

# Women And Wealth: Finding a Path to Plan for Retirement and Your Future



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The ongoing pandemic has highlighted the substantial and unique pressures and responsibilities facing women. While these pressures have always been present, much of the economic and social impact of the pandemic continues to fall disproportionately on women—further emphasizing that this important topic isn't discussed enough.

In many ways, women face a different financial calculus than men. On average, women live longer, are more likely to live with disability, are caregivers for immediate and sometimes extended family, and are less likely to remarry after a divorce. There is still often a gender pay gap between men and women, and the investment and financial decisions that women make look, on average, much different than those made by men.

All of these factors influence not just a woman's immediate financial position, but also the most effective way to plan for the future. They can apply regardless of marital status, whether or not someone is a parent, and irrespective of career.

In this paper, we'll outline some of the core issues facing women in financial planning, especially when it comes to preparing for retirement, and we'll outline approaches and considerations that we recommend you keep in mind.

I encourage you to talk with us in more depth about your personal planning goals, questions, and challenges. Even if the subject matter doesn't pertain directly to you, chances are you have a spouse, family member or friend who can benefit from the information. Either way, please reach out with your questions and your feedback—we're dedicated to helping you navigate the twists and turns of life and to answer the planning questions that matter most to you.

Thank you, as always, for your trust in us as your partner.

