01/21

THE FUTURE OF WEALTH IS FEMALE

WORKING WITH FEMALE CLIENTS THROUGH THEIR VARIOUS LIFE JOURNEYS

CAREGIVING | DIVORCE | WIDOWHOOD

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INTRODUCTION

Over the next decade, a historical wealth transfer awaits the financial advice industry. The result: a future of wealth that is decidedly female. As women outlive their spouses and partners, females could possess as much as $30 trillion in financial assets by 2030.[1] And this is only the beginning.

Behind the Baby Boomer demographic are generations of career-minded females who are climbing the corporate ladder and fast building wealth of their own. Collectively, these women add $5 trillion[2] to the global wealth pool each year. In short order, they will become the world's most powerful investors.

Yet financial professionals could do more to accommodate them. An estimated 70% of women change advisors after their spouse's death,[3] a clear indication they feel underserved by the wealth management industry.

For financial professionals looking to grow their practices, this presents an opportunity. But it will take more than marginal changes to support this important demographic. As women approach and enter retirement, they experience wholly different life journeys and circumstances than their male counterparts. Understanding these journeys — and leaning into the needs that accompany them — will be critical to attracting and retaining female clients.

This report examines three unique life phases women frequently encounter:

CAREGIVING | **DIVORCE** | **WIDOWHOOD**

To understand what women are experiencing in these stages and how advisors can help, we share insight from financial advisors and thought leaders who specialize in helping women through these life transitions. They share not only best practices, but insider tips that will help strengthen the bond with female clients, making the relationship more holistic, and less transactional.

We hope their collective knowledge pushes the industry forward and improves the partnership between financial professionals and their current and future client base.

CAREGIVING: A FINANCIAL, MENTAL, AND EMOTIONAL STRAIN

One of life's most challenging circumstances is caring for an ill or disabled loved one. It's also an event that is nearly twice as likely to happen to women. Sixty-two percent of all family caregivers are women,[4] research shows. And that responsibility often comes before retirement: 31% of women are or have been caregivers during their working careers.[5]

For women experiencing the caregiver role, it alters everything: savings, retirement, stress levels, and even the caregiver's mental and physical health. Advisors can more effectively serve women experiencing this life phase by addressing the financial and emotional crosscurrents that come with it.

Preparation should start early, with open dialogue around the complicated and delicate issue of long term care. It's a conversation too many families avoid. Sixty-nine percent of aging adults have never discussed long term care with their family members, research shows. Yet 26% of those aging adults expect their children to assume caregiving responsibilities, while 47% expect their spouse or partner to step into the caregiver role.[6] Women are left vulnerable when they are thrust into that role with no articulated plan about the loved one's wishes or how to pay for them.

Financial professionals must bring caregiving from the back of a family's mind to the forefront of a conversation. Asking questions can get the client thinking about the care she might be required to provide in the future. These questions will help guide her and help the financial professional form a plan that makes sense for her situation.

NOW WHAT?

AN ADVISOR ACTION PLAN FOR CAREGIVERS

When a woman finds herself in the caregiver role, there are a few immediate basics financial professionals must be prepared to do or ask a family member to handle, says, Kerrie Debbs, a partner at Main Street Financial Solutions. These include:

- Advise kids or someone else in the family to get access to the bank accounts of the person needing care. Those with access must be trustworthy and, if possible, possess some form of financial literacy. Many of those accounts will need to be retitled.
- Be ready to advise the trusted caregiver and/or power of attorney about how much money is needed for care and how long the client's money will last. They will need a picture of how much can be budgeted to spend over a period of at least several years.
- Make sure children know — or direct them to find out — where important documents are in the event of a parent or remaining spouse's death.
- Review and possibly recommend long-term housing options for the person who needs care.

As a woman transitions into a caregiving role, the financial professional can set the family on the right path by coordinating and delegating responsibilities to other family members based on their individual strengths and weaknesses. If, for instance, one family member has more financial expertise, steer more financial responsibilities his or her way. Working as a team — and sharing the workload — is essential because balancing caregiving with financial tasks and other responsibilities can quickly lead to fatigue.

Also, be sensitive to the emotional challenges associated with caregiving. Many women will naturally struggle with how to cope. Empower the caregiver to put self-care at the top of her own list and encourage her to seek forms of therapy and psychological support if needed. Supply a referral to make it as easy as possible.

"Above all, as women enter this life stage, financial professionals need to practice patience," Debbs says.

