Women and wealth: A planning workbook
Connect your money, your story, your life
Women have emerged as an economic powerhouse—earning, controlling and inheriting more wealth than ever before. Research shows women in the United States now control 52% of wealth, which is expected to continue to grow to an estimated two-thirds by 2030. With this wealth comes more financial responsibility and complexity, often intertwined with juggling careers, caregiving and life’s transitions.

This workbook is a practical guide to help you think comprehensively about your financial health and identify actionable steps you can take to build more confidence in your plans for tomorrow. In these pages, you’ll find strategies designed to help you grow, manage and protect your wealth. We’ve also included several practical worksheets you can use to create your own financial story:

5 Worksheet 1: What is your personal money story?
9 Worksheet 2: Understand your starting point
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15 Worksheet 4: Estimate retirement expenses
25 Worksheet 5: Your heartfelt legacy

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Women reach new heights

Whether by choice or by circumstance, women are increasingly in roles where they must be responsible for their long-term financial security. In fact, the vast majority of women will be in charge of their family finances at some point in their lives by choosing to remain single, experiencing divorce or simply living longer than men.

Women face unique challenges that underscore the need for financial planning.

- Women have a longer average lifespan and may need to plan for longer retirements and greater health care expenses.
- While women have high expectations for their careers and financial lives, a lack of financial confidence can undermine their financial plan.
- When it comes to managing investments, only 52% of women say they are confident compared to 68% of men—even when they post the same financial literacy scores.¹
- Women recognize the need for more financial help, yet often fail to make it a priority in their busy lives.

Financial security begins with a plan.

A financial advisor you trust, and a plan that you create together, can help you accomplish your financial priorities—and move toward your vision of the future with confidence.

Ensuring the financial empowerment of women

Whether they’re building a career, working inside the home, partnered, married, divorced, widowed or solo, it’s important for women to take an active role in their financial lives.

At RBC Wealth Management, we are committed to delivering insights that educate, equip and engage you on your financial journey.
Know your money mindset

Money plays into all aspects of a person’s life. It is woven into the fabric of your relationships, dreams, fears, successes, failures and struggles. How you feel about money is shaped by your personal experiences and by those who have influenced you in life: parents, grandparents, spouse, friends, teachers and more.

Money vigilance
People with this trait embrace frugality, are committed to saving and are discreet about how much they have or make.

Money status
These individuals believe that owning the newest and best things confers status.

Money reverence
These individuals are convinced that more money will solve all of their problems and that money brings power and happiness.

Money avoidance
People with this trait believe that money is bad, that wealthy people are greedy and that they don’t deserve money.

Money vigilance
People with this trait embrace frugality, are committed to saving and are discreet about how much they have or make.

Identify your money script
According to financial psychologist Dr. Brad Klontz, we develop one of four main “money scripts,” or money personalities that drive financial behavior throughout our lives.

Which money script do you most identify with?

Create your own money mantra
A money mantra is a personal motto you can repeat over and over again to help create new, healthier money scripts. It’s a powerful way to remind yourself to make better financial choices at every opportunity.
What is your personal money story?

Think through your history, influences and experiences that have formed your personal relationship with money.

My influences
Who has been most influential in your financial journey and why?

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

My memories
What are some of your earliest memories of money?

Positive:

______________________________________________________________

______________________________________________________________

______________________________________________________________

Negative:

______________________________________________________________

______________________________________________________________

______________________________________________________________

My scripts
What are some of your conscious and unconscious beliefs about money? How would you change them?

Today:

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

Tomorrow:

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________
Special considerations

While women are rewriting their stories in their 30s, 40s, 50s and beyond, they face unique financial circumstances that require special consideration in the financial planning process.

Women take on a multitude of roles over their lifetime. Women are leading Fortune 500 companies, winning top political posts, owning successful businesses and enjoying more career choices than ever before. At the same time, many women find their role at home equally demanding as they take on parenting, caretaking and volunteering while juggling household responsibilities.

Understanding the demands on your time and the financial implications of life’s transitions will help you focus on what is most important and better prepare you for the unexpected.

What roles do you play? Check all the boxes on these pages that apply to your situation.

- **Breadwinner**
  Women are more educated, earning more and increasingly are the sole or primary breadwinner. Also, the amount of women who earn more than their husbands continues to grow. As your career and earnings grow, maintaining a healthy life-wealth balance is important.

- **Partner/spouse**
  Women are waiting longer to get married, accumulating their own wealth and developing financial independence. As financial households tie the knot, it is important to discuss how your wealth will be integrated and managed and how financial decisions will be made. Subsequent marriages and the blending of families come with additional complexity.

- **Blended families**
  Blended families represent the largest number of nontraditional households. Along with children, remarried spouses typically bring financial responsibilities from past relationships. Learning how to manage multiple financial responsibilities from previous relationships is the key to family harmony.

