

Women in Transition

A Road Map
from Change *to* Opportunity
to Success

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Women in Transition: A Road Map from Change to Opportunity to Success

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The Road Ahead

In today's fast-changing world, more and more women find themselves "in transition" from one job to another, from one household to another or even from one life stage to another. Divorce, retirement, widowhood, career change—these are significant events with formidable challenges; personal costs; and, in many cases, opportunities for growth and renewal.

Changes in our society over the past century have empowered women. In their age-old roles as daughter, wife, mother—nurturer and caregiver to all, women had little time and even less societal status to fully realize the potential of their abilities. The 20th century ushered in a new era of opportunity for women that especially gained traction in America as women campaigned for and won less restrictive clothing, more expansive professional opportunities and universal suffrage—the right to vote. American women have enjoyed their own revolution in empowerment over the past 150 years! Despite this progress, many women still find themselves unprepared for the personal and professional changes, and the resulting financial impact, that they inevitably will encounter in their lives.

Whether financial powerhouses or financial delegators, *women in transition encounter several unique challenges* as they navigate a trying time in their lives. Our research identified five common hurdles that women encounter when

confronted with significant changes in their lives:

- ☞ *Despite significant strides in influence, some women still are not the primary managers of their financial affairs.*
- ☞ *Women, often laden with the myriad details of life, are unaware or uninformed of the financial challenges that they face.*
- ☞ *Many times, women have supported the goals of the family without ever truly identifying and embracing what is most important to them.*
- ☞ *They need and want guidance but are unsure of where to get it or whom they can trust to help them.*
- ☞ *Finally, those women who have professional advisers often lack a coordinated effort between the experts who serve them, resulting in plans that do not support or may even undermine each other.*

The good news is that hundreds of thousands of *women in transition have not only overcome these challenges but have embraced the opportunities* offered by change to structure their lives for

success. Every transition is unique, but we have found that women who navigate transitions most successfully do so through a combination of the following solutions:

- ☞ *Successful women do not wait for the moment of change to take an interest in their financial lives but seek an active role in their financial well-being today.*
- ☞ *When women do find themselves in transition, the most effective do not wait to be “saved” but take the initiative, cultivate their inner moxie and face their financial reality head-on.*
- ☞ *These insightful women pause in the midst of their transition to clarify their goals—the ones that reflect their personal desires and dreams.*
- ☞ *Women by nature seek camaraderie and collaboration; those who flourish through their transitions are purposeful*

in their quest for personal and professional support.

- ☞ *Last, those most successful in navigating their transitions follow a process—a road map to achieve what matters most to them—called wealth management.*

Change in life is inevitable, but the modern woman in transition has more resources available for support and guidance than ever before. This paper gives a brief survey of the recent empowerment of women, it summarizes some of the challenges they still face when encountering a transition, and it offers several proven solutions to turn life’s changes into opportunities and ultimately success.

Let’s now turn our discussion to the status of women as they arrive at these moments of transition.

All you need is love. But a little chocolate now and then doesn’t hurt. —Charles M. Schulz

The Empowerment of Women in the 20th Century

The evolution of women's rights in the United States over the past one hundred years is inarguable, but that evolution is ongoing. Many of our mothers and grandmothers had little say in the family finances and even less earning power. Today, some women still face this challenge when they divorce or they lose a spouse, but just as many women find their life challenges mirroring those of their fathers, sons and husbands.

"You've come a long way, baby" hardly begins to describe the growth in respect and opportunity afforded to women in the United States over the 20th century. As recently as the early 1800s the only acceptable work for most women was in domestic service or factory labor. The Industrial Revolution opened the door wider for women to enter the workforce but did little to improve their legal, economic or political lot.

Legal reforms allowing women to own property and sue in court were passed piecemeal by the states in the late 1800s and early 1900s, but true legal reform for women did not occur until the 1960s in conjunction with the civil rights movement. Despite sluggish legal change, women have enjoyed improved economic and education opportunities. By the early 1900s, more than one-third of college and university students were women and 19 percent of degrees were

awarded to women.¹ Labor laws at this time still restricted many of the types of jobs that women could hold, but World War II and "Rosie the Riveter" ushered in a new era of professional opportunity and self-reliance for women. By 1950, about one in three women participated in the labor force. By 1998, nearly three of every five women of working age were in the labor force. (See **Exhibit 1**.)