The caregiver role often falls on a spouse or partner who may not be financially savvy or did not guide financial and retirement decisions through the marriage. These women will have to learn finances and create a new retirement plan on the fly, at the same time they are learning to care for someone. Consider everything on the client's plate, and be prepared to patiently explain, and, if necessary, re-explain financial details.

The Long Drive

"One of the largest challenges of caregiving is that often, no one looks out for the burdens placed on the caregiver. I had a friend who was still working full time but having to take care of both her parents. For three-plus years, the daughter was traveling five hours round-trip at least twice a week to help her aging parents.

"As her father's health declined, she convinced her parents to move closer into an affordable home with assistance available. But after the father passed away, the mother called a friend and secretly moved back to her home location two-and-a-half hours away from the daughter. The daughter was right back at square one. Pre-budgeting and titling of accounts can help give the caregiver more control in these situations."

KERRIE DEBBS
Partner
Main Street Financial Solutions

INSIDER TIPS FOR CAREGIVING

Appreciate and validate.
Regularly validate how amazing the caregiver is to take on all these responsibilities at once.

Change is inevitable.
Be prepared:
Just when you think the client's family plan is in place, someone will change it.

Before meeting with family, role play.
Facilitating family roundtable discussions about caregiving is tough. Advisors can role play these discussions beforehand with friends.

Clearly articulate roles.
Make sure everyone in the caregiving circle knows what each other's roles are.

Practice patience.
Caregiving issues and situations can't be resolved quickly. Be prepared to give time and patience to women experiencing the caregiver life stage.

GRAY DIVORCE: A BOLD NEW BEGINNING

Over the past 20 years, America has undergone a changing social dynamic. The divorce rate for the general population has steadily declined, but for older couples, it has increased dramatically. For women aged 55 to 64, the divorce rate has tripled since 1990; for women 65 and older, it has increased six-fold.[7]

Experts assign many reasons for the uptick in late-life breakups, often called "gray divorces." Those include a reduced social stigma around splitting up, increased independence among women, and a deeper evaluation of late-life priorities and interests as individuals enjoy longer, healthier lives. Whatever the reason, the gray divorce is a critical life change that financial professionals should expect at least some of their female clients to experience.

Financial professionals are in a unique position to help women confront some of their greatest fears and challenges during these trying times. This is because much of their concern after a divorce centers around finances.

"The post-divorce decline in income usually hits women harder than men,"

notes Stacy Francis, a certified divorce financial analyst and CEO of Francis Financial.

On average, a woman's standard of living goes down 27% after a divorce, while a man's gets a 10% bump.[8] Longer life expectancies, lower incomes, and fewer years in the workforce also pose unique financial headwinds for some women as they plan for retirement after divorce, she notes.

These headwinds present opportunities for advisors to show their value at a critical transition point for female clients. Many states split a couple's assets in half, which means the client may need advice on reinvesting. Retirement plans will have to be revisited to accommodate her new life and goals. Developing alternative retirement income strategies can also help a woman take positive strides toward long-term financial security.

Financial professionals serving this segment can utilize some tried and true best practices to support and empower women through this period.

BEST PRACTICES

EXPECT SURPRISES

~46%

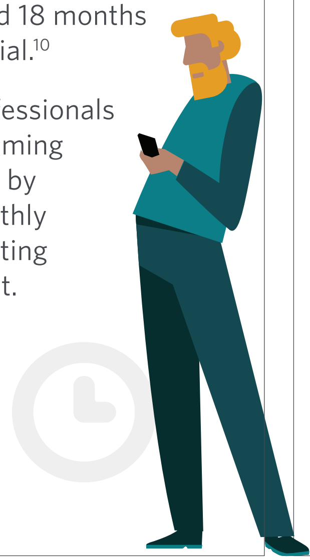
of women say a divorce brings with it financial surprises.[9]

These surprises run the gamut, from the size of marital debt to assets that have been hidden from the spouse. You can remove some of the shock by letting the client know surprises are common and assuring her that the planning process will be fluid.

STAY IN TOUCH ROUTINELY THROUGH THE LENGTHY DIVORCE PROCESS

Every divorce process is unique, but it is often a long one. Studies show the average divorce takes 11 months if the couple settles issues on their own, and 18 months if it goes to trial.[10]

Financial professionals can avoid seeming disconnected by having a monthly check-in meeting with the client.