- **Same-sex households**
  Marriage equality has simplified finances, giving same-sex couples the ability to file joint tax returns, list partners on health insurance and ensure a spouse’s interests are protected in the event of death. But many laws affecting same-sex couples are state-specific, so when it comes to finances, it’s wise to work with professionals who specialize in estate planning for same-sex couples.

Changing demographics have reshaped the American family. Today, the majority of households fall into the nontraditional category and have a unique set of circumstances that require tailored advice.
Caregiving is a selfless act that takes a mental, physical and emotional toll. The majority of caregivers are women, and on average they spend $7,000 annually in out-of-pocket expenses in addition to having to take time off from their jobs to care for a family member.3

□ Caregiver
Women still take on the majority of the family caregiving, which often extends into caring for aging parents while still supporting young adult children. That further impacts a woman’s career and finances.

□ Parent
Kids are expensive and time-consuming. On average, you can expect to spend nearly $250,000 on raising a child through age 17, and that does not include the escalating cost of college. Stay-at-home moms are especially impacted. Raising children continues to contribute to career gaps for women that can result in lower retirement saving and Social Security benefits.

□ Business owner
Women are enjoying great success as entrepreneurs and business owners. Along with the allure of independence and flexibility comes additional financial complexity. Thinking through the role that your business plays in achieving your lifestyle and long-term goals is an important step.

□ Household executive
While household executive power has balanced out some, studies show that working women continue to perform the majority of household and child care responsibilities. Busy couples tend to divide and conquer, with financial responsibilities often divided or relinquished to one spouse. It is important to be an active participant in your financial life.

• MULTIGENERATIONAL FAMILIES
More generations are living together in the same household than ever before. Multigenerational planning brings its own challenges. Multigenerational families’ needs are vast and varied, but to avoid conflict over who pays for what, it’s essential for households with multiple adult generations to talk frankly about shared financial responsibilities and to communicate openly about money.

• DIVORCED
Overall divorce rates are down, but gray divorce (age 50+) is at an all-time high, according to multiple studies. Navigating the emotional and financial implications of divorce is challenging at best, with additional complexity as you age and your wealth grows.

• WIDOWED
Women statistically live longer and are much more likely to be widowed; age 59 is the median age of when a woman loses her spouse.4 Having a financial plan in place can provide peace of mind during a difficult time.
Life planning

Reaching your destination requires a comprehensive approach to your financial life. It is important to be proactive about your long-term wellbeing, no matter your age or wealth.

At RBC Wealth Management, we believe financial wellness requires a wealth plan that always addresses each of these key financial pillars:

<table>
<thead>
<tr>
<th><strong>Accumulate and grow your wealth</strong></th>
<th>From having an emergency fund to developing various ways to save for the future, it’s important to focus on achieving long-term wealth. As you step through life’s stages, there will be opportunities to accelerate wealth building through events such as home ownership, inheritance, liquidation events and income spikes.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund your lifestyle today and tomorrow</strong></td>
<td>How you think about spending needs today versus in the future plays into lifestyle choices. Planning ahead to ensure your essential needs are covered is a top priority. This requires a view into the future and an understanding of the impact of the market, inflation, taxes, interest rates and other risks that might impact your plan, and how the impact changes as you age.</td>
</tr>
<tr>
<td><strong>Protect what is important to you</strong></td>
<td>Protecting your family and your wealth during your working years is foundational to sustaining wealth. As you age and your wealth grows, it is important to revisit the purpose and amount of coverage for your protection strategies, as well as explore other important considerations, including protecting your wealth for the next generation.</td>
</tr>
<tr>
<td><strong>Create a lasting legacy</strong></td>
<td>Tackling estate essentials is an important step that everyone should prioritize, regardless of age or wealth. Establishing key estate documents, including a current health care directive, will, and power of attorney, are important first steps. Ensuring your assets are properly titled and beneficiary designations are current are a vital part of any basic estate plan.</td>
</tr>
</tbody>
</table>

Your focus in this workbook will depend on your life stage. We address these life stages as:

- Working toward tomorrow
- Approaching retirement
- Thriving in your encore years

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Understand your starting point

As you start to plan, begin with your expectations for your future, layer in your concerns and then prioritize your goals.

