# Women and Money


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# Introduction

**Nearly every woman will find herself in total control of her finances or her family's finances at some point in her life.**

***It's an inescapable fact of life.***

**And being single or in charge of the family finances isn't the only reason. Even the majority of women who currently share the responsibility of the family finances with a partner will also, one day, find themselves in total control.**

**It's critical for all women to develop money management skills.**

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# Table of Contents



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# Women & Money: An Overview

### *Why Women Need to Know*

There are several reasons why women need to be knowledgeable. First, a sudden change of events can require that important financial decisions be made quickly. Second, every decision you make concerning earning capacity, spending, and investing will impact your future financial security. And, just as important as being ready and able to make important financial decisions is the ability to understand when outside assistance and advice is needed.

- **Women outlive men.** The average life expectancy for women is 81.2 years versus only 76 years for men (National Center for Health Statistics, 2014). Seventy five percent of married women become widows. It is not unusual for spouses to divide responsibilities concerning family issues, with one taking the lead role when dealing with financial matters. In this situation, it remains important for both spouses to have a general understanding of the financial picture and sufficient knowledge to act alone, or at least know where to go for trusted advice when making important decisions.

- **Divorce rate.** Between forty and fifty percent of marriages end in divorce. Women who do not understand the family financial situation when going through a divorce will be at a significant disadvantage. It is difficult, if not impossible, to agree to a financial settlement if either party lacks the ability to make an informed decision. In this case, it may be important to seek assistance from a qualified financial advisor. Any and all decisions made during the settlement negotiations will greatly impact the future financial security of both parties.

- **Single women.** Approximately 20% of women choose to remain single. Independent persons must rely on their own earning power and decision-making to meet their current needs and plan for their future financial security.

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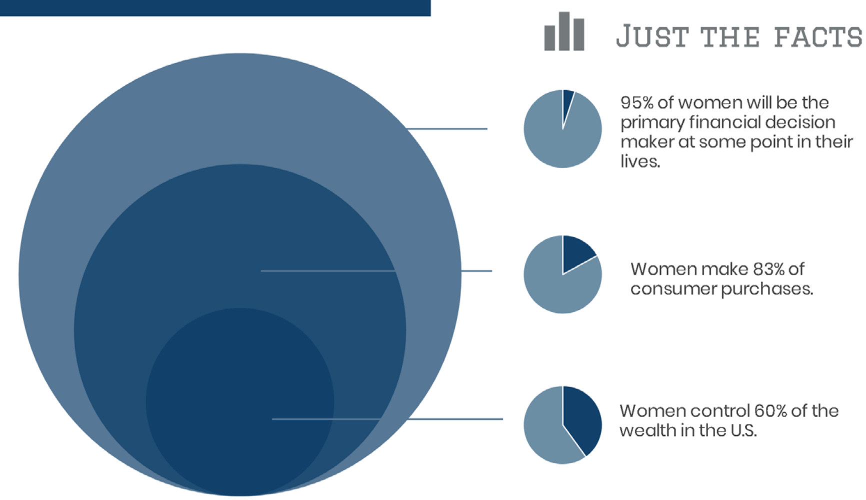
# Women & Money

## Why understand money?

### JUST THE FACTS




## Need more proof?

Women outlive men: the average life expectancy for a woman is 81.2; for men it is 76.

80% of married women will outlive their husbands; the average age of widowhood is 59!

Percent of marriages ending in divorce:
1st - 50%
2nd - 67%
3rd - 73%

20% of women choose to remain single throughout their lives.

## *Women Earn Less*

According to the Bureau of Labor Statistics (2014) on average, women earn 17% less than men in comparable positions. This fact may impact the single or divorced woman more than the widower, who may receive significant benefits from their spouse. Earning less money during your working years often translates to fewer benefits in retirement. You qualify for lower Social Security benefits. You receive less from your company pension. You have less to contribute to the company saving plan or personal investment portfolio.

Women are also more likely to experience a reduction or break in their employment than their male counterparts. They tend to work part-time or they may need to leave the workforce to care for children or aging parents.

A combination of living longer and accumulating fewer benefits during their working years has created a disproportionate number of women living in poverty during their retirement years. According to the U.S. Bureau of Census, even though women make up 51% of the adult population, 62% of the people over age 75 living below the poverty line are female.

## *Women and Financial Planning Issues*

Do men and women differ in their financial planning needs? The answer is "no". Both need to address all the financial aspects of planning, but like any two people, individual needs, goals, and strategies will shape the resulting action plan. The role that a woman takes in life, along with the aspect of living longer, can impact various areas of planning.