ESTABLISH A TEAM TO ADDRESS THE LIFE EVENT HOLISTICALLY

"To women, it's not only about money, or the children, or the house, or the furniture; it's about how everything comes together in a larger picture," Ms. Francis notes. **"Women are looking for holistic guidance when striving toward a specific lifestyle or goal.** The most effective team that will deliver this holistic advice includes not only a matrimonial attorney, but also a financial advisor and a therapist or coach to help them manage the changes and stress brought on by divorce."

PROVIDE A "JUDGMENT-FREE ZONE" TO TALK ABOUT FINANCES

Every individual has their own money personality, established by their own memories of money from childhood, Ms. Francis says. "These hard-wired belief systems come into play when making choices about how we spend, save and invest money," Francis notes. "Working with a professional who offers a judgment-free zone and strives to understand these sentiments through good listening skills is key for women going through divorce and in the period after divorce. Women are good enough (some might say, too good!) at judging themselves — they do not need someone else to do this for them."

BUILD AN EMERGENCY FUND

Women going it alone will feel more confident when they have a backup plan to handle unforeseen circumstances. Advisors play a crucial role in building that plan, whether it means creating emergency savings, considering insurance products, or identifying ways to cut costs, such as moving to a smaller home.

BUILDING THE A-TEAM

Many times, women require more than legal and financial advice during a divorce; they may need emotional support as well. Ms. Francis has seen it firsthand:

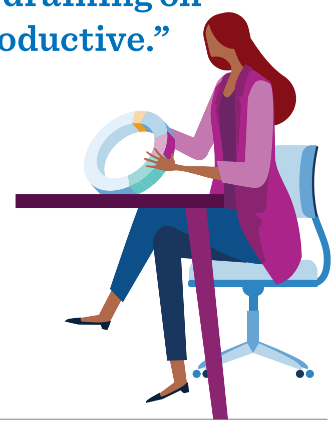
"One of our own clients had been working with us and an attorney through a divorce, but then went missing in action. She stopped showing up for meetings and failed to respond to important emails.

"When her lawyer finally confronted the client, she admitted something was missing: She needed emotional support and guidance about being single again. The client's attorney introduced her to a divorce coach. It was just the support she needed."

"The divorce coach had a comforting presence and had been through divorce herself. The divorce coach accompanied her to some of our meetings, and our client loved that she had an advocate and, at times, a personal stenographer to help her through the process.

With a complete team working collaboratively behind her, it made the rest of the process less draining on the client, and more productive."