Exhibit 1

Labor force participation rates of women by age, 1950 and 1998		
	<u>1950</u>	<u>1998</u>
16 and older	33.9%	59.8%
16 to 24	43.9%	63.3%
25 to 34	34.0%	76.3%
35 to 44	39.1%	77.1%
45 to 54	37.9%	76.2%
55 to 64	27.0%	51.2%
65 and older	9.7%	8.6%

Source: Bureau of Labor Statistics

¹ "Women's History in America," Excerpted from *Compton's Interactive Encyclopedia*, 1994, 1995.

Women's wages are improving in comparison to men's wages in most professions, and few career fields, including military service and political office (both combative occupations), are beyond the reach of women today.

Other factors less statistical in nature but no less impactful have contributed to the empowerment of women in recent decades. Our research has highlighted a few:

Overall sophistication: Baby boomers have blazed a path for generations to come, providing role models for competent and professional women. Their direction combined with the power of technology—especially the Internet—has allowed women to take ownership of their financial education.

Better self-image: Women are respected and valued in modern Western culture, which has resulted in more self-confidence and optimism when confronting a variety of issues ranging from money to career to lifestyle.

Changing social mores: On a personal level, divorce or the loss of a spouse is always devastating. On a societal level, however, the stigma of divorce and widowhood has lessened and more services have arisen to provide support for women in these transitions. In fact,

while the rising divorce rate is generally considered a cause for concern, an argument may be made that the divorce rate is rising in part because women are simply not willing to stay in unhappy relationships. An AARP survey in 2004 found that some 60 percent of divorces after age 50 are initiated by women.

Independence: Women are increasingly willing to "go solo," whether to a show at the local theater, for a two-week vacation to Europe or through life in general, without male accompaniment. Statistically, divorced or widowed women over 50 are not inclined to re-marry.

The 20th century offered American women opportunities not available previously in legal, economic, social and political arenas. More confident, more worldly, better educated and professionally empowered, the modern woman also has personal and professional resources available to her—a robust sociopolitical support system that has grown up around her.

These advances, while impressive, have not fully alleviated the challenges that many women face when they encounter an unexpected transition in their lives. These challenges are serious and if not addressed can cause irreparable personal and financial damage.

Don't be too timid and squeamish about your actions. All life is an experiment. The more experiments you make the better. —Ralph Waldo Emerson

Progress, but Challenges Remain

Women have more ability and resources available than ever before, but our hard-won advances do not overcome the human condition that change is difficult. Our experience in serving these women finds that even the most prepared of them struggle with one or more of the challenges below when cast into the disarray of transition.

Challenge One: Financial Leadership

Despite significant strides in influence, some women still are not the primary managers of their financial affairs. Interestingly, more than 40 percent of women are responsible for paying the bills and keeping the household budget but only 15 percent make investment decisions for the family. This lack of involvement not only leaves the women uninformed but also undermines their confidence in making financial decisions.

Ninety percent of women will become totally responsible for their own welfare at some point in their lives, whether by divorce or death of a spouse or by choice.

Challenge Two: Financial Literacy

Women, often laden with the myriad details of life, are unaware of or uninformed about the financial challenges that they face. They are fully capable of learning, and one in three women surveyed indicated that she is

eager to strengthen her financial skills. In the same survey, one in five was not sure where to begin, and this uncertainty hindered these ready minds from taking the first step toward their financial education.

Challenge Three: Identifying Personal Goals

Many times, women have supported the goals of the family without ever truly identifying and embracing what is most important to them. Baby boomers are more likely than their mothers and grandmothers to have personal goals; the older generation of women that paved the way for boomers often defined their success by helping their loved ones achieve their goals rather than identifying and striving for their own. Boomers, on the other hand, may have goals of their own, but these desires often were put on hold in pursuit of the family's goals. When they find themselves in a position to follow their dreams, they often barely remember those aspirations.

