

## Ten Financial Tips for Women

by: Sandra N. Salter On average, women earn 76 cents for every dollar men earn in the workplace. Because women typically spend approximately seven years out of the work force to have and raise children, their earnings are even further curtailed. With lower pay and less time spent in the work force, women are generally left with smaller retirement portfolios, lower company pension benefits and lower Social Security benefits than men. Despite the fact that women earn less money than men, they generally need a larger retirement nest egg. On average, women live seven years longer than men and must finance more years in retirement. And although a woman may share her husband's savings, those assets may be depleted quickly if he becomes ill and dies first, which considering life expectancy, is often the case. In addition, 50% of marriages end in divorce, and the average age of widowhood is currently at 56 years. Therefore, most women are solely responsible for their finances at some point in their lives. What can women do to overcome these financial challenges? Here are 10 tips:

1. Take control. Despite the stereotypes, studies show that most married women actively participate or take the leading role in managing family finances. Moreover, women outnumber men in participation in investment clubs across America. However, some married women still leave the financial decision making to their spouse and may wind up ill equipped to handle their finances if they divorce or outlive their husbands.
2. Invest more. To make up for discrepancies in retirement benefits, women should consider investing more than their male counterparts. For example, a woman who takes seven years off from a 40-year career can expect to receive only half the pension benefits of someone with 40 years of uninterrupted services. The good news is that the U.S. Department of Labor reports that in an economy where the earnings of almost all other groups have remained the same or decreased, earnings of women have increased. Higher earnings for women should mean the potential for more investments.
3. Know your risk tolerance. Consider how much risk you are willing to take in exchange for the potential to earn higher returns. Historically, equity investments have provided higher returns over the long term than less-risky investments, such as money markets and short-term bonds, although past performance is no guarantee of future results.
4. Participate in employer plans. Collect information about the retirement benefits that are available through your employer and actively participate in any plans offered, taking advantage of all possible company matches and tax-deferred contributions.
5. Do not depend on pensions or Social Security. Fewer years in the work force, fewer years with a single employer and lower pay all may contribute to a lower average pension for female retirees. Women also tend to receive lower Social Security benefits than men. Benefits are calculated based on a person's highest 35 years of earnings. If the benefits recipient doesn't have 35 years in the work force, the Social Security Administration will add zero-earnings years to the record to equal 35 years. This will lower the average monthly earnings figure and may significantly lower your benefits.
6. Get out of debt. Debt is a serious issue for men and women. However, credit counselors report, that women are more likely than men to take the first step toward becoming more disciplined and reducing their debt. First, understand your spending and reduce spending so you don't continue to add to your debt. Then attack your existing debt by paying off high-rate debt first and if possible transferring high-rate debt to lower rate credit cards.
7. Do tax planning. With more female business owners and more single women buying homes and qualifying for mortgage interest and property tax deductions, tax planning is becoming an integral part of women's financial lives. If possible, always contribute the maximum amount to your IRA and/or 401(k) and maximize your tax deductions.
8. Keep retirement top of mind. Although women have made many impressive strides toward financial independence, they report having only half as much for retirement as men (\$40,000 in annual retirement income for women vs. \$80,000 for men). Generally, because women live longer than men, they should save 12% of their gross income for retirement, rather than just 10%.
9. Use resources. There is a wealth of helpful information easily accessible on the Web, including sites such as [www.womensinvest.about.com](http://www.womensinvest.about.com), [www.ivillage.com/money](http://www.ivillage.com/money), [www.wife.org](http://www.wife.org), [www.advancingwomen.com](http://www.advancingwomen.com), [www.momsbudget.com](http://www.momsbudget.com), [www.ms.money.com](http://www.ms.money.com), [www.womens-finance.com](http://www.womens-finance.com), [www.womensleadershipexchange.com](http://www.womensleadershipexchange.com) and [www.americanexpress.com/financial](http://www.americanexpress.com/financial).
10. Seek help. Meet with a qualified financial advisor to create a financial plan specifically designed to help manage your personal economy.

### About the Author

Sandra N. Salter, Personal Finance Expert, is an American Express Financial Advisor and owner of American Express Financial Advisors Branch Office in Newark, NJ. She focuses on providing comprehensive financial planning services paying close attention to the long-term financial health of their clients, building customized financial plans that help clients achieve both short-term and long-term goals. The types of services she offers clients include: Income Tax Planning, Saving and Investing for Retirement, Working with Retirees, Financial Strategies for Small Business, Domestic Partner Planning, Risk Protection Planning, Estate Planning, Charitable Giving, Investment Strategies for Education, Asset Allocation and Comprehensive Financial Planning, among other areas. They can be reached at [sandra.n.salter@aexp.com](mailto:sandra.n.salter@aexp.com).

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