



## Financial Tips for Couples

### Stuart Vick Smith

As a Generation Xer, I grew up in the era of women's lib and saw an increasing number of women enter the workforce, including my own mom. I know many women who have risen to prominence thanks to those who fought the battle before us. But the struggle for gender equality continues on many levels.

Financially, data supports that we face an uphill battle to land the best jobs and earn an equal wage. However, it's not work or wage alone that impacts a woman's chances at financial success. Women also face a dramatic disadvantage when it comes to investing for our long-term financial future. This battle with our finances only begins with earning a reduced wage for doing the same job. It's made worse by the danger posed from being too careful with our money or the simple fact that women live longer than men, and therefore need more money into retirement. All of these factors contribute to the overall investment gap women must overcome to be on the same financial footing as men.

To bridge the gap, we must first understand the reasons behind it and then take intentional steps to change the direction of investing for women so they can get on the right path going forward.

### **How did we get here?**

This investment gap is a product of both societal norms and behavioral differences between men and women. (Remember Venus vs. Mars?) The initial cause of this gap begins with compensation. As we all know, women earn 77 cents on the dollar compared to men in the United States. Because women earn less than men, they have less to save for retirement.

In addition to lower hourly earnings, women are more likely to take time off, reduce their work schedule or opt for a less demanding (and lower paying) job during child-rearing years. Therefore, the 77 cent wage gets reduced even more for many women while they raise their children—prime earning years! As these compensation differences play out over a full career, women typically put away for retirement only about two-thirds as much as their male counterparts. And, with lower earnings over the span of their career, Social Security and other benefits may also be reduced below that of the men on the same career path.

### **The danger of safety**

The wage discrepancy is compounded by another factor that makes the investment gap wider. Women are generally more risk averse with their money, which causes them to behave differently

when investing. As a group, we prefer 'safer' and less volatile investments. Unfortunately, reducing risk in a portfolio also reduces its expected return. And this reduced expected return over the lifetime of a portfolio can be detrimental.

Everyone understands the dangers of taking too much risk in investing – such as betting all your savings on an unknown startup – but taking too little risk can be dangerous too. Overly favoring safer investments over appreciating investments can lead to very low returns that barely beat inflation and do little to build portfolio balances for the long term. Balancing risk is challenging for all investors. It may be helpful to find a financial advisor you are comfortable with to help you determine how much risk you need in your portfolio to achieve your specific goals.

### **Earn less, live longer**

And finally, to add insult to injury, women have a higher life expectancy than men. On average, women live five years longer than men. The money in a woman's portfolio is not only a third less than a man's; it also has to last five years longer.

### **Close the gap**

Taken together, lower pay, reduced work hours, aversion to risk and a longer life expectancy severely limit the retirement income available to a woman. This reduced income will significantly impact her lifestyle throughout retirement – meaning she may need to work longer or spend significantly less in retirement than her male counterpart. Yes, women face real disadvantages related to building wealth. But they are not insurmountable. Many women can and do manage their money successfully and enjoy financial security.

The most important step for women to get on the right track financially is education. The more you know about money, the greater confidence you will have about your future, and the better equipped you will be to make financial decisions for yourself and your family. Take the time to read books, take a class or ask questions. Do not be afraid of what you do not know. Take the power to learn and put yourself in a better place.

You may not have control over the pay gap for all women in this country, but you can control your own portfolio and how it is invested. You can control whether it is aligned with your long-term goals. You can control some factors that influence your taxes. You can control your investment costs and make sure you keep more of what you make.

I encourage all women to fight the gap, early and always. Just like saving, the sooner you start to address your personal investment gap, the more progress you can make toward long-term financial stability and peace of mind.

**Stuart Vick Smith, CPA, Partner, ML&R Wealth Management**

Stuart Vick Smith collaborates with women to help them achieve financial freedom. Along with her deep understanding of wealth management and tax, she helps her clients as a holistic planner instead of just an investment advisor. In her 10 years as partner with ML&R Wealth Management, she believes it is important to build and maintain long-term relationships. She connects with her clients on a personal level allowing them to develop a plan to support their long-term dreams for themselves and their families. She has been recognized in her industry and has been asked to speak at national events on the topic of women and wealth. Stuart lives in Austin, Texas and enjoys time with her husband, two kids and two rescue dogs.

*The opinions expressed by featured authors are their own and may not accurately reflect those of the BAM ALLIANCE. This article is for general information only and is not intended to serve as specific financial, accounting or tax advice.*