<table>
<thead>
<tr>
<th>My expectations</th>
<th>My goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>What expectations do you have for your future as you visualize it today?</td>
<td>Goals can be categorized as needs, wants and wishes.</td>
</tr>
<tr>
<td>□ Active lifestyle</td>
<td>□ Work by choice</td>
</tr>
<tr>
<td>□ Quiet lifestyle</td>
<td>□ Time to travel</td>
</tr>
<tr>
<td>□ Opportunity to help others</td>
<td>□ Caregiving</td>
</tr>
<tr>
<td>□ Financial freedom</td>
<td>□ Retirement</td>
</tr>
<tr>
<td>□ Second career</td>
<td>□ ____________________</td>
</tr>
<tr>
<td>□ ____________________</td>
<td>□ ____________________</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>My concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>What concerns do you have as you think about your future plans?</td>
</tr>
<tr>
<td>□ Not having a paycheck</td>
</tr>
<tr>
<td>□ Running out of money</td>
</tr>
<tr>
<td>□ Suffering investment losses</td>
</tr>
<tr>
<td>□ Health care or long-term care costs</td>
</tr>
<tr>
<td>□ ____________________</td>
</tr>
</tbody>
</table>

*Be specific about your expectations, concerns and goals. Also, you may wish to add dates to your goals.*
Establishing your spending plan

Do you wonder where your money goes each month? Does it seem like you’re never able to get ahead? If so, you may want to establish a spending plan to track how you spend your money—and to help you reach your financial goals.

1. Examine your financial goals

Before you create a spending plan, examine your financial goals on the previous page. Start by making a list of your short-term goals (new car or a vacation) and your long-term goals (saving for your child’s college education or retirement). Next, ask yourself: How important is it for me to achieve this goal? How much will I need to save? Armed with a clear picture of your goals, you can work toward establishing a spending plan that can help you reach them.

2. Identify your current monthly income and expenses

First, add up all of your income. In addition to your salary and wages, include any other source of income, such as dividends, interest or child support. Next, add up your expenses. To see where you have a choice in your spending, it helps to divide them into two categories: fixed expenses, including housing, food, clothing, taxes and transportation, and discretionary expenses, such as entertainment, vacations and hobbies. To make sure that you’re not forgetting about any out-of-pattern expenses, look through your canceled checks, credit card bills and other receipts from the past year.

3. Evaluate your spending plan

Once you’ve added up all of your income and expenses, compare the two totals. If you spend less than you earn, you’re on the right track. But if you find yourself spending more than you earn, you’ll need to make some adjustments. Review your expenses and cut down on discretionary spending. With determination and self-discipline, you’ll eventually find the right balance between spending and saving.

4. Monitor your plan

You’ll need to monitor your budget periodically and make changes when necessary. You needn’t track every penny that you spend; the less record keeping you have to do, the easier it will be to stick to your budget.
Create your 50/30/20 spending plan

A strategy to help you plan for must-haves, wants, and savings or emergency funds.

<table>
<thead>
<tr>
<th>Start</th>
<th>50%</th>
<th>30%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your total monthly income after taxes, deductions and contributions to your retirement and health savings plans</td>
<td>Amount you should spend on must-haves (monthly income x .5)</td>
<td>Amount you should spend on wants (monthly income x .3)</td>
<td>Amount you have left to devote to savings/debt (monthly income x .2)</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

To get started, simply add up your total household income, including:

- Your income (after taxes)
- Your spouse or partner’s income (after taxes)
- Any other sources of income, like child support or alimony

The biggest piece—the 50% piece—goes toward all of your basic necessities. This is must-have stuff, including:

- Rent/mortgage payments/utilities
- Insurance
- Transportation expenses
- Groceries
- Child care/tuition
- Internet and mobile
- Minimum credit card payment(s)
- Student loan payment(s)
- Car payment(s)
- Taxes

The 30% piece goes toward all the extras—“wants” that are nice, but not essential:

- Cable TV
- Vacations
- Dining out
- Non-essential clothing purchases
- Hobbies
- Magazines
- Music and movie subscriptions
- Gym memberships

The 20% that’s left over goes to you in your savings account or emergency fund. You can also use it to make an extra payment on a credit card or student loan or to:

- Add money to an emergency fund
- Increase your retirement savings
- Make extra payments on must-have items
- Save for a major purchase or adventure

To get started, simply add up your total household income, including:

- Your income (after taxes)
- Your spouse or partner’s income (after taxes)
- Any other sources of income, like child support or alimony
Know your score

Your credit score is one of the most important aspects of your financial life. Good credit scores can unlock many savings and benefits, including access to loans and credit cards with the most favorable terms.

Understand how your credit score is determined

Your credit score reflects your payment history on loans and credit cards, how much revolving credit you regularly use, how long you’ve had accounts open, the types of accounts you have and how often you apply for new credit.

Most credit scores fall between 600 and 750; scores above 800 are considered excellent. And while the major credit agencies each report information differently, all reports contain your Social Security number, date of birth and employment information.

Payment history
Have you paid your bills on time? And if not, how late were you, when were you late and how often?

Amount owed
How much do you owe on each account, and how much of your credit limit have you used?

Types of credit
What kind of debts do you have?

New credit
How many credit requests have you made and how many reports have been pulled on you?

Credit history
How long have you had each account?

Take Action

- Do you always pay your bills on time? Not just credit card bills but all loans, rent, utilities, etc?

- Do you apply for and open new credit accounts only as needed? Unnecessary credit can harm your credit score, from creating too many inquiries on your credit report to tempting you to overspend.