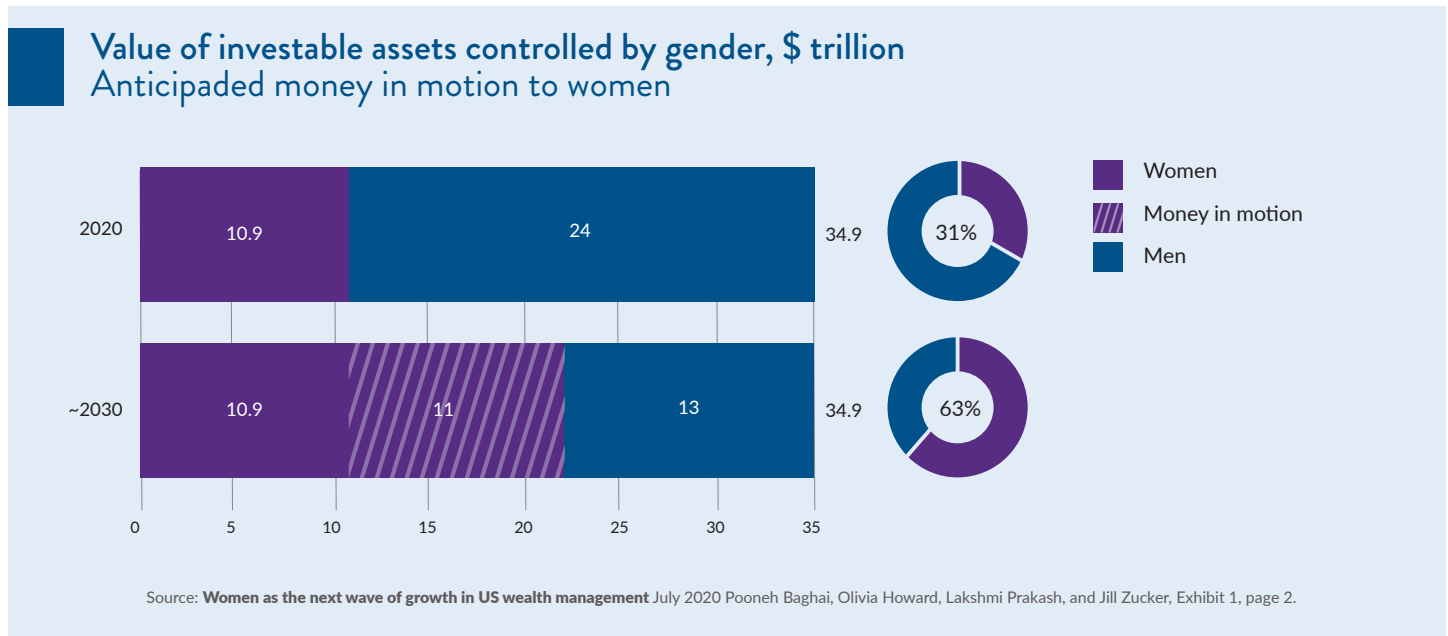
Warmly,

Jeff Fishman



## Women and Wealth: An Overview

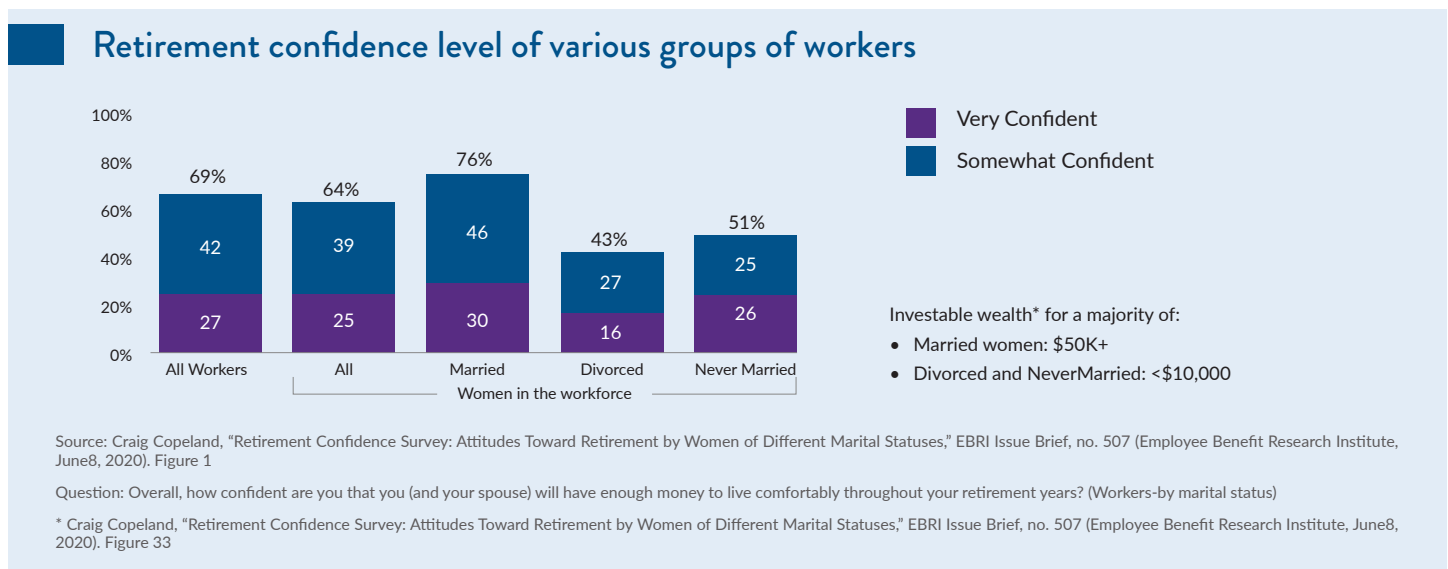
Women represent an important and growing economic force. The value of investable assets controlled by women is expected to double in the decade through 2030 to about \$22 trillion. Women, on average, live longer than men and are less likely to be married after age 65—meaning that marital assets are likely to increasingly fall under female stewardship. Adding those who are already divorced, single, separated, or widowed, it's clear that the future of financial leadership is very much female driven.



## Women and Confidence

So how confident are women about their financial futures? Unfortunately, this is a major area of concern for us as planners.

While 39% of all working women are “very confident” about their retirement plans, there is a significant divide between married and unmarried women. Of those who are divorced or single, only 27% and 25%, respectively, feel “very confident” about retirement, compared to 46% of married women.



This isn't just about having a partner to make decisions with; in some situations, it may very well be a matter of accumulated wealth. Married women have, on average, investable wealth of \$50,000 or more. Divorced and single women, again on average, have less than \$10,000.

These numbers don't necessarily reflect the realities of our clients; however, they do illustrate some rather important points.

## Women Are Less Likely to Invest Than Men

One survey found that women invested about 40% less money than men.<sup>1</sup> Another, which asked respondents what they'd do with an extra \$1,000, found that men were 35% more likely than women to say they'd invest the money.<sup>2</sup>

There are many possible reasons for this, including the impact of the gender wage gap: a Vanguard<sup>3</sup> review of workplace retirement accounts found that the key driver of men's accounts being 50% larger was wages, as opposed to investing ability or savings rates.

