Women's Guide to Practical Wealth Management

Private Ocean

Navigating Your Financial Journey




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Introduction by Sarah Wotherspoon

Director of Wealth Management, Principal

Let me state the obvious: women are different than men.

Especially when it comes to money, women are different in the way we communicate, think about opportunities and challenges, and of course, make decisions. Many women have expressed to me that they don't feel they have the appropriate knowledge and experience to make effective investment decisions. And in a 2019 study by Allianz Life, 62% of women noted that they feared becoming a bag lady – this is a real term out there!

Research indicates our financial capabilities are far greater:

- 51% of women say they act as their family's "Chief Financial Officer"
- 38% of married women say they are their family's primary breadwinner
- A recent STEMconnector report found that women earn 12% higher returns than men when it came to individual investments

While finance has traditionally been a man's world, we've witnessed and participated in an incredible rise in women taking the financial reins for ourselves. We're here for independent and financially savvy women. We're also here for women who want to make sure they are never bag ladies (and who are sometimes already financially independent!). What we've found is particularly impactful for women investors is that they are truly heard, they are understood – the numbers, and they have a real partner in navigating their finances.

In speaking with my fellow female advisors at Private Ocean, common themes emerged on how we found this profession. For me, it started in my late 20's, when I decided to take a year-long sabbatical and worked with a financial advisor to help prepare. I'd always been financially responsible, but I wasn't satisfied with my current career and was eager to step away for a different perspective and explore other paths.
At the time, many people asked how I could possibly take such a long hiatus from earning money. How was I going to cover my expenses? Was I going to stop saving for retirement? Could I ever buy a home? This was "A-ha!" moment for me: What I really wanted was help people pursue what was most important to them and align their financial lives accordingly.

I am proud to be work alongside so many advisors who bring their unique wisdom, experience, and capabilities to the table, helping our clients thread the needle between the financial and economic analysis as well as the qualitative factors of what's most important personally. This guide is the culmination of many discussions on how we can help empower women investors to make smart decisions about their futures. I hope you find this guide helpful, and if you have any questions, we invite you reach out to us.

Sarah Wotherspoon, MS, CFP®, CDFA®
Director of Wealth Management, Principal

WOMEN INVESTORS TODAY

Our Challenges and Advantages

Did you know that women are controlling more than 50% of American wealth? Though society has helped bring awareness to pay equality, women still on average make 20% less than their male counterparts. They're also often primary caregivers who must balance family with career, with the latter taking a backseat in many households. The result is fewer women in management and leadership roles with higher income, which leads to less money to invest than men.

Common Themes With Women & Finances:

SECURITY

Many of the women that we speak to are concerned with security. They express worry over having enough money in retirement which leads them to working longer than they want in a career where they are not satisfied.

FAMILY FOCUSED

Women are often the main caregivers, and tend to worry about their children to their detriment, both when they're raising them and once they're grown. They may also be responsible for aging parents, which could lead to further financial strain and stress.

COMMUNICATION

The good news is many women we speak to are comfortable expressing that worry. Interestingly, women have a different relationship than men to money. They're more relational rather than transactional and have an ability to see the long-term picture - which is a great foundation for building an investment strategy.

SELFLESSNESS

Many women are more resistant to dipping into their savings to spend something on themselves.

GUILT OVER CAREER

Some women we speak to feel guilt if they choose a challenging career that takes them away from the home. There is still a cultural pressure for mothers to put their family first.

CONSERVATIVE

That selflessness may also lead to a conservative approach to investing. A Wells Fargo Investment Institute study found that 16% of men identify as “more aggressive” compared to just 4% of women.

TRANSITION

Women go through many transitions in life, in their careers and personal lives, which can have great impact on their finances.

Overall, there is a certain expectation for women to integrate a career without sacrificing the needs of the family. This may be a driver toward more meaningful financial goals that are less focused on numbers and more targeted to achieving life satisfaction for everyone in the family.

Meet Kelly Keydel, CFP®, MBA, CDFA®

Kelly believes that success in financial planning is a deeply personal thing. It takes hard work, discipline and often many years, but when a goal is realized, it can be a tremendously rewarding achievement.