- Do you know your credit score? Request a copy of your credit report and dispute any errors on it—even the small ones.

Rock-solid pieces of financial advice that everyone should strive to follow:

Save money for an emergency fund. Pay down your debt. Don’t spend more than you can afford. And strive to keep your credit scores as high as possible.

Keep in mind that loans can actually help you build wealth through events like purchasing a home (and benefiting from rising property values) or starting a business.
Strategic saving

Saving and investing for long-term goals like retirement may seem daunting. Yet by taking a systematic approach and following several best practices, your retirement savings can grow strategically over time.

Use the power of compound interest

It’s important to start saving early, since compound interest can make a dramatic difference over time. Compound interest is not only calculated on the initial principal of your retirement savings account, but also on the accumulated interest of prior periods.

In this illustration, the early investor will reach a balance of $1 million by age 65 while the late investor will retire with approximately $840,000.*

<table>
<thead>
<tr>
<th>Amount contributed</th>
<th>Balance at age 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150,000</td>
<td>$1,058,912</td>
</tr>
</tbody>
</table>

You save from age 25 to 40

<table>
<thead>
<tr>
<th>Amount contributed</th>
<th>Balance at age 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000</td>
<td>$838,019</td>
</tr>
</tbody>
</table>

Your friend saves from age 35 to 65

Take Action

- **Do you know your retirement numbers?**
  Take time to set a goal and monitor your progress.

- **Have you started to save for retirement?**
  Look at maxing out your employer retirement plans and take advantage of your employer’s 401(k) matching contributions.

- **Are you age 50 or older?**
  If you are over age 50, you can take advantage of catch-up contributions in your tax-advantaged accounts, such as your 401(k), IRAs and Health Savings Account, to boost your savings.

- **Are your assets diversified?**
  Asset allocation—the way you divide your portfolio among asset classes—is the first thing you should consider when getting ready to purchase investments, because it has the biggest effect on the way your portfolio will act.

- **Have you considered the benefits of a Roth IRA or 401(k)?**
  Traditional IRA contributions are tax-deductible for the year you make the contribution, with withdrawals in retirement taxed at ordinary income tax rates. In contrast, a Roth IRA provides no tax break for contributions, but earnings and withdrawals are tax-free.

*A $10,000 annual investment made by a 25-year-old for 15 years versus a $10,000 annual investment made by a 35-year-old for 30 years. This hypothetical illustration assumes an annual 6% return.
Milestone saving

The age you plan to retire will have a big impact on the amount you need to save, and your milestones along the way. Don’t be discouraged if you aren’t at your nearest milestone—there are ways to catch up through planning and saving. The key is to take action, and the earlier the better.

Save “x” your starting salary

The following age-based savings factors can help you plan, and save enough to maintain your lifestyle in retirement. To help you stay on track, we suggest these age-based milestones: Aim to have at least 1x your annual income saved by age 30, 3x by 40, 6x by 50, and 8x by 60.

The rule of 72: The power of compound interest

The rule of 72 is a simple equation to determine approximately how long it will take for an investment to double in value given a fixed interest rate. Just divide 72 by your interest rate.

For example: If you invest money at a 10% return, you will double your money every 7.2 years.

72 ÷ 10 = 7.2 years

Try this equation using your investment’s interest rate. Note that this equation also works for inflation.
Estimate retirement expenses

Calculate the total savings you may need to cover your expenses in retirement.

**Estimate how much you may need to save:**

A. Enter your current annual household income in Box A.

B. Review Table 1 and select the number of years until your retirement. Next, select the percentage you estimate that your annual income will increase and find the factor associated with these two numbers. **Multiply Box A by this factor** and write your answer in Box B.

C. Typically, retirees spend 70 – 80% of pre-retirement income to maintain their standard of living. **Multiply Box B by 0.75** and write the answer in Box C.

D. Review Table 2 and select how many years you anticipate living in retirement. Next, choose the percentage that best reflects your anticipated return on investments during retirement. **Multiply this factor by Box C** and write the answer in Box D.

E. Typically, Social Security benefits fund 30 – 40% of retirement income. The other 60 – 70% of income will need to come from retirement savings. **Multiply Box D by 0.60** and write the answer in Box E.

**Possible calculations:**

**A.**

Your projected annual salary just prior to retirement. See Table 1.

($100,000 \times 2.67 = $267,000)

**B.**

Estimated income you will need annually during your retirement to maintain your current standard of living.

($267,000 \times 0.75 = $200,250)

**C.**

Estimated total amount you will need to fund your retirement. See Table 1.

($200,250 \times 10.6748 = $2,137,629)

**D.**

Estimated total amount you may need to fund your retirement income (does not include Social Security benefit).

