Essentials of Excellence®

10 things a woman should know about her finances

Today's woman needs a financial plan to call her own. That's because her investment strategies often need to be different from a man's. A longer life span, a lifestyle that generally takes her in and out of the work force more often, and lower lifetime earnings are just a few of the reasons. Here's what you need to know.

1. Put money in your name

Every woman needs a pot of money to call her own. Make sure you maintain an individual credit history. This means that in addition to joint financial accounts you may have, you should consider keeping some financial accounts in your name only.

2. Confront your fears

Is your money controlling you, or are you controlling it? Are your ideas about money and money management keeping you from becoming financially secure? As more women become wealthy and gender roles change, women need to define their relationship toward money and take charge of their finances now.

3. Share the decisions

If you share finances with someone else, remember that disagreements are bound to happen. That's why, if you want to feel comfortable about your finances as a couple, you need to start talking. This way, you'll know if you share the same goals. It's also the only way to find out if you are on track to meet your goals.

4. Maintain access to all financial documents

Make sure you know where to find financial records such as brokerage accounts, insurance policies, retirement plan statements, and tax returns so that they're easy to gather when you need them. You'll also need to know whose names are on each account and which accounts are held jointly. Plus, be sure you have the most current computer passwords.

5. Pay yourself first

Be sure that you fund your IRA, 401(k), or other retirement account to the maximum. Not only will you reduce your taxable income, but you will also benefit from tax-deferred compounding, allowing you to potentially accumulate more than you would in a taxable account. Also remember that you can take your 401(k) account with you when you leave your job. By rolling it over into an IRA, your account balance can continue to grow tax-deferred, and you'll gain the ability to choose from a broader array of investments than is likely available under your employer's plan.

6. Have a plan … in writing

Ask your financial advisor to help you create a formal, written, long-term investment plan. It will provide the framework for shaping your asset management decisions and financial goals. A written plan will help you keep sight of your long-term goals—regardless of market conditions—and help you define what type of adjustments to make to your portfolio at different stages in your life.

7. Choose a financial advisor wisely

Find someone you trust. Ask for referrals and interview several advisors to find rapport. Don't forget to ask for references and check their credentials. An experienced advisor can help you look for the right solution at every stage of your life and help you build confidence in your ability to take control of your finances. If your advisor doesn't listen to your needs and goals, look for another.

8. Understand what you own

Educate yourself on basic investing principles by proactively taking classes, reading books or financial trade journals, or doing your own research (online or off). Know how your investments performed against the market and understand how fees affect your portfolio.

9. Have a "what if" plan

Don't let a critical life change, such as marriage, divorce, widowhood, or an unexpected illness disrupt your financial goals. For instance, without proper planning, estate taxes and income taxes on retirement plan distributions and stock options could reduce your estate by as much as 75%, leaving your heirs with only a fraction of what you had accumulated. If you want to leave assets to your heirs, establish an estate plan or trust now to ensure the desired distribution of your assets to minimize taxes, expenses, and unnecessary delays.

10. Invest with your values

When planning your estate, there are ways you can take care of your heirs while maximizing your investments. Lifetime gifts to family members may reduce your estate-tax liability and may also shelter any asset appreciation from taxation. In addition, gifts to qualified charities may be exempt from gift tax. The value of charitable donations reduces the value of your estate and may qualify for current income-tax deductions.