Women need to ensure their financial plans include the following topics, taking into consideration their individual needs and lifetime goals:

- **Life Insurance.** The purpose of life insurance is to meet the needs of dependents. We generally emphasize the use of life insurance to replace the income that is lost to a family with the death of a spouse or parent. However, many times the need to replace services is overlooked. For example, the need to replace the services of a "stay-at-home" parent can put a financial burden on the family. As a result, even women who do not provide income to the family may need life insurance.

- **Disability Insurance.** If your earned income is necessary to provide for yourself or your family, you should have disability coverage. The need for sufficient disability insurance may be more important than life insurance. This is especially true for single women. Data indicates that one-third of the population will have a disability that requires stopping work for at least ninety days sometime before age 65. Also, almost 50% of the mortgage foreclosures are a result of disability. In the event you are no longer able to earn an income and have no disability income available, your needs must be met from existing investments. Tapping your investments to meet living expenses during your pre-retirement years can significantly impact your ability to achieve financial security at your desired age.

- **Long-term Care Coverage.** Because women live longer, it is more likely they will need custodial care in their older years. The Centers for Disease Control (CDC, 2016) estimates that nearly 67 percent of women will utilize the services of a nursing home during some period in their lives. By contrast, only one out of three men is expected to need long-term care during his lifetime.


- **Retirement Planning.** The combination of lower earnings, interrupted careers, and living longer generally means women may need to work longer and save more to provide for their retirement. As a result, it is even more important for women to begin to save early in their careers. Taking advantage of pre-tax retirement plans should be your first priority.

- **Estate Planning.** Everyone needs a will document to assure their assets are distributed based on their wishes. Women may procrastinate in this area, especially if they have no children. However, a will or trust document is the only means of assuring that your favorite charities, family members, or friends receive the assets that you intended for them.

- **Investments.** Women, like men, need to create an investment plan with an asset allocation that considers the time period available for investing and diversification issues. Women tend to consider and plan for the contingency needs of children and parents and, therefore, may have more money held in money market or easily accessible funds. Being less aggressive with investments can result in less of a nest egg in the future. And, given the longer life expectancy, women need to consider the impact of inflation on the purchasing power of their portfolio and plan accordingly.

Women need to be knowledgeable of the family finances and prepared to either make decisions or seek the professional advice necessary to assist them. Married women who choose to leave financial decisions solely to their spouses are at a disadvantage if they either divorce or become widowed. As single women, neglecting the money management aspect of their lives will prove disastrous in later years. Being involved and becoming knowledgeable of the family finances will allow women to be more confident in making decisions and, therefore, more in control of their financial futures.

# *Are You in the Know???*

*Achieving financial security is the result of your personal decisions regarding your money and your wealth. These ten "aha's" represent common sense that can be used to guide those decisions.*

*As you read the "Top Ten Financial Aha's," consider your own financial situation. Are you making good decisions regarding your money and your wealth?*

*Peace of mind comes with financial security. Whether you consider yourself to be rich, poor or somewhere in-between, having sufficient funds to provide for yourself and your family can offer comfort in any situation. Take the top ten financial "Aha" moments to heart, and you'll have a good start down your path to financial security.*

# 10 Top Ten Financial Aha's

*Are you making good decisions regarding your money and wealth?*

1. **I don't need another red handbag!**
Is it a "want" or a "need"? If it's a want, you may be better off putting it back on the shelf.

2. **You only have one chance to save a dollar.**
If you spend it, it's gone and you have lost the opportunity for that dollar to work for you.

3. **Lifestyle debt is the real Bermuda Triangle!**
Live within your means and avoid spending on credit cards if you can't pay off the balance each month.

4. **Don't sit on the sidelines of family finance.**
Be knowledgeable and share in the financial decisions. Widows and divorcees understand the value of knowing.

5. **Don't give away the farm too soon!**
Gifting to your family members can be very gratifying, but be sure you have reserved sufficient assets to meet your lifetime needs.

6. **I can't control Mother Nature...**
...but I can plan for her catastrophes. Consider what can go wrong and plan for it. Adequate insurance is the key.

7. **Mind reading has yet to be perfected.**
Save your children from the really tough decisions. Talk with them about your estate planning & incapacity documents.

8. **You can't borrow money for retirement.**
Make saving for retirement a priority. The longer you defer accumulating funds for retirement, the longer you may have to work.

9. **The rich really do get richer!**
You can create wealth by appropriately investing your dollars. Without the ability to save, you don't have the ability to invest.

10. **Wishing can't make it true-but planning will.**
Be deliberate with your actions. Know where you want to go and how to get there. The earlier you start, the better. But it's never too late.

# Teaching Life Skills

Looking for an activity that will benefit your children for the rest of their lives? Teach your children these three important lessons of money management: SAVE for your future; SPEND appropriately; and SHARE for the greater good of others and your community.

How are your children learning about money? Parents generally provide the first and most lasting lessons on how to handle finances. Be proactive with your children in developing their money skills. You may find that both of you enjoy and learn from the experience.