STACY FRANCIS
CEO
Francis Financial



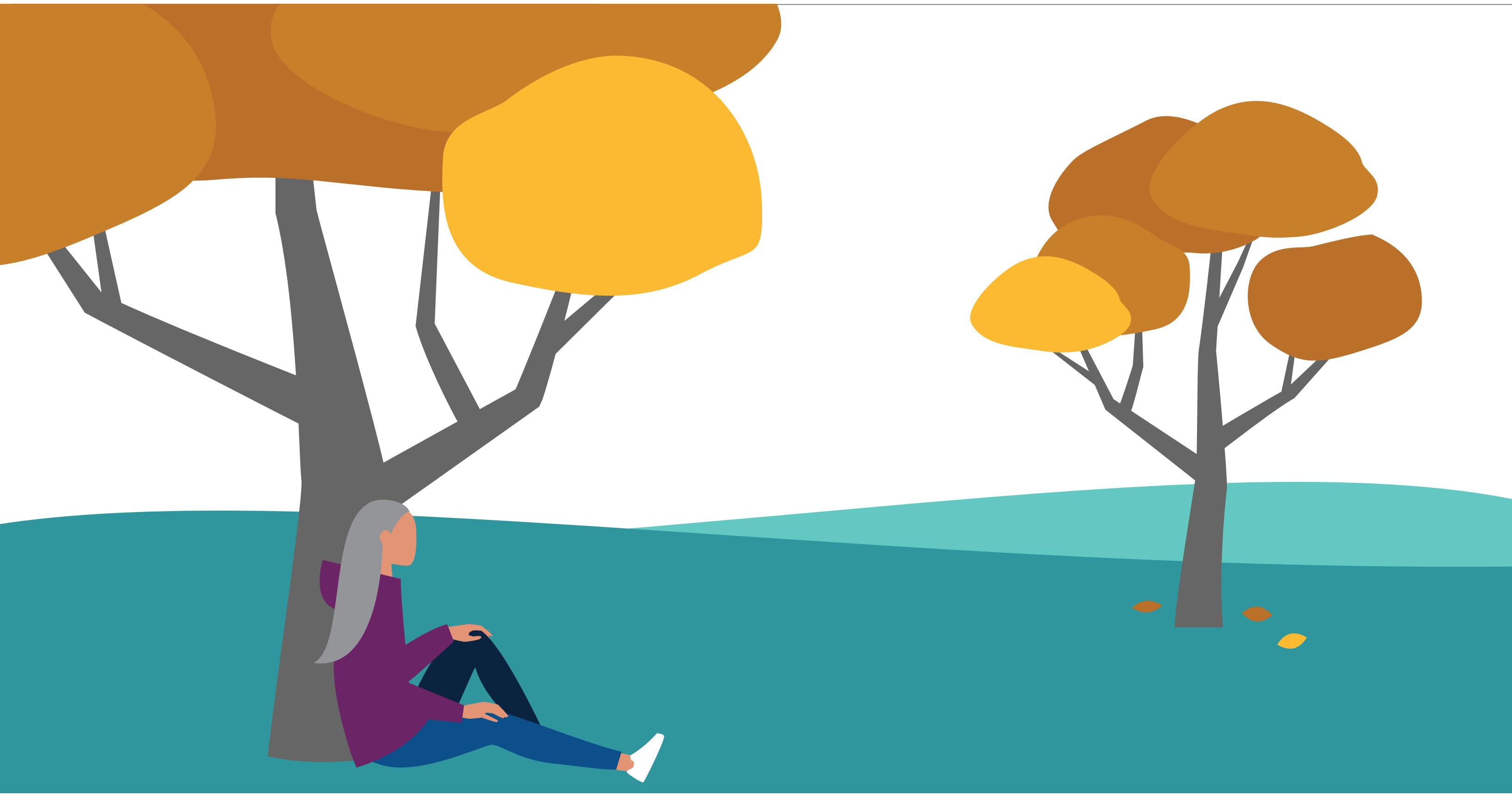
INSIDER TIPS FOR DIVORCE

Give your team supporting your client a name.
Calling the attorney, advisor, divorce coach and any other partners working through the divorce "Team Erica," (or any other client name) goes a long way in making her feel she has the support she needs to get through this stage.

Resources matter.
Providing a good book or other helpful resource that talks about the divorce process, and others who have gone through it, shows you care about more than just the financial aspects of the divorce.

Connect clients with a divorce coach.
Recommending a divorce coach shows the advisor is keeping the client's emotional needs in mind, and also keeps the client focused on making the best decisions for her future.

Connect her with other "gray divorce" clients.
If you are working with other older women who have been through divorce, you may want to facilitate an introduction, if both parties are willing. Having the ability to talk to someone who has gone through this process could be very insightful to both women.



WIDOWHOOD: A PATH TO HEALING

Greater longevity means women will typically enjoy a longer retirement than men. It also means they are likely to experience some of that retirement alone. A staggering 80% of women die single, while 80% of men die married.[11]

The dichotomy underscores one of the starkest differences between the male and female retirement experience; at some point, women will likely find themselves absorbing the shock of widowhood. And financial professionals can do more to help them through it.

An estimated 70% of women leave their financial advisor within the first year of a spouse's death, a clear sign they feel underserved during widowhood. To change this, gaining more insight and awareness of where she is in the grieving process is critical.

THE THREE STAGES OF WIDOWHOOD

Much like retirement, widowhood is experienced in stages. Those include: grief, growth, and grace. For advisors, the challenge is matching their services to the stage the widow is going through.

GRIEF STAGE

In the grief stage, the widow is still overwhelmed by loss. Short-term memory can be impaired during this stage, and patience is paramount. Delaying large financial decisions in the short term is highly recommended.

Instead, focus on tackling a financial to-do list that is likely overwhelming the client or falling by the wayside. The list varies for each widow, notes Heather Ettinger, founder and CEO of Luma Wealth Advisors, but at minimum, will likely include the following:

- Discussing estate distribution with the client's attorney
- Locating financial assets and appropriate contacts
- Providing her with the number of death certificates to order from the funeral home based on the number of accounts, etc.
- Contacting the spouse's employer for information on retirement plans, insurance and other benefits
- Claiming the deceased spouse's social security benefits
- Updating personal estate plans and beneficiary designations

Ideally, financial professionals should personally handle as many of these details as possible. Either way, list out all the transitions that need to take place, prioritizing what is most important. The list should be updated and distributed to the client on a regular basis, so she has peace of mind that these items are getting taken care of.

