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4 Financial Tips for Women

How to protect your family from financial disruptions.

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KEY POINTS

- Plan for the "what ifs" to guard against financial disruptions.
- Funding emergency reserves and having adequate life and disability insurance can help to support the family.
- A lifetime earnings gap is most prevalent with women who leave the workforce to take care of others.

Women face a number of gender-specific risks when it comes to money. In addition to the disparity in paychecks, there is a far more significant lifetime earnings gap that is most prevalent among women who take time away from their careers to raise children or to be primary caregivers for a spouse or an aging parent.

Life events and financial shocks—such as divorce, disability, unemployment, and widowhood—can wreak havoc on even the best-laid plans. This is especially true in situations where a woman is a full-time parent or caregiver who relies on someone else to financially support the household.

80¢ vs. $1

Women earn roughly 80 cents on the dollar compared with men, according to U.S. Census Bureau research.

Planning for the "what ifs"

- **Emergency reserves:** "We suggest having savings that can cover three to six months of expenses in an easily accessible account. In a household with a primary earner, leaning toward the higher end—an amount that can cover six months of expenses—is a good idea," says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. Should the primary earner become unemployed, the household can weather this period of uncertainty without having to scramble to find other sources of income or consider drastic cuts in spending.
- **Insurance:** Make sure the primary earner has enough life and disability insurance to support the family should something happen. After all, that's the income the household is relying upon. At the same time, consider the insurance needed to replace the contribution of an at-home spouse who doesn't earn a paycheck. There definitely would be costs associated with certain household activities if they had to be outsourced.
- **Family finances:** In some households, there might be a division of labor. One spouse may be responsible for the day to day: paying the bills, balancing the checkbook, and managing schedules. The other spouse may be responsible for overseeing the

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The number of years women caregivers are likely to spend out of the workforce raising children and caring for an older relative or friend.*

investment and retirement accounts. It's extremely important that both spouses understand the financial position of the entire household—what is owned and what is owed. What are the household debts? What are the savings and investments intended to help achieve future goals, and how is the family tracking to meet those goals?

- **Earning potential:** When women leave the workforce to care for children or an aging parent, they may be at home during their peak earning years. This career gap may make it difficult to reenter the workforce. Women may want to consider keeping a foot in the door. Part-time, contractual, or consulting work not only will contribute to the household, it will help keep their skills sharp and future hiring prospects brighter. Volunteering to maintain professional skills and engaging in supportive networks are also helpful. Additionally, continuing education to advance a future career can be extremely rewarding. If a woman finds herself in a situation where she has sole financial responsibility, she will have the confidence to make the most of potential opportunities.

"Taking these four actions can help every woman be better prepared for the unexpected—and protect her family from financial disruptions," says Ward. And for women who have left the workforce and rely on a primary earner, these tips are essential in helping to provide greater financial peace of mind. ■

*Women and Caregiving: Facts and Figures. Retrieved from https://www.caregiver.org/women-and-caregiving-facts-and-figures.

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