"I encounter women who are recently divorced, almost divorced or have otherwise found themselves on their own when in the past, everything had been left up to their partner to decide. They lack confidence and in many ways feel that the rug has been ripped out from under them. What I stress to them is the importance of financial literacy. It doesn't mean you need to know everything, but every woman should have a level of awareness of their finances. In these times of life transition, it's important to put yourself first. Unless you're mentally and physically healthy, everything is secondary. Financial health is a part of that, and can help you achieve your goals in this next phase of life. Prioritizing yourself financially protects you and your family's future."

"Know your worth in the marketplace, regardless of gender. Do your homework and arm yourself with information."

10 FOUNDATIONAL FINANCIAL TO-DO'S

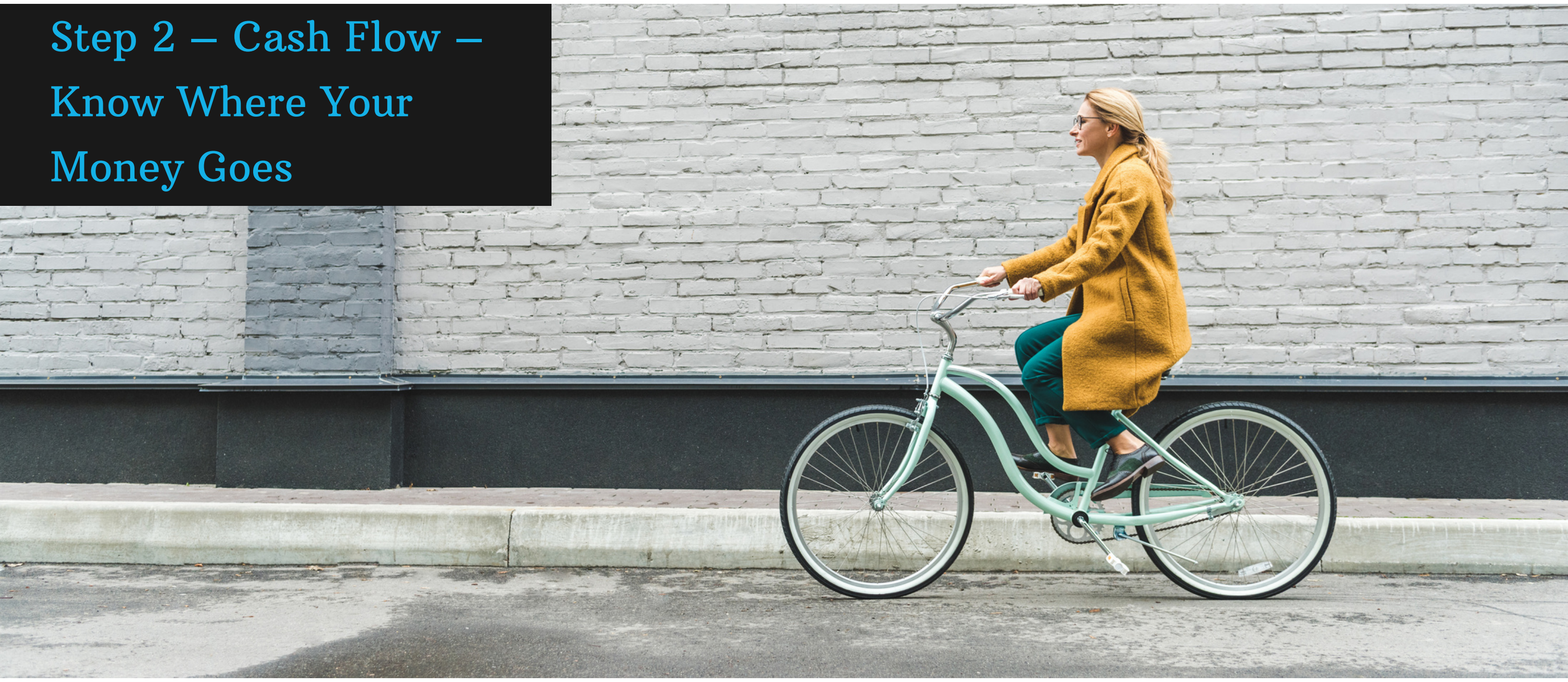
Step 1 – Set Goals & Revisit Annually

Often, women consider their financial goals in terms of those around them. Before you can take care of those in your inner circle, you must first focus on yourself. Setting realistic goals that align with your personal values is a great first step to building a strong financial foundation. According to the 2017 America Saves Week survey, 56% of American households with a plan report making good or excellent progress meeting savings needs, compared with 24% of households without a plan.

