think First

Women & Investing

Breaking The Glass Ceiling

After decades of striving, more women than ever before are breaking through the "glass ceiling." Women are earning significant salaries, holding top management positions and achieving financial independence. And while making money is important, managing money may be even more critical. In order for women to reach financial goals such as buying a home, financing a child's education or building a retirement nest egg, a financial game plan is necessary. Of course, every woman's personal situation is unique. That's why it's essential to sit down and discuss the specifics with your First Investors Financial Services Representative. In this *Think First*, we'd like to discuss some general issues that affect all women, and present some tips that can help you put your investment strategy into action.

The Realities

When preparing for the future, it's necessary to take into consideration several factors that are particularly relevant to women investors:

Living longer–American women are living longer than ever before. According to the U.S. Department of Health and Human Services, the average woman aged 65 today can expect to live to age 85, while a 65-year-old man can expect to live to age 82.

Earning lower salaries–Although progress has been made, women generally continue to earn less than men in similar jobs. According to the U.S. Census Bureau, in 2007, women were paid about 77 cents for every dollar men received. Lower salaries can mean a lower standard of living during working years, as well as lower Social Security benefits during retirement.

Changing jobs frequently–While job hopping can bring salary increases, it may wreak havoc on retirement benefits. According to the Bureau of National Affairs, women change jobs, on average, every 4.8 years, compared to 6.6 years for men. Because most corporate pension plans have a vesting requirement (in many instances, five years), a frequent job changer may suffer significantly reduced benefit payments, or may be entitled to no pension at all.

Leaving the workforce–Frequently, women take a break from their careers to raise children or care for elderly parents, and then return to the workforce. According to a 2007 survey compiled by the Business and Professional Women's Foundation, 75% of those providing care to elderly loved ones are female. In addition, female caregivers spend 50% more time providing care than male caregivers. An increased amount of time devoted to care giving often means a decreased amount of time in the workforce. As a result, many women struggle to replace lost income, regain pension coverage, and make up for lost promotions.

Receiving fewer benefits–According to the same survey, two out of three women hold jobs that do not provide retirement benefits through a 401(k) or traditional pension plan. Of those women who do have pension coverage, the median pension they earn is half of that received by men.

Taking Charge

With these financial issues in mind, here are some pointers to help you get your finances in order:

Get professional advice–It pays to get good advice from an experienced professional. With thousands of mutual funds available, plus a complex array of life insurance products and annuities on the market, a trained professional can help you cut through the clutter and build a portfolio that's right for you.

Get involved–Today, the idea of leaving financial matters to a husband is outdated. According to the National Center for Women and Retirement Research, some 80% to 90% of all women today will at some point in their lives be the sole financial decision maker for their households. This underscores the importance of men and women sharing the responsibility for handling family finances.

Take advantage of your employer's retirement plan–If your employer offers a retirement program such as a 401(k) or 403(b), you should seriously consider investing in it. These plans are a convenient, tax-deferred way to put money aside for retirement. Each specific plan's policies and provisions vary, so be sure to check with your company's human resources department for details.

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Open an IRA–An Individual Retirement Account (IRA) can be an excellent vehicle to build assets for your retirement years. Each type of IRA has distinct tax advantages and contribution restrictions, so consult your tax adviser and financial services representative for details.

Consider annuities–An annuity offers tax-deferred growth, life insurance benefits and a guaranteed stream of income for as long as you live. Lifetime payments are available under a fixed or variable annuity income option. This is especially important to women because they generally live longer than men.

Pay yourself first–At First Investors, we believe in the concept of "paying yourself first." In other words, make it a priority to invest on a regular basis. For example, invest a set amount monthly in a mutual fund. To make this convenient and virtually painless, regular investments can be deducted electronically from your paycheck or bank account. Systematic investing cannot assure a profit nor protect against a loss in declining markets. Since this strategy depends upon continuous investment regardless of fluctuating price levels, you should consider your ability to continue making investments through periods of low price levels.

Don't be overly conservative–Some people put money solely in "risk-free" vehicles, such as FDIC-insured bank accounts. While these accounts offer security, over the long haul they may not offer sufficient protection against the harmful effects of taxation and inflation. It generally makes sense to allocate funds across a broad array of investments, including some which offer safety and others which offer growth potential. Of course, investments with the potential for higher growth also involve a higher level of risk, and are subject to greater fluctuation in value with changes in market conditions. Diversification among investment options may help to minimize risk by reducing the extent to which you are affected by a decline in any one security or segment of the market. Diversification does not eliminate the risk associated with overall market trends.

Remember life insurance–Life insurance has long been viewed as a tax-advantaged, cost effective way for individuals to help protect their families against the consequences resulting from the death of a wage earner. However, even "stay-at-home moms" who do not earn an income need to consider insurance to cover the costs involved with child care and other services. Consult your financial services representative to find out how life insurance can help safeguard your family's financial future.

Check on estate planning–Federal estate taxes can erode your financial legacy. Add in potential state and local taxes and probate costs and your spouse and heirs may receive a lesser amount than you had intended. That's why it's important that, in addition to speaking with your financial services representative, you also craft an estate plan with the help of your attorney and/or accountant.

Talk To Your First Investors Financial Services Representative

The first step in taking charge of your financial affairs is to set up a meeting with your First Investors Financial Services Representative. Whether you're a new investor or an experienced veteran, your representative will work with you to develop a financial strategy to help you reach your long-term goals. If you already have a game plan, you'll want to review it periodically with your representative to ensure that it's still "on target" with your current needs and investment time horizon.

Neither First Investors nor its representatives offer tax, legal or estate planning services. Clients should contact their personal tax and legal advisers for any advice about tax-related investment decisions, estate planning or gifting.

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Financial Services With A Personal Touch

First Investors has been serving the needs of investors since 1930. Through the Great Depression, World War II, numerous recessions and bull and bear markets alike, we have remained committed to our mission—helping our clients reach their financial goals. Today, we offer a wide range of financial products and services, including mutual funds, annuities, and life insurance. We pride ourselves on delivering financial services with a "personal touch." Your First Investors Financial Services Representative is a licensed professional who will take the time to learn about your current financial situation and future goals in order to assist you with your financial needs.

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