

The XX factor: How to future-proof your advisory business by better serving women

A look at the changing challenges women face and how to better meet their needs while building your business.

Key highlights

- With women's roles becoming increasingly complex, there's a growing opportunity to help your female clients better prepare for retirement.
- Consider the different challenges and life scenarios she might face both before and during retirement.
- Strengthen your relationship with female clients as you help them envision and work towards a retirement plan with four simple steps.

As they prepare for their futures, women navigate immense uncertainty. With the rapid evolution of women's role in the workplace, family and finances, this is an immensely diverse market. In this white paper, we explore how you can work with female clients and couples to plan holistically for successful retirements on their terms.



Her story

The roles women play in the workplace, in their families and with their finances are rapidly evolving. Nine in ten women are expected to be the sole financial decision maker at some point in their lives,¹ taking on preparation for retirement, including the planning, saving, investing and worries that come with this responsibility.

At the same time, they're asking for more guidance — and not just advice on steps to take, but also the knowledge necessary to make informed decisions. Today's female clients want advisors to take the time to help them understand the various scenarios they may face so they can be fully prepared for whatever lies ahead.

Women represent an enormous opportunity for financial advisors.

The female clients who come into your office are changing. With every new generation, women are securing more advanced degrees, pursuing higher-earning careers, breaking down barriers to enter traditionally male-dominated fields and opening more businesses. Women today control 51% of total personal wealth in the United States, holding \$14 trillion in assets — and that number is projected to grow.²


American women are well-educated and are successfully breaking down barriers in the workforce.



Women are estimated to account for

 **57.5%** of all bachelor's degrees,

 **61%** of all master's degrees and

 **52.7%** of all doctor's degrees awarded this year³



Women make up

 **46.8%** of the workforce,⁴ including

 **52%** of professional and managerial occupations⁵



Women own

9.9 million businesses⁶

As women continue making headway in the professional realm, cultural norms and expectations about starting a family are evolving with each new generation. With an increased focus on building professional success, younger women are waiting to marry, with the median age at first marriage at 27.4 years old in 2017, up from 25.1 in 2000 and 23.3 in 1985.⁷

With later marriages, women have more time to develop strong financial habits and plan for their financial futures solo. Even within the context of married lives, many women are managing their family's financial decision-making than ever before. These changes are happening rapidly and reflect a significant shift in

American families. This means many of the women today taking charge of their family's retirement preparedness cannot look to their moms or grandmothers as role models for financial planning. There is no familial antecedent for the role these women play, since it was the cultural norm for previous generations of women to stay on the sidelines when it came to long-term financial planning.



With the rapid evolution of women's role in the workplace, family and finances, this is an immensely diverse market.

Advisors experience an increasingly wide variety of female clients, from widows who've never managed finances until the loss of their spouse to female breadwinners who oversee their family's financial planning. With such a diverse group, advisors will benefit from getting to know the unique situations, goals and preferences of each female client.

Challenges she may face

Despite the strides that women have made, there are still hurdles both inside and outside the workplace.

Address the biggest hurdle standing in the way of her successful retirement — uncertainty.

She has to save more, from less

The pay gap persists

According to the United States Census Bureau, the 2016 female-to-male earnings ratio was 0.81. This modest 1.1% increase from the previous year was the first time the ratio has improved in a decade.⁸



Women still earn only **81 cents** for every dollar earned by men

Women have a wide array of experiences both before and during retirement. Some women work, some stay home and some split their time. Some may be mothers, while some don't have children. Throughout their lives, some will stay single, lose a spouse or go through a divorce. The road to retirement for many women is more of a circuitous journey rather than a straightforward path.

When attempting to visualize and plan for the future, there are many possibilities. Your client may be wondering if she will need to care for an aging parent or spouse, whether she'll have work opportunities or who will take care of her when she's sick.

Her family depends on her

The pay gap issue is magnified by women getting pulled away from work to care for their children, aging parents, an ill spouse or grandkids. This time away from the office impacts her earnings throughout her career. The Center for American Progress found that each year out of work can cost a family more than three times the parent's annual salary in lifetime income.⁹



Every year spent out of the workforce costs families **3X** the parent's annual salary in lifetime income

With so many variables at play, understanding how to best prepare for the unknown that lies ahead is no easy feat. If she doesn't plan for these possibilities, her options in retirement could be limited. It's little surprise then that women worry about their ability to afford retirement. Only 25% of women aged 50 or older expect their life to be better in retirement, according to the 2017 Social Security Consumer Survey conducted by Harris Poll on behalf of the Nationwide Retirement Institute.¹³