Successful money management is not a function of the amount, but rather the efficient allocation of the dollars between saving, spending, and sharing. If you can instill these three principles, your children will have a good foundation for making future money decisions.

## Save

Teach your children to save half of the money they receive through gifts or their own earnings. Help them open a savings account. Share the monthly statements with them or let them view their account over the Internet. Encourage them to be interested in watching their money grow. When they accumulate $500 or more, work with them to select an appropriate investment, such as a mutual fund.

Teach them the "Rule of 72", which is a quick way to estimate the time required for your money to double. Divide 72 by your annual earning percent. For example, if you anticipate your investment earning 8%, your money will double in 9 years. At a 6% rate, your money doubles in 12 years.

If your children are older and are employed for the summer, you may want to provide an incentive by matching the amount they save. Then establish a Roth IRA in their name and contribute the eligible amount. Annual contributions to this account of $1,000 beginning at age 15 will grow to over $570,000 by age 65. Just think of the amount that can accumulate if they learn this "pay-yourself-first" lesson early and contribute the maximum each year.

## Spend

Teaching your children responsible spending. Many parents begin this process when their children are young by providing a weekly allowance for entertainment or special purchases. Introduce the concept of budgeting by simply having your child write down everything they would like to purchase with their money. If the list is more than their money can buy, it is a perfect opportunity to talk about prioritizing and making good spending decisions.

During the teenage years, you may want to consider providing a monthly amount for clothing as well as entertainment. Extending the period of time as they get older will help them learn to manage their spending. Be certain that you and your child have an understanding of the intended use for the funds. Then allow your children to make decisions concerning how they spend their money, e.g. basic jeans at a reasonable price versus designer jeans at a premium. Be prepared for the mistakes! It is important that you do not bail them out by lending money or giving them their next allotment early. After all, their future employer will not do that! If they run out of money, let them suffer the consequences. The outcome may be watching TV with you versus going to the movies!

## Share

The concept of sharing can be easily introduced at an early age. Most children delight in selecting and purchasing a surprise birthday gift for a sibling or friend. This is an excellent opportunity to discuss saving a little of their weekly allowance for the special occasion.

During the holidays, have the family prepare a basket for a needy family. Allow your children to purchase a special item for the basket out of their own funds. Be sure they experience the appreciation expressed by the receiving organization or family.

In order to encourage children to participate in charitable giving, you can allow them to select an organization to receive a contribution in their name. This may even give you an insight into areas of special interest that they may not have shared with you, such as a museum they visited or community youth organization that they find of interest.

## Summary

Money management is simply learning to save, spend, and share responsibly. Children will learn from your actions first and from your teaching second. Be sure both are on target.

# Life Skills to teach your children

## Save, Save, Save

Teach your children to save half of the money they receive through gifts or their own allowance.

## The Rule of 72


Teach the "Rule of 72", a quick way to estimate the time required for your money to double. Divide 72 by your annual earning percent to determine how many years it will take to double your money.

## Responsible Spending

Introduce the concept of budgeting:
Allow your children to make decisions concerning how they spend their money - and if they run out of money, let them suffer the consequences.

## Share the Wealth


Encourage children to give charitably:
Sponsor a needy family at the holidays
Let them choose an organization to support

# *Assisting Mom and Dad*

You remember depending on your Mom and Dad for transportation, shopping, and other tasks that made your life easy. If not today, at sometime in the future, you may be doing the same for them. The baby boom generation is often referred to as the “sandwich generation”. While saving for their own retirement, baby boomers are sandwiched between putting children through college and caring for parents. What do you do when Mom and Dad need assistance?

## Plan Ahead

The adult child that will likely find his/herself most involved in the care of parents is the one that is geographically closest to the parent’s residence. There are exceptions to this, but the first assistance needed is generally mobility related. Elder parents may find themselves unable to drive either due to physical ailments or the recognition of their inability to confidently maneuver in traffic situations.

It may also become necessary for adult children to participate in appointments that parents have with their doctors. The loss of a parent’s ability to hear, to comprehend, or to remember the conversations with the physician may result in confusion about the prescribed medical treatment.

To be prepared for these situations, it is important that the adult child have an understanding of the desires and expectations that the parents have as they grow older. This would include their living arrangements, i.e. remain in their current residence, purchase a maintenance-free condo or home, or move into a retirement living center. It would also include financial resources to provide for medical care and future custodial care. Reviewing these issues with the parents may allow for better planning now and better outcomes in the future.

## Issues Concerning Medical Care

- *Health Insurance*. If the parent is over age 65 and participating in Medicare, does he/she have the appropriate Medicare supplement policy? Supplement policies provide secondary coverage for services not funded by Medicare. There are multiple types of supplement policies ranging from basic coverage to the payment of prescription drugs. The more benefits the higher the premium. The adult child may find the need to assist parents in filing the claims and tracking the reimbursements, which can be very time consuming.