It's important to perform an assessment of your dreams and aspirations. Write them down. Then ask yourself the big questions – Who, What, When, Why and How?

- **Who** are you including in your financial goals? You, your spouse, your children, grandchildren, parents, friends, community, even charities?
- **What** are the specific goals that you are hoping to achieve? Financial independence, college education, leaving a legacy, etc.?
- **When** are you hoping to achieve these goals? Assign timelines to each goal and work with your financial advisor to determine what's realistic today and in the future.
- **Why** are these goals important to you? Oftentimes we overlook the motivation behind goals beyond financial stability. An advisor is focused on both your financial well-being and your happiness.
- **How** can you achieve these goals for these people on these timelines?

Step 2 – Cash Flow – Know Where Your Money Goes



Do you know where your money goes? The second step to building a strong financial foundation is to have a firm understanding of your spending and your saving. To get started, identify the differences between your fixed spending (the "need to haves") and the variables ("nice to haves") and align them with your income. From there, you should:

- Track your expenses monthly, treating your personal finances like managing a business. Remember, you are the CEO of your household!
- Use a program to understand where your dollars go each month, such as Mint.com, Quicken, yNab, Excel, Google Documents, etc.
- Give yourself a weekly allowance for miscellaneous expenses
- Put your weekly "spending cash" in your wallet at the beginning of each week and spend it any way you choose. Just be disciplined: Once it's gone, it's gone. Wait until the following week for any additional discretionary expense.

Step 3 – Establish a Rainy Day Fund

A "rainy day" fund is designed to cover emergencies like a temporary disability, job loss, or even the need to provide financial help to a family member. The goal is typically to have 6-12 months of living expenses saved if you are still employed and saving or 18-24 months of a liquid reserve if you're retired, so it helps you avoid incurring debt or needlessly draining your savings. So what are your options for an emergency fund? Let's break it down according to your lifestyle stage.

SAVING TO YOUR PORTFOLIO

When you are still in the workforce and earning an income, the first objective for your emergency fund is that the funds are readily available when they are needed (such funds are "liquid," meaning they are easily converted to cash). For this reason, unless your reserve is substantial, limit any restrictions that might be imposed on the access to these funds.

Bank savings or money market accounts are often the most commonly used vehicles for emergency funds. Savings certificates with a fixed maturity date and specified fixed interest rate, known as certificates of deposit and commonly referred to as CDs, can serve in an emergency fund, but note that CDs should be of very short duration (1 to 3 months) so as not to impair liquidity when funds are needed.

DRAWING ON YOUR PORTFOLIO

For those clients drawing on their portfolio to help fund their living expenses, a key consideration becomes cash flow. An important component should be considering how you will draw out your needed cash flow when markets are declining—including contingency planning for possible extended declines. We advocate establishing a liquid reserve.

Like an emergency fund, a liquid reserve is a pool of money that can be drawn upon. The objective is to limit the demands on your portfolio investments when the portfolio is under greatest stress (such as the stress arising from falling equity markets).

Step 4 –
Get Control Of Debt

Debt can be sneaky and amass quickly if not careful. Credit cards and student loans are particularly tricky. Did you know that Women hold about $900 billion of the $1.5 trillion in student loan debt in the U.S.? Here are some common tips to live by to keep debt under control:

- Pay loans on time or early each month
- Automate payments if possible
- Any extra payments should first be allocated to consumer debt/credit cards (which have the highest interest rates). If student and law school loans are at favorable rates, evaluate whether to make extra payments versus mortgage or other debt.
- Keep 2-4 credit cards open to establish and maintain credit. Utilize these credit cards for ongoing monthly expenses or other ongoing subscriptions
- Pay off credit card balances 100% each month and ahead of time. These strategies will help you build credit and increase your "FICO" credit score.
- Credit cards and other resources can help you monitor and improve your credit score.
- Check your credit report annually. Did you know that you are entitled to one free credit report from each of the credit report bureaus annually (Equifax, Experian and TransUnion)? It's important to review your credit report for accuracy and for identity theft.