With a longer life comes greater expenses

Women also have a longer retirement to prepare for. According to the National Center for Health Statistics a woman lives 81.2 years on average compared to a man's average life span of 76.3.¹⁰ It's no surprise, then, that in the U.S. 80% of women outlive their husbands.¹¹



2 to 1 the approximate ratio of American women to men age 85+¹²

The greatest factors weighing on a woman's outlook for her retirement are her need for a guaranteed income stream and the reality of rising health costs. Only 14% of women in (or nearing retirement) are depending on (or plan to depend on) a pension as their primary source of income.¹³ Nearly two in three women (62%) rely on Social Security benefits.¹³ On average, women expect to count on Social Security to pay for 58% of all expenses.¹³

Our analysis found that the average woman claiming Social Security benefits at age 62 could spend about 75% of her monthly benefits on health expenses — leaving only a quarter of each check for other essentials, like housing and food in retirement.¹⁴ At the same time, 75% of older women worry Social Security will run out of money during their lifetime.¹³ There is an opportunity for financial advisors to help women look at their total retirement picture and optimize when to file for Social Security or when to opt for spousal benefits.

Women claim Social Security early



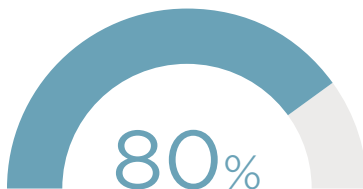
3 in 4



women collected Social Security benefits early, locking in a lifetime of lower income¹³

Anticipated health care costs can take a toll on retirement income. According to Nationwide's 2017 Health Care and Long-term Care Survey conducted by Harris Poll, only 30% of women aged 50 or older are confident that they will be able to pay for health care expenses beyond what Medicare covers.¹⁵ Meanwhile, 85% of older women remain unsure of how to estimate long-term care costs.¹⁵

Women worry over health care costs



Often, women have not planned for who will care for them. Yet, with women's longevity exceeding men's, they may face higher medical expenses and are more likely to need long-term care.

of women list health care costs going out of control as a top fear in retirement¹⁵

Demystifying the transition to retirement

These themes — coping with uncertainty in retirement, managing health care costs and building a guaranteed income stream — bubbled to the surface when speaking with women currently planning for retirement.



Sofia's husband was working in commercial real estate, but when the market crashed, his commission-dependent earnings virtually disappeared. While she had always worked, their lifestyle couldn't be sustained on a single paycheck. Hoping to get back on their feet, they had to make tough changes to their family's overall expenses. Just as their family was rebuilding financially, Sofia's life changed forever when her husband of 26 years suddenly passed away.

With her husband's death, came a lump-sum life insurance payment. "When we went through horrible financial times I was the one saying, 'Are you sure we want to make this payment?' He was Joe Athlete. You'd think he was going to live a long time. You have to make financial decisions when things are tight, but thankfully, he was passionate about keeping the life insurance," Sofia said.

Suddenly Sofia had a lump sum of money and needed a financial advisor — and a plan. "You are so

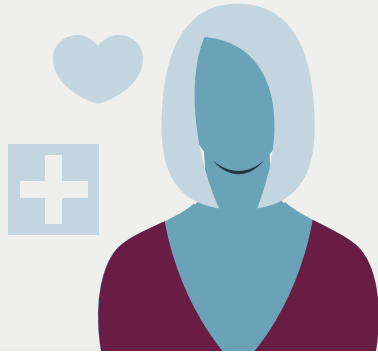
vulnerable," she added. "Do you want to expose the good, the bad and the ugly of your financial history to someone in your social circle?" She realized that she would be most successful if she found an advisor she felt comfortable enough with to be transparent about what she did and did not know. "I didn't want to be in a situation with an advisor talking at me like the teacher in Charlie Brown."

Sofia ultimately selected an advisor, with whom she felt comfortable enough to ask any question. "I don't have a partner, so this is on me to look at my future, which is exciting and scary at the same time. I wanted an advisor to help me understand. My advisor handled the most basic investment questions with grace."

Sofia's story is a familiar one. For many women — even primary breadwinners — the loss of a spouse can be the first time they take total charge of their family's financial situation and seek the help of a financial professional.

Key takeaways

- Women are constantly questioning and want to understand topics like Social Security and health care on a deeper level. They want to fully grasp how they work, not just pinpoint when's the right time to claim Social Security or how much their health costs will be.
- It's up to advisors to create a safe, judgement-free space for women to learn and ask questions.