($2,137,629 \times 0.60 = $1,282,577)

**E.**

(As an example: $100,000)

**Table 1**

<table>
<thead>
<tr>
<th>Anticipated increase in income, annually</th>
<th>2%</th>
<th>4%</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years</td>
<td>1.11</td>
<td>1.22</td>
<td>1.34</td>
</tr>
<tr>
<td>10 years</td>
<td>1.22</td>
<td>1.48</td>
<td>1.79</td>
</tr>
<tr>
<td>15 years</td>
<td>1.35</td>
<td>1.80</td>
<td>2.40</td>
</tr>
<tr>
<td>20 years</td>
<td>1.49</td>
<td>2.19</td>
<td>3.21</td>
</tr>
<tr>
<td>25 years</td>
<td>1.64</td>
<td>2.67</td>
<td>4.29</td>
</tr>
<tr>
<td>30 years</td>
<td>1.81</td>
<td>3.24</td>
<td>5.74</td>
</tr>
<tr>
<td>35 years</td>
<td>2.00</td>
<td>3.95</td>
<td>7.69</td>
</tr>
<tr>
<td>40 years</td>
<td>2.21</td>
<td>4.80</td>
<td>10.29</td>
</tr>
<tr>
<td>45 years</td>
<td>2.44</td>
<td>5.84</td>
<td>13.77</td>
</tr>
</tbody>
</table>

**Table 2**

<table>
<thead>
<tr>
<th>Anticipated return on investments during retirement</th>
<th>6%</th>
<th>8%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 years</td>
<td>7.3601</td>
<td>6.7101</td>
<td>6.1446</td>
</tr>
<tr>
<td>20 years</td>
<td>11.4699</td>
<td>9.8181</td>
<td>8.5136</td>
</tr>
<tr>
<td>25 years</td>
<td>12.7834</td>
<td>10.6748</td>
<td>9.0770</td>
</tr>
<tr>
<td>30 years</td>
<td>13.7648</td>
<td>11.2578</td>
<td>9.4269</td>
</tr>
</tbody>
</table>

Experts say that a man who is 65 years old today has a life expectancy of 18 years, while a woman of the same age can expect to live about 20 more years. These averages are expected to increase.

The Department of Labor assumes an income growth rate of 3.80% as of 2013. To base your growth factor on approximately this rate, choose a factor in the 4% column.

*You may want to calculate your total using different assumptions and compare the results.
Managing the risk in your plan

Over the long haul, stocks historically provide attractive wealth-building opportunities. But in the short term, stocks can be volatile, causing some investors to make emotional decisions that undermine their investment strategy. That’s why it’s important to have a financial plan that can guide you through gyrations and keep you focused on your long-term goals.

Life comes with risk

While markets can rise and dip, you may help weather market volatility through a diversified portfolio and by taking a long-term view. The following graph represents the growth of a hypothetical $100,000 investment in the S&P index over the last 20+ years (1995–2018).

Source: BlackRock; Informa Investment Solutions 2016
Planning for the unexpected

What if something happened to you or your partner? What impact would that have on your financial well-being? Life insurance is foundational to financial health and well-being. Your ability to contribute to your financial goals and protect your family is vital. It is important to have a protection strategy that is appropriate for today and flexible enough to change over time.

Take Action

- **Do you have insights into your life expectancy?** Use your health history, including your gender, family and lifestyle, to inform projected life expectancy.

- **Does anyone rely on your income for their financial wellbeing?** If you answered yes, you probably need life insurance. If you’re a business owner, life insurance can sustain your business should something happen to you or a business partner.

- **Have you considered the needs of your spouse, partner, children and other dependents?** Model multiple scenarios, and include a survivor plan that addresses the needs of all dependents.

- **Could you pay the bills if you’re out of work?** Disability insurance can help support your current standard of living if you’re out of work due to a health issue.

Life moves through stages

As you move through life, it’s important to have a protection strategy that reflects your current situation, yet is flexible enough to change over time.

- **Entering the workforce**
  - When you’re starting out, life insurance can keep your loved ones from having to tackle large financial issues when they may be least equipped to do so.

- **Career and family**
  - Near the homestretch, life insurance can safeguard any remaining mortgage on your home, provide income to assist parents or in-laws, finance health care costs or arrange for ongoing care for special needs situations.

- **Caring for family, aging parents**

- **Retirement and legacy**
  - Retirement is a time to be rewarded for your planning and hard work. Protection solutions can provide for ongoing cash flow retirement needs, pay off any remaining debts and leave a legacy.

Four types of coverage everyone should consider, in addition to life insurance:

- **Health:** Young and healthy people should consider high deductible plans and a Health Savings Account.

- **Property and casualty:** Covers your car, home and belongings. Umbrella insurance is important as your wealth grows.

- **Disability:** Replaces your income if you are disabled or can no longer work at your job.

- **Long-term care:** Helps cover the cost of care if you have a chronic medical condition or a disorder like Alzheimer’s disease.
Americans are living longer, healthier lives. That’s great news. Then again, you may need to fund up to 30 years in retirement. One of the more important projections for your plan is the length of your retirement. While this requires an estimate, it is important to quantify a realistic number.