Step 5 – Savings – Pay Yourself First

Sometimes the hardest step to saving money is simply getting started and determining how much you can afford to save. To begin, calculate your spending each month and compare them to your goals, both short and long term. Other helpful tips to help you put yourself first:

- Automate your savings. Set-up auto deposit to savings and retirement accounts to ensure dollars are saved monthly. The goal is to work up to saving 10-15% of your gross income.
- Plan for what to do with bonus payments (example: spend 10%, save the remainder).
- If you're employed, participate in your company's retirement savings plan (Regular 401K contribution, pre-tax or Roth). Pay attention to your company's match and look into profit sharing options!
- Choose your accounts outside of your company's options. Short-term goals can be stored in savings accounts or CDs (which lock in your money at a rate for a specific amount of time), and for longer term goals, ask your advisor about IRAs and securities.
- For high income earners (not eligible for direct Roth contributions), consider non-deductible IRA with conversion to a Roth IRA. There are no income restrictions for converting dollars from a non-deductible IRA to a Roth IRA.

Step 6 – Create an Investment Strategy

When you're ready to invest, work with your financial advisor to personalize and develop an investment strategy to help you meet your goals and their timelines. Your personal situation will play a role in this as well as your temperament for risk, which will help you find balance in your portfolio. Some things to consider (and discuss with your financial advisor), include:

- Compound interest.
- Cash reserves and money market funds at the bank or a short term CD.
- 401K and IRA and whether a "Target" or "Lifestyle" investment option is best for you.
- Other after-tax savings.
- Risk assessment and diversification. We recommend global diversification through investment in mutual funds, and allocating among several asset classes.
- Aligning your investments with your values. Many firms today offer ESG (Environmental - Social - Governance) investing options.

Once you're settled on your investment strategy, you should commit to sticking with the plan. The market may change and investment prices can go up and down, but it's in those times that you should not panic. You've worked hard to develop an intelligent plan with a professional who has your best interests in mind, so your plan should be solid to weather the storms.

Step 7 - Maintain Adequate Insurance

It's important to be prepared in the event of an emergency. An accident or injury, a disability, the death of a spouse, a divorce and high medical bills can all quickly deplete your savings. Here are some tips when researching appropriate insurance coverage for you and your family.

Health Insurance. Typically offered by your employer but also available independently, review your health insurance coverage options annually during open enrollment to determine if election changes are needed. Understand what is not included, such as eye glasses, deductibles, certain dental work, etc. that may be eligible for pre-tax payment from a Flexible Spending Account (FSA).

Disability Coverage. If you are currently employed, your company's long term disability policy should offer your adequate coverage in the event of a short and long-term disability. Statistically in early working years, there's a higher probability of needing disability insurance than life insurance. Disability covers approximately 2/3 of your salary up to age 65 in the event of a disability.

Renter's & Homeowner's Insurance. If you are a renter, a basic renter's insurance policy will cover your contents and also be available for use to help cover living expenses in the event of a fire or otherwise and you needed to move homes. Setting high deductibles is advised since you should not make small claims on your policy.

Auto Coverage. Coordinate liability limits with your umbrella policy – under-insured/uninsured umbrella liability is beneficial if your carrier offers it (typically $1M limit). For older cars, consider the pros and cons of having comprehensive insurance relative to the premium cost. The rule of thumb for "umbrella" liability insurance is having an amount equal to your net worth (outside of retirement accounts).

Meet Julie Back, CFP®

After working in a small insurance agency, I realized how much I enjoyed getting to know people and helping them achieve their goals. I bought a small practice from a female advisor who was retiring, and together with Kelly Keydel, we started to build a practice together. Like me, it was important to Kelly to help guide clients through the planning and goal process so that they could make solid decisions about their financial future, not just sell products that mostly served the company's interests. Over the years we have thoroughly enjoyed meeting people and creating relationships built on mutual respect and trust. Many of those people happen to be women from all of walks of life. Though everyone's journey is unique, we often bond over shared experiences.