Challenge Four: Finding Good Guidance

Women in transition are at a moment of great uncertainty, and the vast majority would like help navigating these unfamiliar highways. They need and want guidance but are unsure of where to get it or whom they can trust to help them.

Often, these women will turn to those whom they know best—family members or close friends—for guidance in trying times. These loved ones are a wonderful source of comfort and support on a personal level, but they rarely have the knowledge or experience to guide the women through the complex financial situation they are facing.

Other times, a woman already has an adviser who was selected by her spouse and generally focused on the spouse

during meetings. When the spouse is gone, the “old” adviser becomes unresponsive to the woman or, at the other extreme, authoritarian—“I know what is best for you!”—which only adds to her angst. She needs a reliable partner and collaborator, not a dictator!

Challenge Five: Coordinating Plans

In our experience, the number one concern of women in transition is to protect the resources that they have. They rely on their professional advisers—financial planner, attorney, accountant—to not only preserve but to enhance their wealth. Lack of communication between the client and her advisers can result in investment, legal and tax plans that do not support each other. In the worst case, lack of collaboration can result in planning efforts that actually undermine each other!

Case Study: Financial Lessons Learned the Hard Way

Anne lost her husband when she was 57. Among the many issues she needed to address, she did not worry about money because Matt managed their investments and had left her about \$1.5 million in his IRA and \$450,000 in their trust. Their daughter, Hannah, had graduated from college with a degree in fashion design six years earlier, so even college costs were finished. When Hannah approached her with business plans, Anne welcomed the distraction and the opportunity to help her daughter. Hannah wanted to open a high-end boutique and needed to borrow money to do so.

Start-up costs were high (\$750,000), but Hannah’s projections showed that she would be able to pay back the loan from her mother in three years. Anne agreed, and between the two of them, they decided that it would be better to take the loan from the IRA rather than drain the trust account. They distributed \$750,000 from the IRA, and Hannah started her business.

Eight months later, Anne received a call from her accountant with shocking news. She and Hannah did not realize that IRAs cannot give loans and that the full \$750,000 distribution was taxable as ordinary income. Her total bill due from the distribution was \$300,000. Hannah did not have the resources to help pay the tax bill, so Anne paid the bill from the trust. Anne’s resources went from nearly \$2 million in investments to \$900,000 and a \$750,000 promissory note from her daughter; her financial confidence level suffered a similar loss.

A Road Map to Opportunity and Success

Not all transitions end up like Anne's. Confronted with the daunting array of challenges described above, many women in transition have not only survived but have thrived by using this moment of change in their lives as a catalyst for opportunity and success. These women have several proven answers to the challenges of transition.

Answer One: Take Interest Today

Successful women do not wait for the moment of change to take an interest in their financial lives but seek an active role in their financial well-being today.

Their process of becoming an expert in their own finances does not occur overnight, but it is deliberate and disciplined. They do not necessarily take over all the financial responsibilities in the household, but they do pursue information and a more collaborative approach with their partners that will ensure that they are knowledgeable about their financial situations.

Don't know where to begin? How about preparing a "disaster file" that you take with you in the event of an emergency? The exercise of collecting important financial and legal documents gives you an opportunity to learn more about these important facets of your life.

Answer Two: Find Your Moxie

It is never too late to begin financial education. However, on the occasion that a woman in transition is not familiar with her finances, the most effective do not wait to be "saved" and do not avoid this issue, hoping it will fix itself. The most successful ones take the initiative, cultivate their inner moxie and face their financial reality head-on.

These women certainly allow themselves to mourn—whether it is the passing of a relationship, a spouse or even a phase in their lives—but they separate the grieving process from the extremely important task of securing their financial future. Personal fortitude and singular determination are essential in planning for and achieving their goals and dreams.

Answer Three: Own Your Dreams

These insightful women also recognize that they need to plan for their future

and that instrumental to those plans are the goals that they want to realize. They pause in the midst of their transition to clarify their goals—the ones that reflect their personal desires and dreams.