The longevity bonus

Americans are living longer, healthier lives. That’s great news. Then again, you may need to fund up to 30 years in retirement. One of the more important projections for your plan is the length of your retirement. While this requires an estimate, it is important to quantify a realistic number.

Women make up 70% of nursing home residents. Women are 80% more likely to be impoverished after age 65.

Women live 5 years longer than men on average.

Women are 80% more likely to be impoverished after age 65.

Plan for long life

Several gender-related factors that are unique to women will impact not only the length of your retirement, but also the need to plan individually for your care in later years. On average, a woman is younger than her male spouse, adding to the life expectancy gap for couples and extending their joint longevity for 5+ years.

Life expectancy in America has increased steadily over the past several years. For example, for a 65-year-old couple there’s a 50% chance that one of them will live to age 94.

Gender differences

Because end-of-life care is expensive and women are typically the survivor, increased longevity has a disproportionate impact on them. Due to this “survivor factor,” not only are they more likely to experience a long-term care event, but the length of stay is typically longer, adding to the overall cost of care. According to the Alzheimer’s Association, women are also at increased risk of dementia and Alzheimer’s requiring memory care, which further contributes to this increased cost.
Spending patterns in retirement

Meeting your financial needs in retirement starts with envisioning your goals and projecting related expenses. Understanding how your expenses change over time is important to long-term planning.

Take Action

☐ Have you calculated your monthly expenses? Keep track of your expenses and assess what that means over one year.

☐ Do you have a back-up plan? A line of credit can provide flexibility in your spending needs.

☐ Are you still living in the home where you raised your kids? Consider whether the costs to maintain your home—and property taxes—are worth it.

☐ Are you still supporting your adult children? It may be wise to stop paying their bills once you are retired.

Projected retirement spending by category

Balancing the many moving parts of living expenses over 30-odd years requires ongoing short- and long-term planning. The chart below is a projection of age-banded nominal retirement spending by category.9

Notes:

Michael Kitces. Adapted from “What is age banding and what does it mean for retirees?” by W. Pfau, 2016, August, Forbes
Strategic income planning

A major consideration for your future is the eventual end of a regular paycheck. Funding your lifestyle in retirement will likely require you to manage income from multiple sources—with many factors and trade-offs that need to be considered.

Your retirement paycheck

As concerning as it might be to discover a retirement income gap, knowing it’s there is the first step in closing it—usually by increasing your income and assets, reducing retirement spending, or both.

You will likely need 70–80% of the annual income you made just prior to your retirement to meet your needs annually.

Take Action

☐ Have you developed an income plan? Create a plan for drawing income from your savings so it can last throughout your retirement.

☐ Have you considered a Roth conversion? Converting from a traditional IRA to a Roth IRA may help you save on taxes over time and provide more flexibility in retirement planning.

☐ Do you invest with an eye on inflation? One way to make sure your nest egg keeps up with the cost of living is to remain invested in stocks. That can make for a bumpy ride over the short term, but over the long haul stocks’ upward trend makes them a hedge against inflation.

☐ Are you aware that delaying Social Security benefits translates into higher benefits? For every year you wait to take Social Security beyond your full retirement age until age 70, your benefit increases by 8%.

Notes:
Social Security strategy

Social Security retirement benefits represent a major source of a retiree’s income. Making the most of the program requires taking care to maximize the benefit in a tax-efficient manner.

If you are healthy and have adequate savings and investments, your best strategy may be to wait as long as possible before claiming Social Security. You receive an 8% credit for each year past full retirement age (FRA) that you delay claiming benefits.

Social Security is especially important for women, because women tend to earn less than men, take time out from work to raise kids or care for a parent, live longer and accumulate less savings.

The good news is that women benefit from Social Security’s inflation-protected benefits (because they tend to live longer than men), its progressive formula for computing benefits (because they tend to have lower earnings), and its benefits for spouses and survivors.

How does working in retirement affect benefits?

It depends on your full retirement age (FRA) and earnings. At right is an example of the earnings limits for the year 2020:

<table>
<thead>
<tr>
<th>Age at which you claim benefits</th>
<th>Total benefits delayed by waiting beyond 62</th>
<th>Increase in annual income due to delaying benefits claim</th>
<th>Years to maximizing your benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 62</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>63</td>
<td>$12,600</td>
<td>$900</td>
<td>14</td>
</tr>
<tr>
<td>64</td>
<td>$25,200</td>
<td>$1,800</td>
<td>14</td>
</tr>
<tr>
<td>65</td>
<td>$37,800</td>
<td>$3,000</td>
<td>12.6</td>
</tr>
<tr>
<td>66</td>
<td>$50,400</td>
<td>$4,200</td>
<td>12</td>
</tr>
<tr>
<td>67</td>
<td>$63,000</td>
<td>$5,400</td>
<td>11.7</td>
</tr>
<tr>
<td>68</td>
<td>$75,600</td>
<td>$6,840</td>
<td>11.1</td>
</tr>
<tr>
<td>69</td>
<td>$88,200</td>
<td>$8,280</td>
<td>10.7</td>
</tr>
<tr>
<td>70</td>
<td>$100,800</td>
<td>$9,740</td>
<td>10.3</td>
</tr>
</tbody>
</table>