"All that stands in our way sometimes is a little faith and communication."

I believe that everyone has a money "emotion," which impacts their relationship to their finances. My emotion was the feeling of scarcity, stemming from my childhood in a single-parent household. I have early memories of my mom at the kitchen table, hand on her forehead, leaning over an adding machine. She would often start crying, and I can remember never wanting to feel the helplessness that she must have felt when times were very tight.

In many of my first conversations with clients, I try to understand their emotions connected to money and how they feel these get in the way of their success. From there we can start to build a plan to overcome their hesitations and work toward making real progress. I have built many wonderful relationships with people in my career and I'm so incredibly grateful to be along for their journeys. We are all amazing, and fantastic, and intelligent and creative. All that stands in our way sometimes is a little faith and communication.

Step 8 - Maximize Employee Benefits

Understanding the benefits of a large employer versus a small one can be very useful in taking advantage of your company's benefits. Aside from your disability, life and health insurance, you should also research if your company allows for a Flexible Spending Account (FSA). An FSA covers medical-related expenses with pre-tax dollars that are outside of what is covered under your regular plan. FSA accounts are "use it or lose it" on a calendar year basis.

We also recommend researching additional benefits that your company offers, including pre-tax commuter reimbursements, gym memberships, and even gift matching programs. Some larger companies even provide a subsidy for daycare costs or even offer daycare services on site. Any of these may help offset spending that is unnecessary and help you meet your goals (like starting that new fitness class).

Lastly, get to know your human resources representative. These are the people who can help you understand your benefits and in the event of a disability or personal leave (including maternity leave), will be your contact during the process.

Step 9 - Prepare For Life Transitions

Change is inevitable – some good, some challenging. Proactive change is when you plan for the transition – such as buying a home or planning for retirement. Reactive change includes a job loss, a divorce and the death of a family member. Being prepared for both scenarios is important to maintaining your financial plan, and identifying them as much as you can in advance can be helpful.

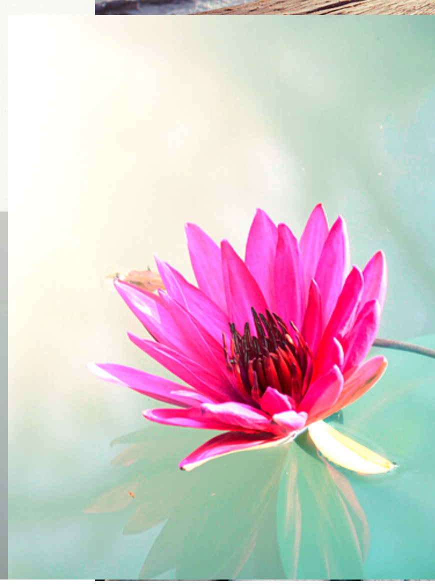
Are you currently experiencing, or anticipate experiencing any of the following work/life changes in the short or long term?

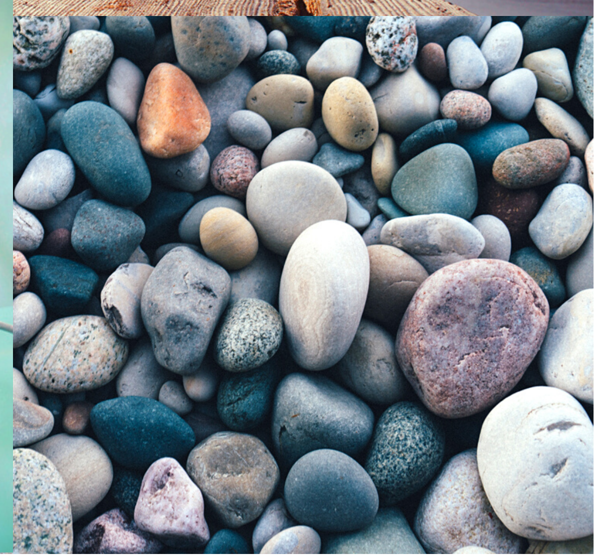
- Change in career path
- New job or promotion
- Job loss or restructure
- Education or re-training
- Sell or close a business
- Buy a business
- Gain a business partner
- Divorce or separation
- Hospitalization or extended leave
- Death in the family

Although it can be difficult to predict all of life's potential changes, it can bring a level of comfort to understand the path in front of you and the steps you can take to prepare for the change. Acknowledgment and acceptance are key to moving forward with solutions.