- *Legal Documents*. There are two legal documents that are important: a living will and the appointment of a healthcare representative. The living will indicates the desires of the parent for life sustaining measures in the event he/she is terminally ill or incapacitated. This document will prevent the children from making such decisions during a difficult time. The appointment of a healthcare representative will indicate to the physician and hospital the person(s) who has the ability to make decisions on the part of the parent in the event that he/she can not. In many cases, this responsibility falls to the spouse and children. Just as with any legal document, it is important that the parents create and sign these documents while they have full mental capacities.

- *Release of Medical Information*. In some cases it may be necessary for parents to sign a letter for the physician's file which gives permission for the doctor to discuss the parents' medical situation with the adult child. Given the laws concerning privacy of health information, this measure needs to be taken for the adult child to have the ability to call the physician with questions and issues.

## Issues Concerning Custodial Care

The financial situation of the parents may dictate the living arrangements once they become dependent on others for daily living needs. Generally, remaining in the home with assistance being provided by the adult child or a caregiver is the first choice. If the alternative is paying for a caregiver, this will get more and more expensive as the need increases from a few hours a day to twenty-four hours a day. If the finances are not available to meet this need, the options become living with a family member or seeking a custodial care facility.

- *Long Term Care Insurance.* If the parents have purchased a long-term care policy, it is important that the adult child knows that it exists and understands the provisions. This policy may provide for home healthcare as well as custodial or nursing home costs. The home healthcare provision will pay for a non-family caregiver and, therefore, may allow the parent to remain at home. The policy will also provide a per day amount to cover the expenses of living in a custodial care facility. The policy will provide these benefits for the number of years dictated by the policy or, if the lifetime provision was elected, for the entire time that the person needs home healthcare or lives in a nursing home. As with any insurance policy, the greater the benefits, the higher the premium costs.

  Note: The premiums paid for a long-term care policy are deductible on Schedule A of the policy owner's federal income tax return.

- *Medicare Does Not Pay.* It is important to understand that Medicare does not pay for on-going custodial care in a nursing home. Medicare is a health insurance vehicle and not a long-term care policy. A limited amount of nursing home care is provided as it relates to recover from a medical condition. This does not include the need to have on-going assistance to meet the daily living needs.

- *Medicaid Does Pay.* Medicaid is the welfare program provided by each State government for its citizens. It is meant to provide financial support for those individuals who do not have the resources to meet their living needs. Medicaid requires that an individual "spend down" the greatest portion of their assets in order to qualify for the Medicaid benefits. If an individual is in a nursing home and has exhausted all resources to pay for their care and, therefore, qualifies, the Medicaid program will initiate financial assistance.

## Impact on the Adult Child's Tax Planning

If you are providing a significant amount of financial support to parents, you may be able to reduce the impact through tax deductions and spending pre-tax dollars.

- *Claiming Parent as a Dependent.* If you provide more than one-half of the parent's financial support, you may be able to claim your parent as a dependent on your income tax return. There are several requirements for claiming a dependent, so discuss this aspect with your tax accountant.

- *Dependent Care Reimbursement Accounts.* If you are eligible to claim your parent as a dependent, you can also utilize the Dependent Care Reimbursement account to pay for a limited amount of out-of-pocket expenses on a pre-tax basis. A Dependent Care Reimbursement account must be provided through your employer. Employees are eligible to contribute pre-tax dollars to this account and then claim reimbursement for the eligible expenses as incurred. This requires you to plan ahead since you must indicate your participation and the dollar amount prior to the beginning of the calendar year (usually in November for the next calendar year). Typically employees utilize this account to pay for the childcare for their children while they work. It can also provide for the cost of adult day care for dependent parents as long as all the requirements to participate are met.

## Summary

If the adult children decide to provide financial assistance to parents for the level of care that the family desires, it can impact the other two parts of the sandwich, i.e. saving for children's college costs and planning for your own retirement. If you anticipate and desire to provide parental financial support, you should include this in your financial plan. The impact may be postponing your own retirement or reducing your personal spending. Regardless, if you identify these issues as your go through the financial planning process, you will be able to review your options, make informed choices, and better plan for your own future. It may even open your eyes to planning for your own care during your elder years.

*To care for those who once cared for us is one of the highest honors.*

- Tia Walker

## *75% of Women become Widows*

Connie got taken by a shyster after her husband died. The supposed "financial advisor" sold her inappropriate investments, while collecting over a quarter million dollars in commissions. How do you avoid this situation?

The statistics indicate that 75% of married women become widows. This seems logical since women live longer than men by about seven years and women tend to marry older men. The unbelievable statistic is that the average age that a woman becomes a widow is 57.