Knowing who will care for me


Pamela, 55, no children


After Pamela's dad passed away, her mother moved in with her. One day, her mother got lost and didn't know where she was. That was how Pamela and her husband discovered her mom had Alzheimer's. For over a decade, Pamela was her mother's primary caregiver. Pamela's two brothers looked to her to put their mom in assisted living and, ultimately, find a nursing home. "Because of our financial situations and careers, we each played a different role," said Pamela. "No one judged the other siblings for what they could or could not do." Pamela helped pay for her mom's care until she passed away last April.

She first met her financial advisor back in 2003 through her then-employer's 401(k) plan. "I liked his style," she said. "He didn't talk down to me. He listened, and he's close to my age, so I found him relatable. Talking to someone who is going through what I am going through helps me make decisions." When she consolidated finances with her husband, she introduced him to her advisor.

As Pamela and her husband plan for retirement, her mom is on her mind. "It's a life event that certainly makes you think," she said. Pamela is eager to plan for long-term care if she needs it. Although she is older than her husband, she is healthier than him.

Odds point to women outliving their husbands. While the norm is shifting, in many families it is still the daughters who take on caregiving responsibilities for an aging parent.

75%  of unpaid caregivers are women¹⁶

1 in 3  women over 75 years old has a spouse to care for her¹⁷

The true costs of caregiving are far greater than people assume. There is the emotional and related stress of being a caregiver, as well as the time away from work — which impacts a woman's earnings, benefits and ultimately her Social Security paycheck. Plus, while she's out of the office, the workplace is often evolving without her. This can be a setback to her professional trajectory, reducing her future earning potential.

Key takeaways

- At the heart of it, women are asking themselves what happens when they're alone and wondering who will care for them. Advisors have the power to reduce that point of fear by helping estimate and plan for the costs of long-term care.
- Approach the topic bearing in mind that most people won't like talking about needing assistance later in life. Have a conversation about what matters most to your female client, the ways to help loved ones with taking care of her later in life and how she can seize control over her long-term care choices.



Planning for her future

Mary, 56, no children

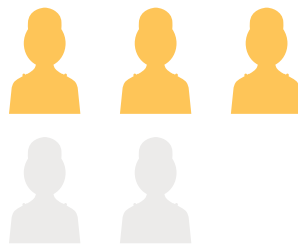
Mary's husband has congestive heart failure. Five years ago, they received his prognosis — a five-year life expectancy. As she plans for her retirement, Mary has needed to envision what she wants for this next chapter in her life — even if her husband isn't there with her. What could be a paralyzing moment for some, isn't for Mary. She is strong, empowered, practical and building a clear vision for what she wants her retirement to look like.

She wants to fix up the house, sell it and move someplace warm. "I am done with snow!" she said. "Haven't decided where yet, but I want to go somewhere like Arizona or New Mexico. I don't want a big house, something little. Something quiet and peaceful. I'll hike, do yoga, volunteer, meditate — all the things I really want to do all day long."

She met her advisor through her parents, who had previously worked with a slew of advisors they didn't like. "He worked so hard for my parents to reduce their fees. That's what earned my trust," Mary said. "My husband would say he wants to work with an advisor who gets the job done and he never has to talk to. For me, it's really important to feel that I can talk it through."

"Trust — it's not a one-and-done kind of thing for women," Mary

added. "I reevaluate at the end of every meeting. Am I staying with this advisor? They have to keep earning our trust throughout the relationship."



3 in 5
older women admit that if their financial advisor could not show them how to maximize their Social Security benefit, they would likely switch to an advisor who could¹³

Key takeaways

- Adopt a holistic approach to retirement planning. Even if you aren't managing 100% of your client's assets, you need 100% of the information to do the job right. One missing pillar could potentially compromise the foundation.
- That means it's important to integrate these often-neglected topics in your client's retirement plan:
 1. Maximize Social Security
 2. Manage health care costs
 3. Minimize taxes

Actionable insights: How to work with her

Despite the diversity of this demographic, these four rules of thumb can help you earn the trust and business of this increasingly influential group.

