



## **WIDOWS: 7 WAYS A FINANCIAL PROFESSIONAL CAN HELP PLAN FOR A SECURE RETIREMENT**

Women, especially widows, are looking for trusted partners in retirement planning. Here are some key insights to keep in mind when looking for a financial professional.

As the Baby Boomer generation ages and the number of widows grows, there's a real need for widows to connect on their terms with financial professionals. The U.S. Census Bureau reports that by 2030 all Baby Boomers will be over the age of 65, with women making up the majority. Already by 2016, of the 1.4 million adults who were widowed that year, nearly 1 million of them were women.

A financial professional can help educate you on your financial needs and address concerns you may have about managing income and expenses in retirement.

### **FINANCIAL PROFESSIONALS UNDERSTAND WIDOWS' UNIQUE NEEDS**

First, it's imperative to understand that you do have unique financial needs. A recent Government Accountability Office report on retirement security found that older women perceive their retirement security to be influenced by an unpredictable future. Women in 14 focus groups said they felt uncertainty or fear about meeting future expenses, suggesting a sense of fragility around retirement security. What are some of the issues you might face?

## CONSUMER COMMENTARY

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### #1: PLAN FOR YOUR LONGEVITY

On average, women live longer than men, so you'll need financial resources that last longer. In the U.S., life expectancy for women who are age 65 is 86, according to the Organisation for Economic Co-operation and Development. That's an average, so half can expect to live longer. Women in the GAO report focus groups perceived a societal expectation that men were to handle finances during marriage, and had gaps in basic financial literacy, such as understanding how to plan for the financial transition from a two-person household to a one-person household.

### #2: UNDERSTAND HOW SOCIAL SECURITY AND MEDICARE WORK FOR WIDOWS

One widow discussed her financial challenges after her husband died, noting that her household expenses did not decrease by the same amount as the decrease in Social Security benefits that resulted from his death.

A financial professional can educate you on how Social Security works for widows, how to manage claiming your benefit or survivor benefits, and the importance of understanding Medicare benefits, deadlines, and hidden income penalties for some higher tax brackets.

### #3: IDEALLY, TALK TO A FINANCIAL ADVISOR BEFORE WIDOWHOOD

Women often feel unheard and alienated by the financial services industry, says Suzanne Norman, CIMA, CPCC, a financial literacy expert, and Education Fellow for the Alliance for Lifetime Income. That's the case for both married women and for widows. It is crucial that both you and your significant other meet with a financial professional sooner rather than later to help ensure that you are not only comfortable but also involved in the planning if your spouse were to pass away.

### #4: ADDRESS THE IMPORTANCE OF VALUES AND GOALS

Financial planning isn't all about numbers. Your values, goals, and plans for living a full life going forward are equally important. These topics are key to ensure your happiness and staying on track.

Looking back on your life, what things did you do that made your life feel purposeful? Looking forward, what are your aspirations as you get older? These are questions that a financial professional could help you answer or figure out.

Whether you take the backward- or forward-look approach, or both, one way to bring this conversation up with a financial professional is to candidly tell them about your needs, wants, and wishes. From there, they can help you align your income sources with you spending priorities.

### #5: UNDERSTAND THE IMPORTANCE OF INCOME PLANNING

Whether you are widowed young, about to be widowed, or widowed for 10 years, all roads in investing lead to income. That's true whether you're creating an income stream today or for the future. Once you've established your needs, wants, and wishes, you can have a productive discussion about the importance of income planning. A financial professional will help you determine what income you need to live the life you want. That means that you need to have a plan for cash flow to ensure that your savings can generate enough reliable income to meet your goals.

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### #6: UNDERSTAND HOW MARKET RISK CAN AFFECT YOUR INCOME PLAN

Now is the time to address any investment risks, the idea that the value of your portfolio can swing wildly: How much of your savings are exposed to market volatility? If your income plan involves taking a “systematic withdrawal” approach from your portfolio, you’re accepting the risks of the markets. You hope your money will last for 30-plus years. That’s risky. On the other extreme, many widows are prone to leaving a substantial percentage of their assets in cash and at risk of a loss of purchasing power via inflation.

### #7: LEARN ABOUT THE IMPORTANCE OF THE “SAFETY-FIRST” APPROACH

There is a safer way. By introducing a safety-first approach to your income planning, it can help address your fears of running out of money. First, you’ll need to work with a financial professional to establish a plan to safely fund your essential needs—and perhaps some of your wants—with protected lifetime income. That can come from Social Security, a pension and/or annuities. Having that floor of protected lifetime income is akin to having your feet on solid ground, a feeling of security knowing that your basics are covered no matter how the markets perform. Then you can focus on pursuing passions and living a full life. The other part of your portfolio that provides potential income derived from market growth covers the rest of your wants and wishes.

#### EXPLORE IF PROTECTED LIFETIME INCOME MAKES SENSE

The safety-first approach often includes using an annuity to create protected lifetime income. That removes a portion of the risk of running out of money in retirement. “Knowing that there’s a ‘paycheck’ coming in every month provides security,” says Norman. “There’s a lot to be said for the psychological and emotional aspect of that.”

If you’re feeling uneasy about retirement or that you may not be able to do all the things you hoped you could, an annuity could give you the confidence that you will have enough protected lifetime income to do what you want.

A financial professional can help you establish what portion of your portfolio will generate protected lifetime income versus potential income.



### GET ANSWERS TO PRESSING ANNUITY QUESTIONS

Perhaps your former spouse bought a deferred annuity as an investment to accumulate wealth. Now as the surviving spouse, you will typically have three choices:

- 1 take a lump sum payout
- 2 spread payouts over a certain number of years, or
- 3 take payouts over the rest of your life.

By working with a financial professional, they will help you make the best choice for your situation.

Suppose you're working with a financial professional and your former spouse was heavily invested in the stock market. You want to move the investments all to cash. A financial professional can explain that there's another way. "Because an annuity can provide options for guaranteed lifetime income, it can lead to more confidence. There is a lot of psychology when it comes to choosing investments," says Norman. Having enough protected income to meet your basic retirement income needs can act as the bedrock of a portfolio, while leaving room for other types of investments to meet other retirement wants and wishes.

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