

Why Estate Planning Is So Critical for Women

Some healthy reminders for advisors

By Gina M. Barry, Esq.

Key Takeaways

- Women over 65 are more than twice as likely as men of the same age to be unmarried.
- Divorce can be as emotionally devastating as the death of a partner and is often a source of financial devastation—the rate of divorce in middle age is rising.
- Although state laws largely determine property settlements, women should obtain advice from professionals who fully understand all available options for securing their support, including Social Security and pension benefit entitlements.

When it comes to estate planning, women face a unique set of challenges. Statistically, a married woman is likely to outlive her husband. The average age of a widow is 55 years old. Other women who never married or are divorced are facing retirement as single individuals. In fact, women who are age 65 or older are more than twice as likely as men of the same age to be unmarried.

Whether widowed, divorced or single, women have something in common—the need to develop their own financial savvy in order to maintain their independence as they age. It's also important for wealth advisors (regardless of their gender) to understand this.

Imagine the overwhelming anxiety that accompanies managing household finances for the first time after a spouse has passed away or after a divorce. A woman who is familiar with her finances will find it much easier to assume additional financial responsibilities should the need arise.

As a start, women should know the location of pertinent financial paperwork, including insurance policies, real estate deeds, mortgages, stock certificates, bonds, and brokerage account and annuity statements. Women should also take the steps necessary to understand the documents even if their spouses did not understand them fully.

Women who are employed often earn less than men, even when doing the same work. This inequity results in lower total compensation over a woman's lifetime and detrimentally affects the amount of Social Security and pension benefits she will receive upon retirement. Retirement benefits are often further reduced by the time women typically take off throughout their childbearing and child-rearing years.

Pay gap implications

In addition to having fewer resources due to pay inequity or time out of the workforce, the average widow's compensation from Social Security in 2016 is [only \\$1,285 per month](#).

Therefore, women should take full advantage of any company-sponsored retirement plans whenever available, and if they are not available, IRAs and other options must be considered and implemented. The goal is to start this planning as early in life as possible, but even older women can make contributions that will pay off when they need income later in life.

Similarly, divorce can be as emotionally devastating as the death of a partner and is often a source of financial devastation as well. The number of divorces in middle age has risen in recent years. Many older divorced women had long marriages before separating from their spouses. Many are displaced homemakers who have not participated in the workforce or continued their education since before having children. During a divorce, women must protect their financial security. Although state laws largely determine property settlements, women should obtain advice from professionals who fully understand all the available options for securing their support, including Social Security and pension benefit entitlements.

Estate plan starters

Another critical step to maintaining independence is establishing an estate plan. The act of drafting a will forces a woman to review her financial situation, which enhances her financial savvy. Further, establishing a Durable Power of Attorney and Health Care Proxy allows you to name someone who will make your financial and medical decisions if you are unable to make them for yourself. Creating an estate plan harnesses the power that you now have to control who will manage your affairs and benefit from your estate.

Women who balk at making financial decisions will encounter even more difficulty if they must face life alone. Without proper planning, divorce, remaining single or the death of a spouse can financially devastate a woman. The ticket to independence is proper planning and education. Women must understand their finances and have a strategy in place that will maintain their style of living—even if they are unmarried. Retirement and estate planning are critical steps to be taken to ensure this independence.

About the Author

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