029
66+6months¹	\$2,298
67	\$2,562
68	\$2,881
69	\$3,224
70	\$3,583

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1. Social Security Administration, www.ssa.gov, Quick Calculator.

2. Assumes future increases in earnings each year, through retirement year.



Social Security Fact

For every **12 months** you postpone starting Social Security, your benefit **increases by 8%** until the age of 70¹.

1. "Benefits by Year of Birth: Retirement." Social Security Administration.

How does living longer impact your social security plan?

Case study – Dorothy & Dan



If your spouse's average income was more than yours, depending on when they started taking Social Security, their benefit may be higher.

Once they die, you have the choice to take over their benefit or keep your own, whichever is higher.

	Monthly Benefit Amount ^{1,2}	Dorothy's Benefit Upon Dan's Death
Dan Collects early (63 and 3 months in 2018)	\$2,032	Since Dan's benefit is less, she'll want to claim her own in the amount of \$2,162
Dan waits until FRA (66 & 2 months in 2021)	\$2,522	+\$360/month
Dorothy waits until FRA (66 and 8 months in 2025)	\$2,162	If Dan were to wait until his FRA, she may want to claim his benefit

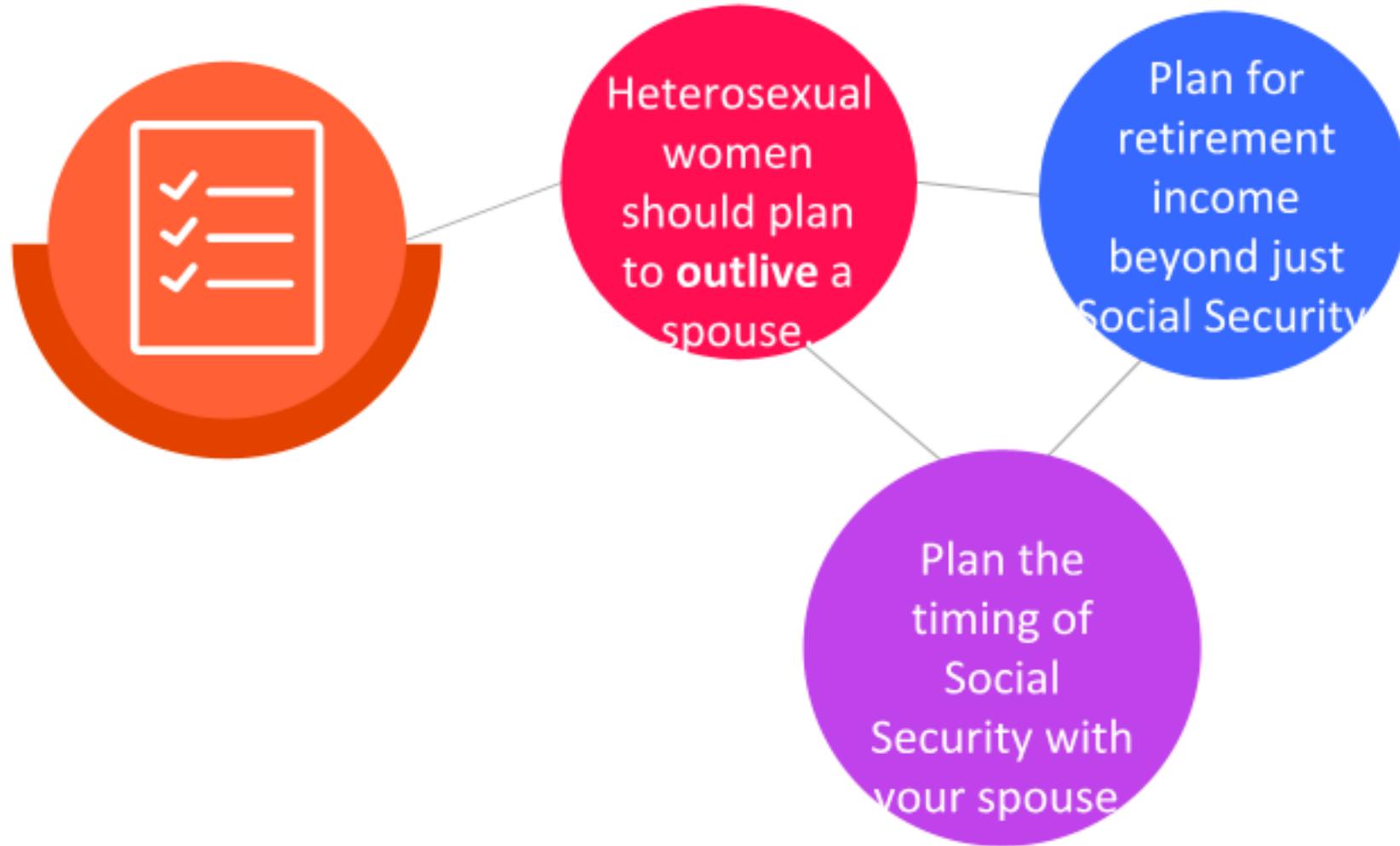
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1. Social Security Administration, www.ssa.gov, Quick Calculator.