There's also an issue of confidence. While there are studies which demonstrate a gap in financial literacy between men and women, a recent experiment suggests that about one-third of that gap is attributable to lower confidence levels rather than a lack of knowledge.<sup>4</sup>

That said, this disparity has serious implications both for women in relationships and those flying solo. A lack of assets in investment accounts can have a material impact on wealth accumulation over the long run. Without the potential long-term compounding growth of investment returns, it's more difficult to grow wealth for the future.

But for those who may have felt unsure of where to start, there is good news.



## Women Are Better Investors Than Men

Ever since a 2001 study demonstrated that men underperform women in equity investing,<sup>5</sup> there have been numerous studies which confirm that women are, on average, the better investors.<sup>6</sup>

A relatively recent Fidelity<sup>7</sup> study found that women tend to outperform men by about 0.4% per year. A Warwick Business School study in the U.K. found that women's investment performance beat that of men by 1.8% per year.<sup>8</sup>

**If you had the capability to combine a prioritization of investment with those kinds of results, you could go a long way towards accumulating the kind of wealth needed for the long run.**

In other words, when women invest, it pays off. While increasing your own investment focus won't solve broader issues like wage discrepancy or the competing set of priorities many women face in terms of work, resources, family, and time, it can help you build more security into your financial future.

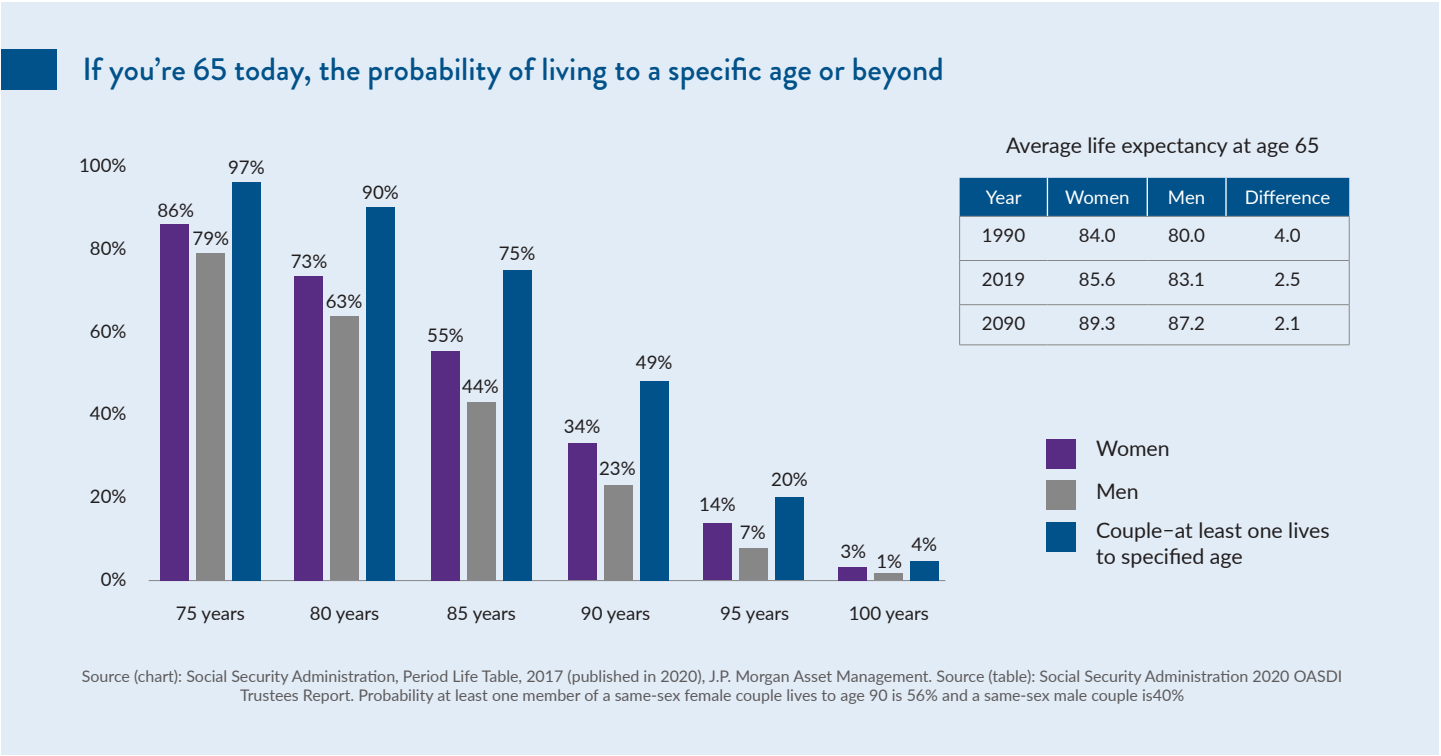
## Long-Term Planning Checklist

Retirement planning is a very high priority for many of our clients. This planning focus often goes hand-in-hand with conversations about general financial security and the ability to achieve interim financial and personal goals.

Our recommendation is that women should keep four core planning keys in mind. We've focused primarily on retirement here given its importance to many of our clients, but you can apply this methodology to any financial goal.

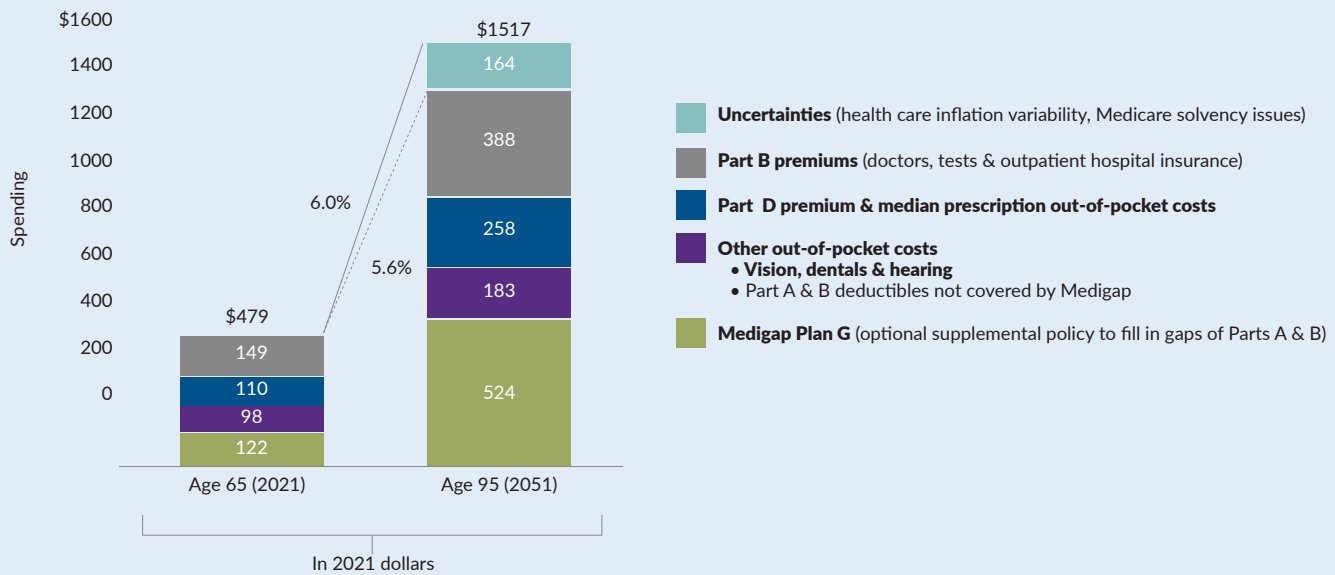
### First: Plan for a Long Life

As stated previously, women, on average, live longer than men—and life expectancy continues to increase. For example, if you're a 65-year-old woman, you have a 55% chance of being alive at 85, versus a man, who has a 44% chance. This is an important statistic for couples, too, as it means that there's a 75% chance one of you will still be alive at that age.



An important consideration in longevity is the cost of healthcare. It's reasonable to assume that healthcare cost inflation will continue to be high, say on the order of 6% or even more per year. With healthcare taking a higher share of your wallet in retirement than it does today, that 6% becomes very significant in terms of your long-range planning.