If you are under your FRA for the entire year: Benefits withheld: $1 for every $2 over the limit

If you reach your FRA, the limit for the months prior: Benefits withheld: $1 for every $3 over the limit

Once you reach your FRA: Benefits withheld: None

Take Action

Do you have a plan for claiming Social Security? Work through multiple scenarios with your financial advisor prior to claiming Social Security.

Do you know what impacts your benefits? The two most important factors are earned income and claiming age.

Do you qualify for a spousal benefit? This is relevant if you are divorced, have a survivor benefit or are widowed.
Health care in retirement

Increased longevity and rising costs have combined to make funding health care a major concern for most Americans.

**Exponential expense growth**

The rise in the cost of care as you age is pronounced at each stage along the way. This can be discouraging for those in the middle of their working life, as expense projections compound into some truly daunting numbers.

Average annual spending on health care for a healthy couple increases dramatically with age.10

$13K Ages 65–74

$24K Ages 75–84

$39K Ages 85+

$404,253 Projected lifetime cost of care for a healthy 65-year-old couple11

**Take Action**

☐ Do you know your Medicare options?
Identify your options and gaps within Medicare and the impact those may have.

☐ Do you know how different sources of income impact your benefits?
Multiple sources of income may impact your benefits differently.

☐ Have you factored health care expenses into your plan? Health care is the second largest expense in retirement.

☐ Are you making the most of your Health Savings Account? By contributing the maximum annual amount, and investing the balance, you can accumulate a significant tax-free reserve to fund future health care costs.

Notes:
Planning for the cost of care

Despite the many unknowns about potential care needs in the future, the proactive choices that you make today can protect your health and wealth.

As women are often the caregivers for their male spouse and then widowed prior to their own decline, it is important to address specific care preferences and to include these costs in your health care planning. Having been caregivers, women are also more sensitive to becoming a burden to their family in late-stage life.

The real cost of care

Dementia is the most expensive disease in the United States because patients need constant care and supervision. It can also lead to financial missteps—and make people with dementia targets of fraud and abuse.

Take Action

☐ Do you have a plan for long-term care funding? Work with your financial advisor to identify all income sources, benefits, disability payments, etc.

☐ Do you have a survivor plan? Women will likely need a plan that survives their spouse and considers their health care preferences.

☐ Does your long-term care plan cover the costs associated with diminished capacity? According to the Alzheimer’s Association, 45% of Americans age 85 and older suffer from Alzheimer’s disease.

Notes:
Legacy

Formalizing your legacy plan can help ensure you achieve the impact you desire and better meet the needs of your family and the causes you support, while giving in a tax-efficient manner.

Create a lasting legacy

- Establish key estate documents, including a current healthcare directive, will and power of attorney
- Ensure your assets are properly titled and beneficiary designations are current
- Consider survivor planning, estate and gift tax planning, trust structures and trustee services

Notes:

- [ ] Take Action
  - Have you started investing in your legacy? Be proactive and invest early to ensure your lasting legacy.
  - Do you have a value system, purpose and desired impact for your wealth? Discussing this with your family and advisor will help keep your legacy plan on track.
  - Have you put your legacy goals in your wealth plan? Use your wealth plan to memorialize your legacy goals and wishes.
  - Do you know how taxes can impact your legacy plan? There may be tax consequences or benefits to various gifting strategies.
Your heartfelt legacy

Your legacy is one of your most important assets. Taking a values-based approach helps ensure that you achieve the impact you desire.

Money, gifts, intellectual capital, your values, and more can all be considerations for your giving plan.

1. My values
   What core values are important to you?
   
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

2. My gifts
   What is your ideal giving plan? How do you expect this to change over time?
   
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

3. My legacy
   What values do you hope to leave to the next generation?
   
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

4. My impact
   What impact do you want your legacy to have?
   
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
Thriving in every life stage: Use this checklist as a starting point to begin planning.