Four steps to build your female clients' confidence

1

Help her envision retirement

2

Have two-way discussions about likely scenarios and solutions

3

Accurately model and estimate what her retirement could cost

4

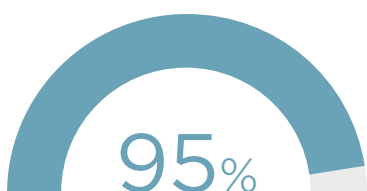
Minimize taxes considering her holistic retirement picture

1 Help her envision retirement

Here are some talking points to go over during conversations with your female client:

- What she imagines her retirement looking like
- Goals she's made for herself, her children, spouse and other family members
- The feeling she'll have when she achieves her goals

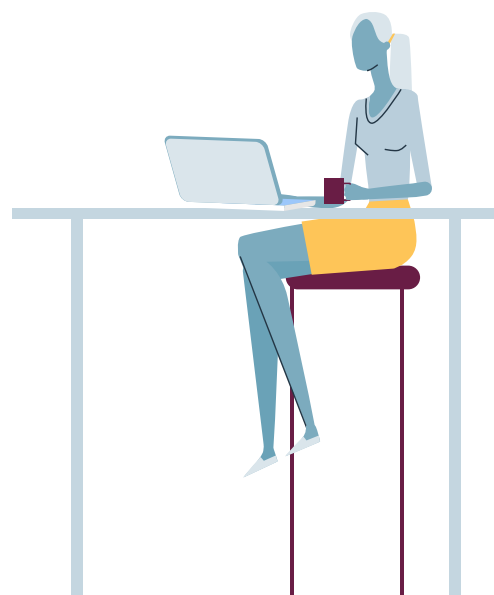
With people retiring later and living longer, our nation's retirement aspirations are shifting. Many women have a hard time imagining how they'll spend their golden years — especially if they anticipate outliving their husbands. "I don't know what I want my retirement to look like," added Pamela. "It would be helpful if our advisor sketched out some options and what each would cost. That would help me to visualize what I'm saving for."



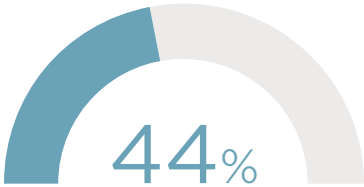
of women say it is critical for their advisor to understand her key life events, needs and goals¹⁸

Adopting a goal-based approach to financial planning is critical for two reasons. First, having a sense of the lifestyle your client wants to achieve will help you determine a plan to realize this vision. Second, clients are often more motivated to work towards a goal they can picture. Many women crave clarity about their future and an advisor whom they can trust to help them get there. Once your client can visualize her objective, she is more likely to jump onboard to implement the plan.

For some women, these conversations may also serve as an opportunity to get on the same page as their spouse about what their retirement may look like.



2 Have two-way discussions about likely scenarios and solutions



of women want an advisor to help them learn more about planning and investing¹⁹

We often hear women say they've had meetings with advisors that have left them feeling overwhelmed and unable to make informed decisions.

It's important to remember these are women with goals for their future — and the right to take their assets elsewhere if they feel they are being talked down to. They are interested in your expertise and want to understand the core considerations impacting their retirement.

The best way to become a better partner for a female client is to help her feel confident in her decisions for her future. Empower her with the knowledge she needs to make decisions about what's in her best interest and guide her through her options.

Here are ways to help your female clients feel confident in their decisions for the future:

- Walk her through strategies for Social Security distributions
- Talk to her about the reasons behind her retirement plan options
- When working with a couple, connect with both partners equally

3 Accurately model and estimate what her retirement could cost

Once you have established a trusting relationship and a vision for your client's retirement while helping her build her confidence and understanding of the factors at play, it's time to explore together how much her retirement could cost, if she can afford it and what options are available to her if she can't bridge the gap between now and her target retirement age.

A common pain point that many women experience when preparing for retirement is not knowing exactly how much they need. Through conversations about retirement scenarios, you can also help your clients find a compromise between their expectations and the realities of living in retirement. "The older you get the more you see people dealing with health issues. As the single parent and sole provider, if I have a health episode that takes me out of work earlier than planned, what does that look like?" Sofia asked. "My advisor's formulas are pretty incredible with three different scenarios in case our ideal plan gets derailed."

You can help women plan for the variety of situations they might find themselves in during retirement. Build personalized plans — that account for possible hurdles (like losing a spouse, getting sick or needing to retire early) — to get them started on the right path.

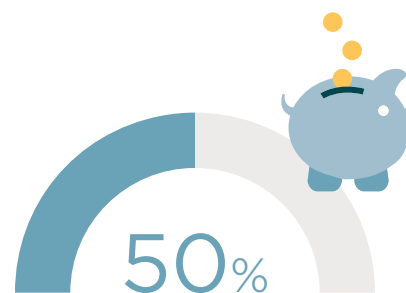
4 Minimize taxes considering her holistic retirement picture

As her partner in retirement planning, a female client will expect you to help her see the big picture. That includes planning for a tax efficient retirement income distribution strategy.

Without careful planning and a smart strategy, taxes can erode retirement income, making the difference between being able to afford her desired retirement lifestyle or having to downsize.