## Original Medicare costs in retirement (in 2021 dollars) Monthly amount per person



Estimated future value total median monthly cost at age 85 is \$2747. Today's dollar calculation used a 2% discount rate to account for overall inflation. Medigap premiums typically increase with age, in addition to annual inflation, except for the following states: AR, CT, MA, ME, MN, NY, VT, WA. For options available in other states; contact the State Health Insurance Assistance Program (SHIP) <https://www.shiptacenter.org/>. Plan G premium is nationwide average for non-smokers. If Plan G is not available, analysis includes the most comprehensive plan available.

Source: HealthView Services proprietary data file received January 2021, used by permission. 2019 Consumer Expenditure Survey, latest available date as of December 31, 2020. J.P. Morgan analysis.

## Second: Prioritize and Balance Your Goals

We realize that every single woman reading this has heard the often infuriating advice to “keep a healthy work/life/parenting/etc. balance” countless times. But most of the women we know are absolutely barraged by so many competing priorities every single day that balance seems impossible. Rather than suggesting a continuous juggle of everything at once, we suggest taking the time to focus on a core priority—yourself.

We believe that your personal long-term financial success should be at the very top of your list of priorities. It will have an important and immediate impact on your retirement planning, your investing activities, and of course the way you devote resources to shorter-term goals.

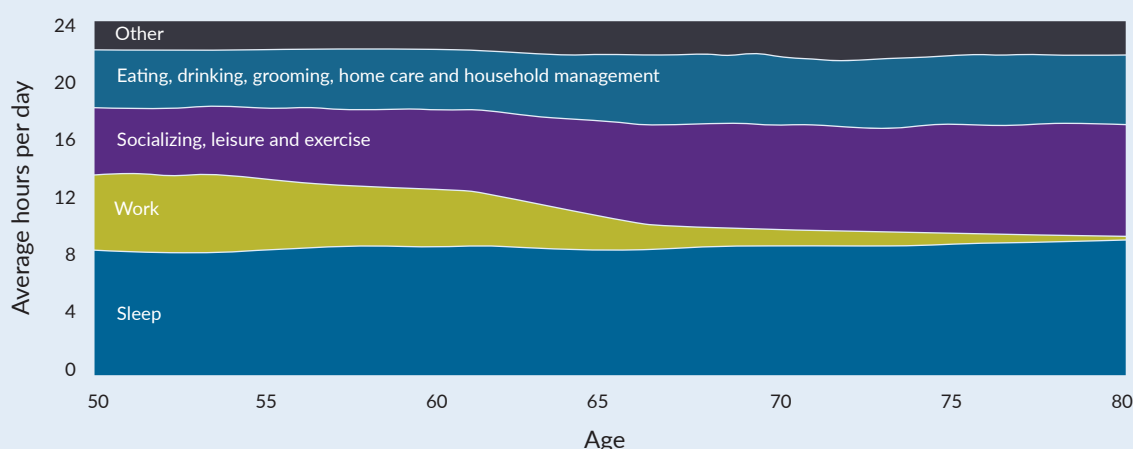
Start by really focusing on what you want in the long-run and work backwards to the present.

What does your retirement look like? Retirement is multi-faceted and looks different to each person, but it's not just the opposite of working. You might dream of traveling, volunteering, spending more time with family, downsizing or upgrading your home, or even changing locations entirely. You might want to continue working or pursuing a passion project.

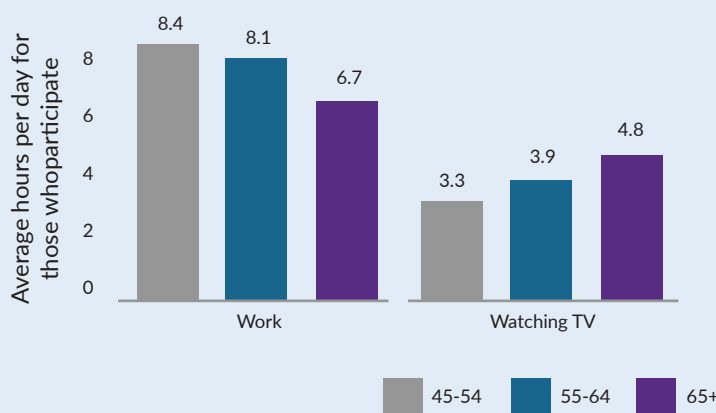
Whatever your optimum retirement looks like, start there. Even if you don't know, taking the time to check in on your goals will give you some insight into your priorities, which can act as starting point for making a plan.