2. These calculations assume that Dan was born in 1955 and made \$120,000 in his last full working year. Dorothy was born in 1958 and made \$80,000 in her last full working year.

Handling aging

Some things to consider as women age.



5

**Partner with
an expert**

Investment goals¹

9 in 10

women plan to take steps to help their money work harder to grow¹.

POLL: Which of the following is the top financial goal indicated by women?

- a) Creating a financial plan to help them reach short- and long-term goals
- b) Increasing their understanding of financial planning and investing**
- c) Reaching out to a financial professional to take action
- d) Investing more of their savings

Investment goals¹

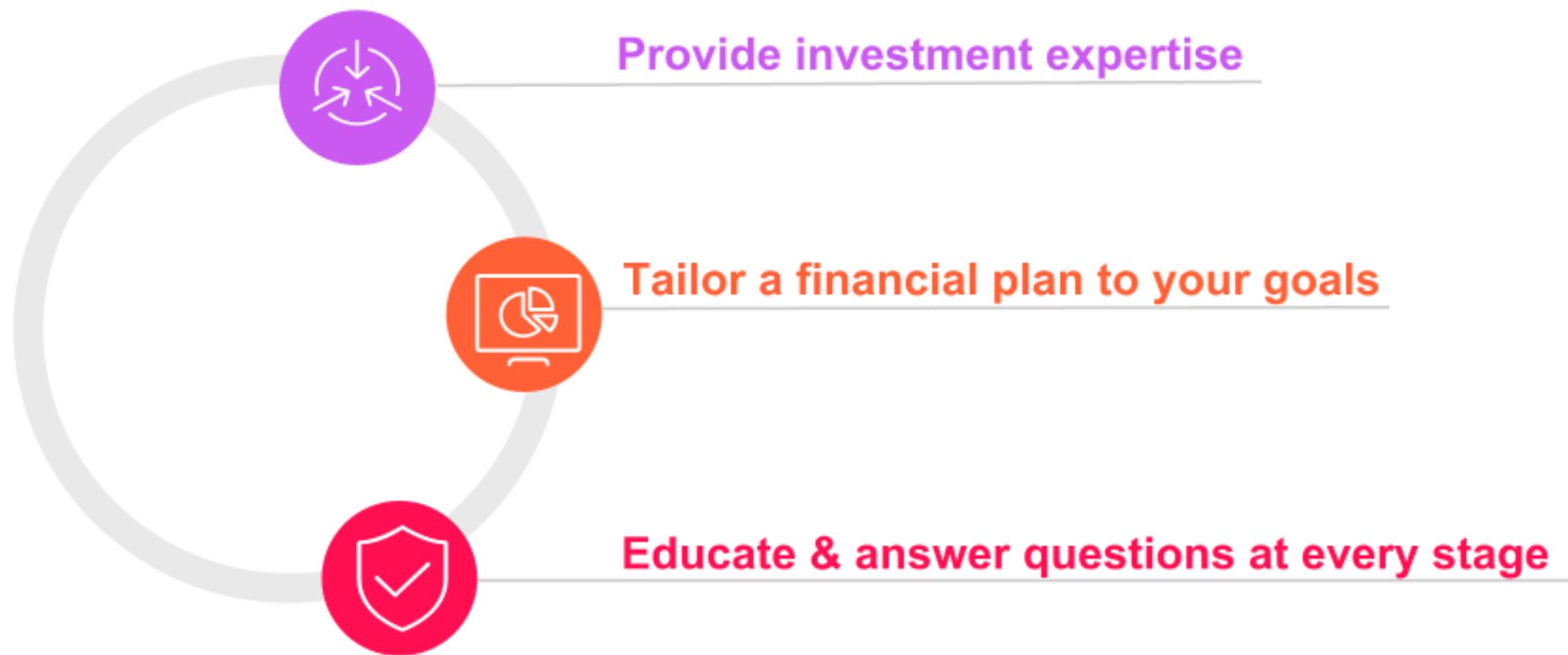
Top 4 goals breakdown



1. "2021 Women and Investing Study." *Fidelity Investments*, 2021.

Expert help makes a difference

Financial professionals can ...



Prepared by Next Steps Partner

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Thank you!

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