Pamela noted this challenge, “Taxes are a big question mark. Our advisor will advise on financial investing matters but not tax filing strategies, so we need to have dual-conversations with our accountant.”

By providing expert guidance on how to potentially minimize your clients’ taxes, you can give your clients a more accurate estimate of what their income stream will look like in retirement.



of women don’t know how to take income from retirement savings so as not to trigger the taxability of their Social Security benefits¹³

Resources to enrich your conversations with female clients

As women continue to build their wealth, developing a strong base of female clients is critical to the success of your business. If your clients are predominantly men, you are missing out on helping 50% of this country’s population solve challenges in preparing for retirement.

Explore the Nationwide Retirement Institute resources on holistic retirement planning for resources on:

- Estimating your client’s health care and long-term care costs in retirement — Nationwide Health Care/Long-term Care Cost Assessment
- Providing optimal filing strategies for your client to claim her Social Security benefits — Nationwide Social Security 360 Analyzer®
- Building a holistic retirement income plan



Names have been changed throughout this white paper to maintain anonymity. Individuals were not compensated for their responses, and others' experiences may vary from those depicted.

¹ "Men Dominate, But Women Gain In Home Finances, Survey Says," Financial Advisor Magazine (February 24, 2016).

² "Financial concerns of women," BMO Wealth Institute (March 2015), p. 2.

³ "Table 310. Degrees conferred by degree-granting institutions, by level of degree and sex of student: Selected years, 1869-70 through 2021-22," National Center for Education Statistics (June 2012).

⁴ "Labor force by sex, race and Hispanic ethnicity," U.S. Bureau of Labor Statistics (2016 Current Population Survey and 2024 Employment Projections).

⁵ "Employed persons by detailed occupation, sex, race, and Hispanic or Latino ethnicity," Bureau of Labor Statistics (January 2018).

⁶ "Women-Owned Businesses on the Rise," U.S. Census Bureau (March 23, 2016).

⁷ "Historical Marital Status Tables," U.S. Census Bureau (November 2017).

⁸ "Income and Poverty in the United States: 2016," U.S. Census Bureau (September 2017), p. 6.

⁹ "Calculating the Hidden Cost of Interrupting a Career for Child Care," Center for American Progress (June 21, 2016).

¹⁰ "Life expectancy at birth, at age 65, and at age 75, by sex, race, and Hispanic origin: United States, selected years 1900-2015," National Center for Health Statistics (2016).

¹¹ U.S. Census Bureau (2016).

¹² "Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, States, Counties, and Puerto Rico Commonwealth and Municipios: April 1, 2010 to July 1, 2016," U.S. Census Bureau (June 2017).

¹³ Nationwide 2017 Social Security Consumer Survey. The survey was conducted online within the U.S. by The Harris Poll on behalf of The Nationwide Retirement Institute between May 26 and June 6, 2017, among 1,012 U.S. adults ages 50 or older who are retired or plan to retire in the next 10 years, including 473 women.

¹⁴ Analysis from the Nationwide Retirement Institute Social Security 360 Analyzer[®] and Health Care Cost Assessment, 2017. Assumptions used were: a 62-year-old female, living in Ohio, life expectancy of 88, filing at age 62, primary insurance amount of \$1,300 and total estimated health care costs in retirement of \$309,382. Individual results will vary.

¹⁵ Nationwide 2017 Health Care and Long-term Care Survey. The survey was conducted online by The Harris Poll on behalf of The Nationwide Retirement Institute between September 13 and September 27, 2017, among 1,214 U.S. adults age 50 or older, including 626 women.

¹⁶ "AALTCi Sourcebook 2015," American Association for Long-term Care Insurance.

¹⁷ "Living arrangements of adults 75 and over, 1967 to present," Current Population Survey, Annual Social and Economic Supplement, U.S. Census Bureau (2017).

¹⁸ "Strategies for Attracting and Retaining Female Clients," LPL Financial (2011), p. 7.

¹⁹ "Strategies for Attracting and Retaining Female Clients," LPL Financial (2011), p. 8.

IMPORTANT DISCLOSURES

Social Security Consumer Survey conducted by Harris Poll on behalf of the Nationwide Retirement Institute, 2017. This survey was conducted online from May 26 — June 6, 2017 with 1,012 US adults aged 50 or older, including: Future Retirees — consumers aged 50+ who plan to retire in the next ten years (338 survey respondents). Recent Retirees — consumers aged 50+ who retired within the past ten years (336 survey respondents). 10+ Retirees — consumers aged 50+ who retired more than ten years ago (338 survey respondents).

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