Widows will appreciate any other gestures to help them wade through the organizational priorities during the grieving stage. These might include sorting through her mail, writing out language for her to use on the phone if she needs to talk to insurance or other financial service providers and any creative ideas to reduce anxiety during these trying times.

GROWTH STAGE

As a widow progresses to the growth stage, you can begin addressing some of the bigger-picture financial items, such as estate planning, changing their investment portfolio or updating tax strategies. This planning stage should include not only a revision of her financial strategy, but major life decisions, such as where she wants to live.

Advisors should realize that while the growth stage is about moving forward, the changes involved can be overwhelming, especially when emotional burdens still linger. Creating the new plan and arriving at these new life decisions will require patience and working according to her schedule.

GRACE STAGE

In time, most widows will progress to the grace stage. At this stage — which may take years to reach — the widow is moving into a completely independent phase of life. She may discover interests that give her a renewed sense of purpose, such as launching a business or travelling more. During this phase, widows are also thinking about the legacy they will leave. Financial professionals can help create that legacy, planning inheritances and charitable giving strategies.

The advisor who sees their client through to this stage may not just be retaining a female client, they may be sowing the seeds of relationships with the next generation.

FOUR QUESTIONS ADVISORS SHOULD ASK EVERY WIDOW

Heather Ettinger, founder and CEO of Luma Wealth Advisors, says there are several questions advisors should ask newly widowed clients. Those include:

1. What's weighing most on your mind right now?
2. Who is a trusted close friend or family member to include in meetings to take notes and help you ask questions?
3. What other advisors and financial service providers do you have that I should communicate with? (i.e. CPA, estate planning attorney, insurance agent)
4. Do you have enough money in your checking account to cover several months of bills, including funeral and estate expenses?

WAIT BEFORE YOU LEAP

"For newly widowed clients, it often pays to put off big financial decisions for at least a year. We had a client, Sally, who wanted to move from Atlanta to Charleston. We cautioned that she shouldn't buy a new place until she had a chance to 'test drive' the neighborhood as a widow. We wanted to make sure the neighborhood she chose would provide the right social support and connections to make her feel welcome. Sally took our advice and rented for a year in her chosen Charleston neighborhood.

"It ended up being wise to wait on the big purchase. The development she chose had a lot of couples and wasn't that inclusive of widows. However, Sally made friends in another neighborhood where there was a fantastic single women's network. She ended up buying in that area and has been happy. Seeing her social media posts with her new girlfriends has brought us all joy."

HEATHER ETTINGER
Founder and CEO
Luma Wealth Advisors

INSIDER TIPS FOR WIDOWHOOD

Attend the service of her loved one ... and write a personal condolence note.

Delay significant financial decisions. Rarely is there a need to make immediate changes regarding financial assets or real estate.

Invite her to dinner. Widows are usually lonely, and their social life has become a big unknown. Getting out will help them.

Identify a close friend or family member to participate in meetings. When grieving, most people do not process information normally. Have someone attend meetings to take notes.

Meet at her home. Newly widowed clients will appreciate talking in a safe and comfortable environment.

Connect her with other female clients who have transitioned through widowhood.

Remember key dates. Small gestures to commemorate the deceased's birthday, date of death or marital anniversary show the client you are thinking about them.

CONCLUSION/SUMMARY

Longevity statistics, changing household dynamics, and higher career arcs for women all point to the same conclusion: **The future of wealth is female.** For the financial services industry, this future presents tremendous opportunity — and it's not just the **$30 trillion** wealth figure that women will control in the next decade that makes it attractive. It's the promise of what those relationships could be.

Women tend to refer new clients more than men, making a focus on female clients a potentially successful client segmentation strategy. Advising the family matriarch with care, dignity, and respect also offers inroads to relationships with the next generation, a long-standing industry challenge.

While women's wealth presents vast opportunities, managing it requires a nuanced approach. Women experience different life journeys on the way to and during retirement. **Widowhood, caregiving,** and the **gray divorce** are just a few of the unique experiences they are likely to encounter. Focusing on what women need during these journeys can forge a stronger relationship between advisor and client. We hope the best practices within this guide provide a roadmap for the journeys you and they will undertake together.

When it comes to preparing for the future, there's no time like the present.

Let's get started today.

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