## How will you spend your time in retirement?

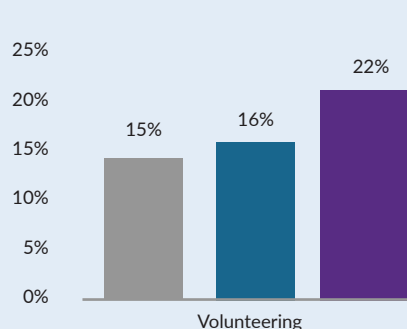
Daily hours spent per activity by age



Average time spent by age



Participation rate by age



Source (top chart): Bureau of Labor Statistics American Time Use Survey 2019, J.P. Morgan Asset Management analysis. Values include people who do and do not participate in the activities. Values are averaged across rolling five-year age groups. Each category includes time spent traveling to and from the activity if applicable.

Source (bottom chart): Bureau of Labor Statistics American Time Use Survey, average for 2009-2019, among activity participants. J.P. Morgan Asset Management analysis. Work is "Work and Work-related (including travel)" with participation rate by age: 45-54: 58%; 55-64: 47%; 65+: 13%. Watching TV participation rate by age: 45-54: 79%; 55-64: 84%; 65+: 89%. Volunteering is "Organizational, Civic and Religious" with average time spent of approximately 2.3 hours per day for all age groups shown.

This is a critical part of planning because it will help us to start establishing baselines for the kind of income you'll likely need in retirement—and how much you'll need to save in order to achieve it.

From there, we will work with you to build in risk management for the many factors involved, including longevity, and help you find a way to balance your goals with the other priorities in your life.

### Third: Take Another Look at Risk

While women typically make better investors, their relationship with risk is also different. Namely, studies show that women tend to be more cautious—often for good reasons!

A retirement income calculator can provide a great starting point for thinking about the financial assets you'll need in order to achieve the retirement you want. While this doesn't account for many other important factors, such as the value of your home, it can help you get started.

[Click here!](#)

Some surveys have uncovered a much higher concern about risks to income among women than men, driven in part by an awareness of possible discrimination. Let's not forget that it was only in 1974 that women were granted, by law, equal access to credit cards. In 2015, one in four women was still experiencing sexual harassment at work.<sup>9</sup>

You may feel you need to be more cautious about the risks you take with your assets. Our goal as planners is to help you navigate both real-world obstacles and the risks and opportunities available to you as an investor—so that you can protect yourself in the short run *and* give yourself the opportunity to meet your long-term goals.

### **Finally: Dive Into Detailed Planning**

Once you have an overall strategy for your long-term future in mind, there are numerous other details to think through. For retirement planning these include navigating issues like portfolio management, Social Security elections, Medicare, and long-term care planning.

Tackling these issues in a methodical way can help you make the most of the resources you've worked hard to accumulate and the benefits available to you. It can also help you find confidence in the steps you've taken to build your wealth and the safeguards you've put in place to protect it for yourself and your legacy.

The question of when to take Social Security is one that many female pre-retirees grapple with.

This calculator can help you get started by showing you the benefits of potentially delaying benefits. For more complicated questions, such as maximizing joint benefits with your spouse or receiving potential benefits from a former spouse, please contact our office.

[Click here to access the calculator!](#)



## **Getting Started: Two Action Steps to Take Today**

How do you know if you're on track? Where to start? These are two of the most common questions we get from women thinking about their retirement planning.

### **First: Check on Your Savings**

The question of how much you need to save for retirement is a complicated one. As you might imagine, the answers can vary widely depending not only on your income and lifestyle but on the many assumptions we need to build into our models.

That said, it's important to try and see the forest, not just the trees. Consider this chart: it is not the end-all be-all of retirement savings planning, but it can give you a broad sense of how you're doing, savings-wise.