Losing a husband creates emotional turmoil for a wife. Suddenly, every aspect of her life changes. In general, her past responsibilities double. She is the only parent for their children. She becomes solely responsible for the house upkeep, the car's maintenance, and everything else that needs to be done. Life can quickly become overwhelming. Add to all that: She is also solely responsible for the family finances.

### *By the Numbers*

- **75%** *of married women become widows*
- *The average age a woman becomes a widow is* **57***.*
- *Many widows exist with a "foggy state of mind" for* **at least six months.**

### The Shyster Strikes

Shortly after her husband died, Connie received the proceeds from life insurance policies, liquidation of business interests, and other sources. Connie wanted to make good decisions, but emotionally she was drained, she was distracted by the needs of her children, and was struggling to get her own life into a normal routine. During this vulnerable time, she was convinced by an advisor that her husband was a dear friend and because of that relationship, he would be there to help her make all these money decisions.

The family finances had always been managed by her husband. The thought of even attempting to understand her financial situation was causing great anxiety. She became convinced that decisions had to be made now or investment opportunities would be missed. Connie accepted the shyster's advice.

For at least six months or longer, many widows feel they exist with a "foggy state of mind" and, consequently, decision making is impaired. Unfortunately, this is generally not recognized for at least a year or more. Reflecting back on her decisions, Connie wonders, "Why did I agree to that?"

### This Can Be Avoided

*All this can be avoided.* Before tragedy strikes, married couples need to seek out and develop a relationship with a trusted advisor. Together, the spouses go through the financial planning process with a qualified financial planner and, as a result, a well thought-out plan is put into place. This plan will then be available to the surviving spouse and can eliminate any anxiety regarding financial matters.

The financial advisor will be there to assist with the transition of assets; the securing of survivor benefits; the rolling over of retirement accounts; as well as continuing the plan that was created with the input of both spouses. Going through this process will allow the surviving spouse to refer to the trusted advisor when presented with "opportunities" by others who may turn out to be shysters.

## Take Action Now

We often get the comment from husbands that "I want my wife to come to you if something happens to me". While this strategy is doable, it is not ideal. With no prior planning in place, the advisor is required to work with the surviving spouse to first gather and organize all the financial information and only then begin the work to determine the strategy that accomplishes the family goals. This can take time and may get off track due to the emotional state of the surviving spouse. If the planning has already been done with both spouses participating, all that the advisor needs to do is implement the agreed-upon strategies. The important actions can be completed in a more timely and efficient manner.

And, by the way, the 25% of husbands who outlive their wives also go through a period of adjustment and, likewise, need to be careful about making major decisions too quickly. Even though men are less likely to be approached by "well-meaning" advisors, having a plan in place eliminates the need to focus on financial decisions during this stressful time.

## Summary

Do not leave your spouse in a vulnerable situation. Take the necessary steps now to develop a relationship with a qualified financial advisor, one that both of you are comfortable with and can trust. Go through the process to create a financial plan. You will benefit now, but more importantly, when tragedy strikes, your family's finances won't end up in the hands of a shyster.

> *"Widow is a word I never thought would describe me, but I had to learn to deal with that."*
>
> \- Eve Arden



# Family Meetings

Parents and adult children need to talk before it's too late. Questions need to be answered and important information shared. Make plans to talk at the next family gathering to avoid potential conflict down the road. Here are suggestions to get the conversation started.

- *Financial Information.* Your family may not be comfortable sharing specific financial details; however, it is important that adult children have a general idea of the parents' overall financial condition.

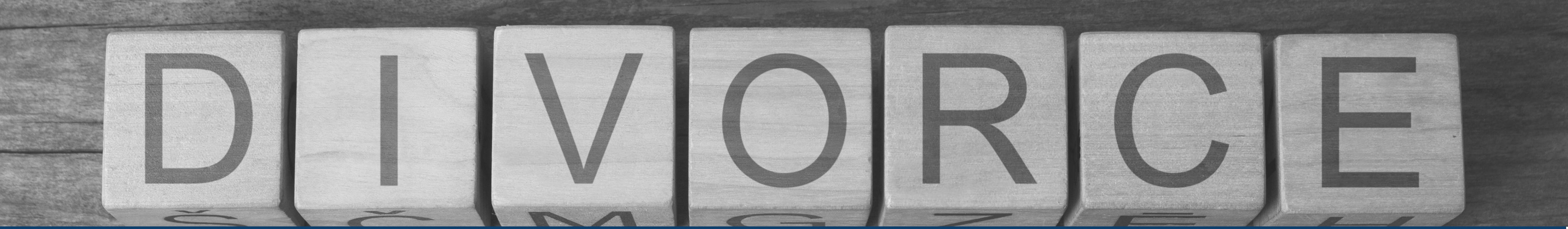
- *Future Roles.* It is important for adult children to be informed of their responsibilities regarding their parents' estate and healthcare decisions. Being knowledgeable of their future roles and having an opportunity to ask questions of the parents before their responsibilities begin can be very helpful.