<table>
<thead>
<tr>
<th>KEY FINANCIAL PILLARS</th>
<th>WORKING TOWARD TOMORROW</th>
<th>APPROACHING RETIREMENT</th>
<th>THRIVING IN YOUR ENCORE YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accumulate and grow your wealth</strong></td>
<td>Begin with the end in mind; define your goals, plan, save and invest with regular reviews</td>
<td>Align investments, track and rebalance regularly to help offset the impact of inflation</td>
<td>Understand the probable outcome of your comprehensive RBC WealthPlan; review annually</td>
</tr>
<tr>
<td></td>
<td>Have an emergency fund of at least six months of expenses in liquid investments</td>
<td>Increase your savings rate and take advantage of catch-up contributions at age 50+</td>
<td>Consider consolidating accounts with one financial provider to simplify your financial life</td>
</tr>
<tr>
<td></td>
<td>Save strategically by taking advantage of employer-sponsored retirement plans; max out your contributions and receive the employer match</td>
<td>Optimize your tax-deferred savings with other investments for better after-tax returns today and in the future</td>
<td>Use the bucket strategy to restructure your assets into portfolios to meet your near-, intermediate- and long-term needs</td>
</tr>
<tr>
<td></td>
<td>Leverage a Roth IRA or Roth 401(k) in your early career years</td>
<td>Use a Roth conversion to build flexibility and tax diversification into your plan</td>
<td></td>
</tr>
<tr>
<td><strong>Fund your lifestyle today and tomorrow</strong></td>
<td>Monitor spending levels with a set budget and eliminate unproductive debt</td>
<td>Create a plan for your retirement paycheck and determine when to start Social Security</td>
<td>Manage your spending to ensure that you can cover your needs, goals and priorities</td>
</tr>
<tr>
<td></td>
<td>Take advantage of an HSA and consider deferring the use of those dollars to fund your health-care expenses in retirement</td>
<td>Understand the impact taxes will have on your retirement paycheck</td>
<td>Plan ahead for Required Minimum Distributions starting at age 72, as well as any related taxes or increases in Medicare</td>
</tr>
<tr>
<td></td>
<td>Model expected retirement expenses into your RBC WealthPlan, factoring inflation and expected lifestyle changes</td>
<td>Consider the benefits of an annuity to better manage income and longevity risk</td>
<td>Create your retirement paycheck in a tax-efficient manner and revisit your paycheck strategy annually</td>
</tr>
<tr>
<td><strong>Protect what is important to you</strong></td>
<td>Evaluate your options for health, disability and life insurance coverage</td>
<td>Have a plan for supplementing Medicare with a Medigap plan, plus coverage for dental and vision care</td>
<td>Enroll promptly in Medicare at age 65 and claim Social Security by age 70</td>
</tr>
<tr>
<td></td>
<td>As your income, wealth and family grow, ensure you have adequate life insurance to cover your liabilities and provide for your loved ones</td>
<td>Consider the impact that a long-term care event could have on your plan and evaluate your need for long-term care coverage</td>
<td>Avoid selling assets in down markets by using a credit strategy or insurance cash value to supplement income</td>
</tr>
<tr>
<td></td>
<td>Ensure you have adequate property and casualty insurance; as your estate grows, you may need umbrella insurance</td>
<td>Use credit strategically to manage the impact of the unexpected; establish a credit line before you retire</td>
<td>Discuss your care and caregiving wishes with your family; have a plan for funding your care needs</td>
</tr>
<tr>
<td></td>
<td>Re-evaluate your life insurance needs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Create a lasting legacy</strong></td>
<td>Take care of your estate essentials by establishing a revocable trust, will, health care directive and power of attorney</td>
<td>Revisit estate-planning documents, asset titling and beneficiary designations to ensure intended outcomes</td>
<td>Make sure your estate plan is aligned with your wishes and updated to reflect changes in your family</td>
</tr>
<tr>
<td></td>
<td>Ensure your assets are properly titled and beneficiary designations are current</td>
<td>Consider the benefits of various trust structures to protect your assets, transfer your wealth and facilitate your estate settlement</td>
<td>Understand gift and estate tax thresholds and take advantage of wealth transfer exclusions and deductions</td>
</tr>
<tr>
<td></td>
<td>Think about a gifting plan that is impactful and aligned to your values</td>
<td>Couples should have a plan that considers different scenarios for survivorship; include housing and care needs</td>
<td>Consider various gifting strategies, including the benefits of a Donor Advised Fund and Qualified Charitable Distribution</td>
</tr>
</tbody>
</table>
Your next chapter

Every successful journey begins with a starting point, a destination and a plan to get there safely.

A goals-based wealth plan is uniquely suited to help you navigate your financial life. Created thoughtfully and managed over time, an RBC WealthPlan enables you to set a course, define milestones, track successes and redirect as your circumstances change.

A wealth plan can help you:

• Document and prioritize your goals
• Stress-test your goals with scenarios
• Establish proper asset allocation to diversify and minimize investment risk
• Understand outcomes, avoid unnecessary risks, rebalance and chart your progress
• Answer retirement questions with confidence
• Strategically manage your cash flows
• Protect what is important to you and leave a lasting legacy
About Wealth Insights

Your financial journey is informed by both a clear understanding of where you are today and the strategic options that can fuel your tomorrows.

At RBC Wealth Management, we are committed to delivering insights that educate, equip and engage you for that journey.

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