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## Women Need to Plan Now for Their Financial Future

There is an interesting, but also somewhat alarming fact sheet posted on the Social Security web site stating “Social Security is Important to Women” although I’d expand that thought to say that financial planning in general is particularly important to women. The Social Security fact sheet says that “in 2007, for unmarried women – including widows – age 65 and older, Social Security comprises 48% of their total income”. It also says “the average annual Social Security income received by women 65 years and older was \$10,685, compared to \$14,055 for men”. Putting these two statements together, we can probably assume that there are quite a few unmarried women over age 65 living on about \$21,000 a year. I suspect that most women would prefer to have more than \$21,000 income a year. While it takes time and effort, with proper planning additional income for women in their golden years should be possible.

Why is financial planning particularly important for women? Women tend to live longer than men so there are more retirement years that need to be funded. A 65 year old woman has a life expectancy of about 19.5 more years compared to 16.6 years for men. That is almost a three year difference and the longer life expectancy means women need to save and invest more since they may be dependent upon their investment income for a longer period of time.

During their working years women tend to earn less on average than men on an annual basis. The Social Security Fact Sheet says the 2007 “median earnings of working-age women who worked full-time, year-round were \$35,000, compared to \$45,000 for men”. And, that is only for fulltime working women. What about the women who are working part time or not working at all, maybe because they are raising their children or caring for elderly parents? Lower wages means less social security income at retirement. Lower wages also means that less might be put aside and invested for retirement to supplement the social security income, when actually more needs to be saved to make up for the lower social security income and the longer life expectancy.

In general women also tend to be more conservative investors. This might mean a lower annual average rate of return on their investments. Therefore more needs to be saved on an annual basis to meet the target retirement asset goal – on top of needing to save more just because of the lower wages and longer life expectancy. Although, I believe that if women educated themselves about investing so they better understood it, they may be willing to take a bit more risk with their investments.

And, did you know that the median age a woman becomes a widow is age 58 according to the US Census Bureau? In fact, of my clients who are widows all but one of them became a widow before age 58. The loss of a husband can be emotionally devastating but it can also mean a significant financial setback for women if the husband was the primary wage earner and the couple did not plan for the possibility of loss of a spouse at an early age.

Given all the extra financial related challenges women, and particularly unmarried women face, it is important that we don't neglect our financial planning, particularly investing and retirement planning. By beginning now to plan and prepare for retirement (and the premature death of a spouse), women can put themselves in control of their financial future and may ultimately be well rewarded for focusing now on their future financial needs.