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Baby Boomer Women are Savvy Investors – Ready to Retire?

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Despite lingering stereotypes, these women – and their Gen X counterparts – are savvier than ever when it comes to investing.

In fact, at least one research study shows that women may even have a slight advantage over men.

A recent study from Barclays Wealth and Ledbury Research⁵ reveals that female investors are more likely to make money in the market. Why? Because a woman is less likely to make risky investments.

Today, 80% of women will at some point be solely responsible for household financial decisions. After all, baby boomers represent a third of the U.S. population, and more than half of that is female. They control far more money for investing than any other demographic. Whether recently widowed or divorced, these women have come to a point where they control substantial assets.

Whatever the families' fiscal bottom line, women do extraordinarily well in the financial driver's seat.

The research does not suggest women will omit risk in their portfolio decisions. Rather, the Barclays study showed the reason women squeeze more profit out of the markets is not because they avoid risk altogether but because they have a more measured—and educated—approach to potentially risky investments and trading frequency. Simply put, women tend not to make snap decisions, based on emotion, when it comes to their investments.

Despite popular belief, women control 51.3 percent of personal wealth in the United States.

Also:

- Women own 43 percent of stock portfolios valued over \$50,000.
- Women today represent nearly two-thirds of the U.S. workforce.
- More than 60 percent of high net worth women have earned their own fortunes.
- More than half of women with business degrees out-earn their husbands.
- Three-quarters of women executives in the Fortune 500 out-earn their husbands.
- By 2015, \$12.5 trillion in generational wealth will come into the hands of women.

*First presented in Worth Magazine

Yet, stumbling blocks remain. On average, women still earn less than men. While more and more men are embracing child care responsibilities, women still serve as the primary caregivers for young children as well as for aging parents, according to the Department of Labor's Bureau of Labor Statistics, and thus typically spend fewer years in the workforce.

The result of fewer years in the workforce leads to another inequality: lower Social Security benefits. Because the average woman earns significantly less than her male counterpart over her lifetime, she will get smaller Social Security payments which are based in part on workplace longevity. Retired women, therefore, tend to receive smaller monthly Social Security checks than men. In fact, some experts believe that Social Security should be re-titled "Social Security for women." Longer life expectancies argue for careful analysis of withdrawal ages, especially for couples. There may be significant benefits if the lower-earning spouse starts taking Social Security at normal retirement age and the higher-earning spouse waits until age 70.

That means women – Baby Boomers as well as their successors – must be even more diligent in planning for retirement and building a nest egg they can rely upon.

Of course, everyone should take advantage of tax-deferred individual retirement accounts and employer-sponsored savings plans when available. As well, for some, annuities may be worth considering as one tool for bridging the retirement income gap. Over time, even a small increase in the amount of monthly or even annual investment contribution may add up significantly over time.

All women (and men) should take an active approach to their investing. That means regular consultations with a financial advisor, paying close attention to monthly investment reports – and asking questions to learn about what may not be crystal clear.

Research suggests that one trait shared by women who invest is that they want to learn. They do their financial homework and want to be intelligent clients. They want a financial advisor who will not assume too much knowledge and who will take the time for explanations.

All it takes is a little education and savvy – and maybe a bit of female intuition – for women to succeed as investors.

RESOURCES:

- U.S. Census Bureau, Allianz Life Insurance Co. report, Women, Money and Power, 2007 and 2008 studies
- Delia Passi, who we featured at a recent Women's Networking Group event to address the business case for selling to women
- Federal Reserve Board data
- INTEREP Radio Store
- Website The Week, June 17, 2011

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