## Retirement savings checkpoints

	Current household income						
	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$250,000	\$300,000
Current age	Checkpoint (x current household income)						
25	0.2	0.4	0.6	0.8	1.0	1.2	1.3
30	0.8	1.0	1.3	1.5	1.7	2.0	2.1
35	1.5	1.7	2.1	2.3	2.5	2.9	3.1
40	2.3	2.6	3.0	3.3	3.6	4.0	4.2
45	3.3	3.6	4.1	4.5	4.8	5.3	5.6
50	4.5	4.9	5.4	5.9	6.3	6.8	7.2
55	5.9	6.4	7.0	7.6	8.0	8.7	9.2
60	8.0	8.7	9.5	10.3	10.8	11.6	12.2
65	10.8	11.5	12.6	13.6	14.2	15.3	16.0

### MODEL ASSUMPTIONS

- Annual gross savings rate: 10%\*
  - Pre-retirement investment return: 5.0%
  - Inflation rate: 2.0%
  - Retirement age: primary earner: 65; Spouse: 62
  - Years in retirement: 30
- \*10% is approximately twice the U.S. average annual savings rate

### How to use:

- This analysis assumes you would like to maintain an equivalent lifestyle in retirement.
- Household income is assumed to be gross income (before taxes and savings).
- Go to the intersection of your current age and your closest current household income.
- Multiply your current household income by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 10% going forward.
- Example: For a 40-year-old with a household income of \$100,000:  $\$100,000 \times 2.3 = \$230,000$ .

This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan's model is based on a blend of J.P. Morgan Asset Management's (JPMAM) proprietary Long-Term Capital Market Assumptions (first 10 years) and equilibrium returns, and an 80% confidence level through retirement. Household income replacement rates are derived from an inflation-adjusted analysis of: Consumer Expenditure Survey (BLS) data (2013-2016); Social Security benefits using modified scaled earnings in 2019 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums.

Consult with a financial professional for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

Are your savings relatively close to these benchmarks, or do you have a long way to go? In either case, it could be helpful to have a discussion about both your savings strategy and your investment plan for those assets.

For a more interactive version of the Checkpoint chart, try this calculator!

[Click here to access the calculator!](#)

## Next: Get Started

Wherever you are on your planning journey, it's important to build and maintain momentum. That momentum is, in our experience, best achieved with a plan. In building your retirement plan, we'll consider not just your portfolio but your lifestyle goals, savings rate, other potential sources of income, and of course the risks that you face as a person and as an investor.

While it can be difficult to take that first step—especially if you don't feel confident with where you are today—it can also be one of the most satisfying first steps you take in your life. Seeing progress in an important area of your life can be incredibly motivating, and it can also help set you up for a brighter future.



### Remember: You Can Do This

Whatever your level of comfort with finance, investing, or financial planning, the research is clear: you are almost certainly better at this than you think, and there are opportunities to help you build a stronger financial future.

This doesn't mean you need to completely change your approach and start learning about meme stocks—in fact, we prefer that you didn't! (Meme stocks like GameStop gained fame for their meteoric popularity in places like Reddit, where communities of individual traders urged each other to buy.)

Instead, we encourage you to take a small step, whether that's reevaluating thoughts around risk or putting aside time to research more about what you will need to retire comfortably.

With that in mind, we are ready to help you work through any of these ideas including any issues or concerns that may not be listed here. Money isn't only about dollars and investing; it's about achieving personal, emotional, and family goals. It's our mission as advisors to help you navigate towards those goals while honoring your personal experiences, concerns, and preferences – throughout whatever life has in store for you.

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5. <http://faculty.haas.berkeley.edu/odean/papers%20current%20versions/boyswillbeboys.pdf>
6. <https://www.ft.com/content/f3835072-66a6-11e9-9adc-98bf1d35a056> provides a nice overview of this subject
7. <https://newsroom.fidelity.com/press-releases/news-details/2017/Fidelity-Investments-Survey-Reveals-Only-Nine-Percent-of-Women-Think-They-Make-Better-Investors-than-Men-Despite-Growing-Evidence-to-the-Contrary/default.aspx>
8. <https://www.ft.com/content/f3835072-66a6-11e9-9adc-98bf1d35a056>
9. <https://www.eeoc.gov/special-report/women-american-workforce>

Note: all data from "Women and Retirement" by JP Morgan Asset Management, May 2021 unless otherwise noted