- *Medical Care and End of Life Choices.* Parents should discuss their preferences for medical care and living arrangements if their health fails, as well as end of life choices as documented in a living will.

- *Family Business Issues.* If there is a family farm or business, the succession plan for both the management and the ownership needs to be thought through and then communicated.

- *Other Topics.* Families will have unique situations that warrant conversations. Such topics may include the disposition of a family vacation cottage, specific financial assistance for grandchildren, or plans for continued support of charitable organizations.

- *Location of Documents and Names of Advisors.* Adult children should be aware of the location of important documents, including will documents, trust agreements, insurance policies (life, medical, long-term care), property titles, and pre-planned funeral information. Name and contact information should be provided for all advisors as well.




## *Getting Divorced? Understand the Money Issues*

Divorce is a traumatic experience and financial aspects can add to the stress. Decisions are hard to make if you don't have a clear and complete understanding of the family's current financial situation and what your future may look like.

The primary financial objective in a divorce settlement should be to allow both parties to be as economically secure as possible. If total security cannot be achieved, due to limited family assets, you must have a plan. The "fear factor" will be removed if you have confidence that your future financial situation is workable.

**Preparing for Negotiations**

Prior to entering into the negotiation stage, it is important for both parties to have a clear understanding of their financial position and personal needs by doing the following:

- *List family assets.* Determine the value and ownership title of all family assets. Be sure to include investment accounts, real estate, and employee benefit plans such as 401(k)s, stock options, and pension plans. You may need to have some assets appraised or professionally evaluated to determine a market value that both parties can accept. Knowing the cost basis of each asset is also important so that when the assets are divided, each party will understand their individual tax liability upon sale. This is particularly important if assets need to be sold in order to meet the cash requirements of either party.

- *Determine living expenses.* As you contemplate your future, reduce your thoughts to numbers. Consider both a comfortable amount and the absolute minimum you need to meet living expenses. Don't forget the impact of inflation on your spending.

- *Analyze income sources.* If you work, earned income may be a major source for meeting your living expenses. If you do not work, or if earned income cannot meet your needs, the division of assets becomes very important. In cases where the family assets are not significant, finding a job that can provide for your lifestyle must be considered. The earlier you face this reality, the better.

**Settlement Negotiations**

The division of property and the amount of supplemental payments will be determined through negotiations. The asset division may be equal or weighted more heavily in favor of one spouse. A factor that may influence the percentage split is the unequal future income potential of one spouse over the other.

Once the settlement percentage is agreed upon, it is important to understand the advantages of owning one asset over another. For example, if one spouse needs immediate liquidity, it may be more appropriate for a savings account to be allocated to that person and the stock investments to the other. If liquidity is not needed, it is more advantageous to have a tax-deferred investment, such as a 401(k) or IRA, than a regular investment account where taxable dividends and interest are created each year.

If a family business is an asset to be divided, it may be better for one spouse to accept a note from the other for his or her share instead of forcing the business to be sold. It may also be difficult to manage the business if both remain as shareholders.

**Divorce Agreement**

In order to protect both parties, the divorce agreement needs to reflect settlement provisions as well as future financial responsibilities, such as college and medical costs for children. Along with the division of assets, the agreement should also indicate who is responsible for initiating account or property transfers.

Life Insurance should be considered as a requirement on either or both parties to ensure financial responsibilities are met in the event of an untimely death. This should include any on-going monthly or lump sum settlement payments as well as future obligations for children.

**Follow-Up Issues**

Once the divorce is completed, review all aspects of your financial plan to make sure everything reflects your new situation. Beneficiary designations on retirement accounts and life insurance should be reviewed. You will likely need to update your estate plan. You may need to establish credit in your name as well as consider relationships with new advisors and financial service providers.

**Summary**

The financial aspect of a divorce settlement is key to the future security of both parties. A fair division of assets and supplemental income payments can be more easily attained if the "fear factor" is removed. Before negotiations begin, become knowledgeable yourself or find a trusted advisor who can help you through the process.



## Is Collaborative Divorce Right for You?

### What is collaborative divorce?

Both spouses agree to find a customized solution that addresses the present and future interests of all family members. They also pledge not to go to court. Both parties retain their own attorney but then share a mental health professional, a child specialist, and a financial specialist.

### Personal Advantages

The process allows both spouses to have a voice in all terms of the divorce rather than leaving decisions to a judge. Emotionally, it can be a kinder, gentler process than litigation. Avoiding the fear, surprise, and likely increased conflict associated with a court case makes the transition more peaceful for all.