The goal-discovery process can be as simple as sitting down with a piece of paper at her favorite coffee shop for an hour of “sky’s the limit” thinking or more elaborate, involving counselors, coaches and spa getaways. Each woman has her own process, and the most important criterion in choosing what is best for her is that she come away from the effort with a good sense of who she is, where she is going and what she would like to accomplish along the way.

Answer Four: Go with a Pro

Women by nature seek camaraderie and collaboration; those who flourish through their transitions are purposeful in their quest for personal and professional support.

Family and friends are obvious sources of support and diversion during life’s changes. However, the most successful women also develop personal circles of interest in their communities, whether through their favorite charities, their churches, social organizations or other entities, to pursue their passions and dreams.

These women will also seek professional support not only to help them navigate

this complex moment in life but to ensure that they remain on track over the long term to accomplish everything that is important to them. Such advisers would generally include an attorney, an accountant and a financial adviser.

Financial advisers fall into one of three categories:

- ☞ *Investment generalists.* These advisers offer a broad range of investment products but do not specialize in a single type of product. While they offer their clients many different products, they do not make consulting an essential part of their business model, tending instead to be transactional.
- ☞ *Product specialists.* These advisers focus exclusively on an investment-oriented product niche that offers a single type of product as a solution. They often offer products such as managed accounts, stocks or fixed-income alternatives. Like investment generalists, these advisers do not have a consultative orientation and tend to be transactional.
- ☞ *Wealth managers.* These advisers take a comprehensive approach to meeting client needs. They use a highly consultative approach to construct integrated solutions designed to meet their clients’ goals.

Answer Five: Have a Map

Last, those most successful in navigating their transitions follow a process—a

road map to achieve what matters most to them—called wealth management.

Women in transition recognize that their situations are complex and will require the expertise of many types of professionals. They want a plan or process that will help them navigate these complexities and set them on a course for financial security and personal fulfillment. These women build their road maps through wealth management.

Wealth management is a consultative process that addresses every facet of a financial life. It consists of three interrelated disciplines:

☞ *Investment Consulting* is the astute management of investments over time to help achieve financial goals. It requires advisers to deeply understand the woman's most important challenges and then design an investment plan that takes her time horizons and tolerance for risk into account. It also requires advisers to monitor both her portfolios and her financial life over time so that they can make adjustments to her investment plan as needed.

☞ *Advanced planning* goes beyond investments to look at all other

aspects that are important in a woman's financial life. We include wealth enhancement (tax strategies), wealth transfer (estate planning), wealth protection (risk mitigation) and charitable giving as components of advanced planning. In our experience, very few financial advisers offer these services.

☞ *Relationship management* is the final element. True wealth managers are focused on building relationships within three groups. The first and most important relationship is with the woman in transition. To address her needs effectively, they must foster a solid, trusted relationship with her. Second, wealth managers must manage a network of financial professionals—experts they can call in to address her specific needs. Finally, wealth managers must be able to work effectively with her other professional advisers, such as her attorneys and accountants.

☞ ☞ ☞

The wealth management process provides the woman in transition a powerful road map that aligns her values with her resources, helps her make smart money decisions and secures her financial future.

Any transition serious enough to alter your definition of self will require not just small adjustments in your way of living and thinking but a full-on metamorphosis. —Martha Beck

Your Next Steps: Building the Map

Change in life is inevitable, but the modern affluent woman has more resources available for support and guidance than ever before. Wealth management is one of the most powerful processes she has to prepare for those changes and effectively navigate them when they occur. It turns transition into opportunity into success.

The wealth management solution, while extremely effective for women in transition, can be applied at almost any age to address any complex financial situation.

However, its greatest strength comes from its organizing principle: aligning values with resources. Women need not wait for a life transition to implement this process. In fact, what woman doesn't want a road map to help her reach her highest aspirations?

Selecting a Wealth Manager

Many in the financial services industry today call themselves wealth managers but offer little more than investment management. How then do you know whether you are dealing with a true wealth manager?

First, the adviser should offer a full range of financial services, including the four areas of advanced planning that we mentioned previously.

Second, the wealth manager should work with you on a consultative basis. This allows the wealth manager to uncover your true financial needs and goals, to craft a long-range wealth management plan that will meet those needs and goals, and to build an ongoing relationship with you that ensures that your needs continue to be met as they change over time.