As a woman, we are often focused on others, and during times of great transition, we sometimes go into overtime serving those around us while neglecting our own needs. It's very important to take time to care for yourself! Ask yourself how you feel about this change. What is your superpower and can it help you during this time? Who are the key people in your support network? If the change is positive, celebrate! If the change is challenging, don't be afraid to lean on others and ask questions.

Many transitions have a financial tether, so take the time to understand the financial impact of this change and how you can prepare for it. In some situations, women can be at a disadvantage (divorce, for instance, has historically favored the male spouse when it comes to finances). To be most effective at managing the transition, have a solid underlying financial foundation that includes a roadmap with both qualitative and quantitative aspects.





Step 10 - Plan Your Estate

Estate planning is the process of planning and organizing in advance how you'd like your estate to be handled once you pass away while considering the most advantageous way to approach required taxes. This includes naming someone to execute your estate or take care of minor children, assigning powers of attorney, and protecting your legacy.

Designate Your Beneficiaries

Establishing beneficiary designations on Individual Retirement Accounts, company retirement plans, life insurance plans and annuities for many people can become a "set it and forget it" strategy. Once they've done it, they don't feel that they need to look at it again. However, many of our estate planning attorney partners tell us that they often see situations where someone has died or divorced, and their beneficiary designations didn't reflect their wishes or family situation. Life can bring many changes after an original designation is made, so it's important to revisit these on an annual basis or when life changes occur.

Assign Powers of Attorney

Your goal is to ensure that your wishes are carried out. Assigning a durable Power of Attorney indicating who is responsible for decisions on financial matters when you can't is recommended. For Health Care matters, the Advanced Health Care Directive form will indicate who should make medical decisions on your behalf if you are in the hospital and incapacitated.

Create a Will and/or a Trust

Get the help you need to learn about creating a will or a Living Revocable Trust. A will tells the world exactly where you want your assets distributed when you pass away. In the state of California, if you die with assets over roughly $150K (outside accounts with beneficiary designations), those assets are subject to the probate process where the court determines the proper distribution to family members. There is a statuatory fee schedule determined by the state. A revocable living trust provides you with more control over your estate before and after your death. A qualified estate planning attorney can educate you on your options and your financial advisor can help you develop a strategy for the future.

TAKING THE FIRST STEP

Whether you're in your 20s, 30s, or nearing retirement, it's always a good time to review your financial roadmap to build peace of mind and confidence in your future. Building the right team of professionals, including a financial advisor, a CPA, an estate planning attorney, even an insurance professional, gives you the right resources to ensure that nothing important falls through the cracks. Remember, managing your finances need not be a solitary activity. If you're married or have a significant other, schedule regular money meetings and have conversations about goals, dreams, budgeting and finances. If you are responsible for caring for family including parents, don't be afraid to have sit-downs with everyone and start an open dialogue. The objective is to create a plan and revisit it annually or anytime there is a major change, and apply lessons learned along the way to help you comfortably achieve your financial goals. Then celebrate the accomplishments and peace of mind you have created for yourself and your family.

About Private Ocean Wealth Management

Private Ocean is a West Coast-based wealth management firm deliberately structured to give clients the intimate experience of a small firm while harnessing the power, depth and discipline of a much larger one. Formed in 2009, Private Ocean (www.privateocean.com) combined two of the oldest privately-held wealth management firms in the San Francisco Bay Area. The firm has over $2 billion in assets under management as of September 30, 2019, and has locations in San Rafael, San Francisco, and Seattle. Private Ocean works with senior executives, business owners and other affluent individuals and families with a minimum of $2 million to invest.

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