### Financial Advantages

Collaborative divorce can be more cost-effective. Meetings tend to be more productive and time-efficient. Specialists are on hand to provide immediate guidance, leaving attorneys to focus solely on family law. The process can also move along more quickly than a traditional divorce. streamlining the process, resulting in lesser fees.

*Divorce is one of the most financially traumatic things you can go through. Money spent on getting mad or getting even is money wasted.*

*- Richard Wagner*

## *Second Marriage Issues*

What do you need to know before you tie the knot for the second time? Even though you may be older and wiser, the circumstances are generally very different. Financial and family issues can be complicating factors.

### Financial Issues

The combined income, expenses, assets, and liabilities should be revealed and discussed before the wedding bells ring. If you and your partner can agree on answers to the following questions, you will have a head start on your new marriage.

- *Household income and expenses.* Who will contribute to the household income and what is the total dollar amount? Is the income a steady figure or will it vary from month to month? What will be your total combined living expenses? Will each partner contribute equally to these expenses? Use this information to craft a budget that both of you can support and adhere to.

- *Housing.* Where will you live? If you both own a house, will one or both be sold? If you sell either house, will a capital gain be realized? If so, plan ahead. Think through the impact of the timing of the sale. Under the current residence sale rules, selling before you are married may allow you to minimize or eliminate any tax consequences.

- *Children.* What are the arrangements for any dependent children from your previous marriage? Where will they live? How will expenses be shared with the other parent? Is college funding an issue or will it become an issue in the future?

- *Money Mentality.* Is it easy to talk about money? Are you compatible savers? Will one or both be responsible for managing investments? Can you agree on future goals, i.e. retirement, second home, charitable giving?

- *Assets.* How will assets brought to the marriage be handled? Will ownership title remain the same or change? Will the beneficiary of life insurance and retirement plans be your new partner, children from a previous marriage, or a combination?

- Liabilities. What are the outstanding debts of each person? Are credit cards paid off each month? Does each party have a good credit rating or have late payments become an issue?

Thorough discussions that allow you to come to an agreement on how to handle existing and future financial issues will avoid potential conflict in the future.

### Prenuptial Agreements and Estate Planning

Plan now to determine how you want your assets handled in the event of divorce or death. This is of particular importance if either of you have children from a previous marriage. A prenuptial agreement that anticipates lifetime circumstances and an estate plan with properly drafted provisions can assure your wishes are respected.

A prenuptial agreement establishes a contingency plan in the event of an unanticipated termination of the marriage and lists the individual assets of each partner. Usually the agreement specifies that listed assets remain the property of the original owner and are not to be included in marital assets. However, these assets must remain in their original ownership form, i.e., the titles should not be changed to include the name of the new spouse or changed to “joint” property. If changed, the prenuptial agreement may no longer apply to that asset.

An estate plan will indicate how your assets will be distributed after your death. Generally, each spouse will ultimately want children from the prior marriage to inherit the assets he/she brought to the marriage. A properly drafted estate plan can provide financial security for the surviving spouse during his/her lifetime, yet have the assets pass to the children of the previous marriage at the death of the surviving spouse. Ask your attorney about a Qualified Terminal Interest Property (QTIP) trust.

Plan your financial future together before the wedding and make the appropriate changes to your estate plan shortly after. The best wedding present you can give each other is peace of mind.

Retirement

# Retirement Plan Tax Saving Strategies

Did you know you can have both a 401(k) and an IRA? If you have self-employed income, you can have a 401(k), IRA, and an SEP. Retirement plans are the best way to reduce your taxable income and save for retirement. You still have time to maximize these benefits for 2017.

Most taxpayers believe they are limited to participating in only one retirement plan. If they contribute to their 401(k), they believe incorrectly that they cannot contribute to an IRA as well. In addition, if you have self-employed income, you can contribute to as many as three different retirement plans. Here's an overview of the contribution opportunities:

**If you are an employee:**

- Maximize contributions to employer retirement savings plans. The maximum contribution level for the 401(k) and 403(b) plans for 2017 is $18,000. If you are 50 years of age or older, you can contribute an additional $6,000, for a total of $24,000. Review your paycheck record and determine the total amount that will be contributed by the end of this year. If less than the maximum, talk with your employer to increase your contribution level for the remainder of the year. Unfortunately, you cannot write a check to your plan, the contributions must be deducted from your pay. Any contributions to these plans reduce your taxable income and, therefore, the income tax you will pay for that calendar year.