Finally, you should always expect outstanding service from any financial adviser you choose. Your phone calls should be returned on the same day, you should receive quick and complete responses to all your questions, you should be able to meet with your adviser as often as you wish, and your adviser should always take your unique needs and preferences into account. In short, you should expect to be treated like who you are—a very important woman!

If you are currently working with a financial adviser and are unsure whether he or she is using the consultative wealth management approach we have discussed here, we recommend that you have another adviser complete a diagnostic of your situation so that you have a second opinion.

Whether in transition or “life as usual,” you owe it to your family and yourself to make sure that your investment plan—and your wealth management plan—is designed to effectively address your very specific financial needs to maximize the probability that you will achieve all your financial goals.

We hope that whatever life transitions you encounter will lead to success in realizing your highest goals and achieving everything that is important to you.

Our Wealth Management Consulting Process

- 1. Discovery Meeting.** At our initial meeting, we conduct a discovery interview. This helps us identify the challenges you face in achieving all that is important to you.
- 2. Investment Plan Meeting.** At this meeting, we present our diagnostic of your current situation and our recommendations for how we can help bridge the gaps for you to reach your goals. This plan forms the foundation for all our work together.
- 3. Mutual Commitment Meeting.** At this meeting, we are ready to make a mutual decision about whether our firm can add substantial value and whether we should proceed.
- 4. Initial Follow-up Meeting.** When you have multiple investment accounts, it’s easy to become overwhelmed with the amount of paperwork you receive. At this meeting, we help you organize all that paperwork in a notebook that we provide.
- 5. Regular Progress Meetings.** These meetings, which we schedule at intervals convenient to you, provide us an opportunity to review any major changes in your personal or financial situation.

About the Author

Evelyn Zohlen, founder and president of Inspired Financial, knows about professional and personal transitions firsthand.

Just over ten years ago, she was an Air Force officer who had graduated from the Joint Military Intelligence College with a rare MS in Strategic Intelligence. After leaving the military, she worked for The Vanguard Group as an institutional relationship manager and was the trusted adviser for clients with retirement plan assets ranging from \$175 million to \$500 million. Also during that time, she earned an MBA in Finance (portfolio management) from Villanova University. After years of working with large institutional clients, she founded Inspired Financial to help individuals make smart money decisions and secure their financial future.

Evelyn is a Certified Financial Planner™ professional and serves on the board of directors of the Financial Planning Association in Orange County. She is also an adjunct professor in the Personal Financial Planning Program at the University of California, Irvine.

Evelyn is a community leader and has served on the board of directors for the *American Poetry Review*, on the President's Council at Immaculata University and as the finance director for the Young Friends of the Philadelphia Museum of Art. Evelyn is a frequent contributor to such periodicals as *USA Today*, *Investment News*, *Kiplinger's Personal Finance*, *Real Simple* and *Consumer Reports*.

About Inspired Financial

Inspired Financial partners with clients to help them achieve their life goals and put their core values into practice through exceptional service and targeted investment performance. We believe that money is a means to life fulfillment rather than an end in itself.

With this in mind, our relationship with each client embraces a consultative approach to wealth management. We work alongside our clients to not only analyze their current financial situation but also to develop an awareness of their life goals. Then, working with our team of professional advisers, we evaluate their specific financial challenges and devise appropriate solutions. Finally, we help our clients implement and monitor these solutions through a clearly defined action strategy. Our consultative wealth management process encompasses plan progress, client investments and life changes that might warrant modifications to the plan.

We measure our success by how effectively we assist clients in realizing their highest values as well as in securing their financial independence.

Inspired Financial is most effective for clients who seek:

- A small, independent firm that maintains a personal relationship with each client
- A long-term partner to provide unbiased advice with tailored recommendations
- An investment strategy based on balanced, diversified, cost-efficient portfolios that further focuses on after-tax results, both long and short term
- A living legacy approach to estate planning that emphasizes the values to be passed on as well as the assets
- A fee-only adviser that does not receive compensation from investment products

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