**If you are self-employed:**

- Establish a self-employed retirement plan. If you are a self-employed individual, you can establish your own retirement plan. As a sole proprietor, one option is a Solo 401(k). The plan must be established by year-end, but you do not have to fund it until your 1040 tax return is due next year, including extensions. The maximum funding is the same as the corporate 401(k) plan, i.e. $18,000/$24,000. If you cannot get a Solo 401(k) established by year-end, another option is an SEP IRA. You can establish and fund a SEP IRA for 2017 as late as the due date of your tax return, including extensions. The maximum contribution is the lesser of 25% of your income or $54,000. This may be more or less than the Solo 401(k) maximum contribution. All contributions to either plan are pre-tax.

**If you are both an employee and self-employed:**

- Participate in employer plan and establish a self-employed plan. As a taxpayer who works as an employee and who also has self-employed income, you can participate in your employer's plan as well as establish a retirement plan for your self-employed income. In most cases, a full-time employee participating in an employer's plan will establish an SEP IRA for self-employment income instead of a Solo 401(k) due to the ease of establishing and the flexibility of funding. However, if you do participate in an employer 401(k) and establish your own Solo 401(k), the maximum of $18,000/$24,000 applies to all 401(k) accounts, combined. By using an SEP IRA for your self-employed income, you can max your 401(k) contributions at your main employer and shelter 25% of your self-employed income. For example, a teacher who works as a self-employed landscaper in the summer can contribute to up to 25% of his/her self-employed income to an SEP IRA as well as maximize his/her contribution to the school's 403(b) plan.

**Added bonus, everyone with earnings:**

- Make an IRA contribution. Everyone with earned income or a spouse with earned income is eligible to contribute to an Individual Retirement Account (IRA). This is in addition to contributing to an employer plan, such as a 401(k) or 403(b), or to your own self-employed plan. If you are an employee and self-employed, you can participate in all three types of retirement plans. For 2017, the maximum IRA contribution is $5,500. If you are 50 or older, you can contribute a maximum of $6,500. You can establish an IRA for 2017 any time before the 2017 tax filing deadline. However, it is advisable to make all or a portion of your IRA contribution now. The earlier you make the contribution, the greater the deferred or tax-free growth. Your adjusted gross income will determine whether you can contribute to a Traditional IRA (deductible or non-deductible) or a Roth IRA.

**Example of Maximum Retirement Savings and Tax Benefits:**

Let's assume that our taxpayer is under age 50, works for ABC Corporation and has a summer lawn mowing business with net income of $30,000. This taxpayer is eligible to make the following retirement contributions:

- $18,000 to ABC Corporation 401(k)
- $7,500 to SEP IRA for self-employed income (25% of $30,000)
- $5,500 to IRA
- Total retirement savings of $31,000. Depending on whether the IRA is deductible or non-deductible, taxable income will be reduced by $25,500 to $31,000.

In addition, if the taxpayer is married and the spouse does not work, a spousal IRA can be established for $5,500. This brings our total retirement savings to $36,500.

If our taxpayer is over age 50, the maximum savings for the taxpayer would be $38,000. Adding an over-age-50 spousal IRA, would bring the total potential to $44,000!

Taking advantage of all the opportunities to make retirement plan contributions can reduce your income tax as well as increase your potential for a financially secure retirement. And, yes, you can have a 401(k), SEP, and IRA all at the same time! There is still time to take advantage of the plans you are eligible for in 2017. Contact your financial or tax advisor for more details.

## *Can Women Be Good Investors?*

- *Emotional intelligence:* Women tend to think more objectively about their investments, which means they buy and sell based on relevant facts. Being disconnected emotionally allows women to sell a losing investment.
- *Confidence:* Women want to research and understand before they take action investing.
- *Patience:* Research shows that women trade less. Once an investment decision is made, women will give it time. Trading less creates less transaction costs, leading to better net returns.
- *Fear vs. Anger:* The University of Oregon did a nationwide survey shortly after the Dow bottomed out at 6547. The result indicated that women reacted to the down market with fear. Their fear caused them to pull back and hold tight for a while, taking fewer hasty actions.
- *Guided by a Plan:* Women are more likely to want a plan for investing that reflects their short- and long-term goals. Adhering to an asset allocation based on a plan focuses a woman's investment decisions and increases her probability of success.

Given the research and surveys, it does appear that women have the right temperament to be good investors. However, regardless of gender, there are basic rules of investing that everyone should take into consideration:

1. *Make sure time is on your side*: Only invest in the stock market if the money can remain invested for at least 5 years.

2. *Diversify your holdings:* Do not invest more than 10% of your stock portfolio in one company's stock.

3. *Don't focus on only one sector of the stock market:* Invest in companies of all sizes from a broad range of industries.

# Conclusion

Women face some particular challenges when it comes to financial matters; however, women also have intrinsic strengths upon which they can build.

We hope, as you've read this eBook, that you feel empowered to seek out answers to your own unique financial questions and take the necessary steps to ensure you're informed about your financial situation.

*Did we miss covering something that you wish we had? We would love your feedback!*

## Have Questions or Need Help? Contact Us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