The Power of a Plan: Women & Wealth

An easy-to-use workbook designed to help you build greater financial awareness

Goldman Sachs Asset Management

Women are expected to take on many different roles throughout their lifetimes.

Whether you're a stay-at-home wife and mom, divorcee, grandmother, primary breadwinner, or some combination of all of these, it's important to stay on top of your finances.

This workbook, designed to accompany The Power of a Plan: Women & Wealth presentation, reviews the unique investment challenges women face, how these challenges can affect women's financial futures, and what you can do now to overcome these challenges.

Developed by Goldman Sachs Asset Management, the presentation and workbook focus on ten simple steps to achieving financial freedom:

1. Know your finances
2. Examine your credit history and insurance coverage
3. Set clear financial goals
4. Establish an investment plan
5. Invest early and often
6. Choose your investments
7. Capitalize on tax-advantaged retirement planning vehicles
8. Protect your assets through smart estate planning
9. Stay informed
10. Work with a financial advisor

Three Challenges to Women's Financial Freedom

Challenge #1 – Unpredictable life events

Nine out of 10 women will be solely responsible for their own finances at some stage of their lives, due to events such as divorce, aging, death of a spouse[1].

Challenge #2 – Economic realities and retirement planning hurdles

Women still earn 20% less than men for the same job.[2] This is compounded by unique events like having and raising children and caring for elderly parents, that can cause women to be out of the workplace during potential income earning years.

Challenge #3 – Fear of making a mistake

More women live longer and they are much more likely to be alone. Of women over 65 living alone, four out of 10 depend on Social Security for virtually all of their income.[3] This challenge is the most easily overcome and can be eliminated through education and confidence building.

Jot down your fears about your finances and investing:

Five Life Changes and the Challenges they Bring

Your challenges may differ depending on your individual stage of life. Which of these individual life stage(s) can you identify with?

☐ Career-oriented woman

With evolving presence in academia and the business world, significant future earning potential is created.

☐ Stay-at-home mom

While taking time out of the workforce to raise a family, savings and retirement benefits can be drastically impacted.

☐ Financial decision-maker

Many women are taking greater control of personal and household finances – from daily purchases to major investment decisions.

☐ Divorcee

With the divorce rate around 35% in the US, many women are adjusting to a single-income household.[4]

☐ Sole Provider

A number of women spend at least a portion of their lives with sole responsibility for their finances.

[1] 10 Smart Money Moves for Women: How to Conquer Your Financial Fears, by Dr. Judith Briles

[2] U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, 2007 Annual Averages and the Monthly Labor Review, November 2007

[3] 2009, Society of Actuaries' Key findings: The Impact of Retirement Risk on Women

[4] 2009, Centers for Disease Control and Prevention

Step 1 Know your finances

Carefully itemize your assets (what you own) and your liabilities (what you owe). Review this process with an experienced investment professional.

Assets – What You Own

Liquid assets	$
Investment assets	$
Personal assets	$
Real estate assets	$
Retirement assets	$
Other	$
	+
Total Assets	**$**

Liabilities – What You Owe

Credit cards	$
Mortgage	$
Car loan	$
Student loans	$
Other	$
	+
Total Liabilities	**$**

Total Assets	
Total Liabilities	–
Your Net Worth	**$**

Each month, record your income (assets coming in) and your expenses (assets going out) to determine how much is left over to invest.

Your Income – Money In

Salary $

Interest income $

Dividend income $

Business income $

Other $

+

Total Income **$**

Your Expenses – Money Out

Fixed $

Flexible $

Discretionary $

+

TOTAL Expenses **$**

Total Income

Total Expenses –

Your Cash Flow **$**

Step 2 Examine your credit history…

☐ Do you have credit in your own name?

☐ Are you comfortable with your credit limits?

I currently owe ______________________________

My interest rate is ______________________________

ACTION STEP

Obtain a report of your credit history by calling:

Experian 888-397-3742

Equifax 800-685-1111

TransUnion 800-916-8800

Be sure to check your credit history each year

…and your insurance coverage

Life ______________________________

Health ______________________________

Car/Home/Personal ______________________________

Liability ______________________________

Disability/Long-term Care ______________________________

ACTION STEP

Review the cost and terms of your current coverage with a qualified investment professional – and develop an asset allocation strategy.

Step 3 Set clear financial goals

Be sure your goals are **measurable, achievable and compatible.** Your financial goals are a combination of three factors: **Priorities, Responsibilities, Dreams.**

	Priorities	Responsibilities	Dreams
Personal Goals			
Professional Goals			
Charitable Goals			
Retirement Goals			
Educational Goals			
Other Goals			

Step 4 Establish an investment plan

Explore such questions as:

What is your current life stage and lifestyle?

What are your primary investment goals?

What is your investment time horizon?

Consider the following time frame. What are your objectives and goals for each time frame?

Time frame	Investment objective/goals
1 Year	
5 Years	
10 Years	
20 Years	
30 Years	

There are many types of risk:

- **Volatility or price risk** – Price fluctuation that can occur when investing in stocks
- **Inflation risk** – Chance that the value of assets or income will decline as inflation reduces the value of a country's currency
- **Interest rate risk** – Possibility that a bond or other fixed income security will decline in value as a result of a rise in interest rates

Your Current Portfolio Allocation			Types of Risk
Stocks →	U.S.	%	
	Int'l	%	
Bonds →		%	
Cash →		%	
Other →		%	

ACTION STEP

Review your life stage and financial goals with a trusted investment professional.

Step 5 Invest early and often

What is your current investment time horizon?

How much can you afford to invest automatically every month?

When might you need to access a lump sum of the money?

When do you plan to retire?

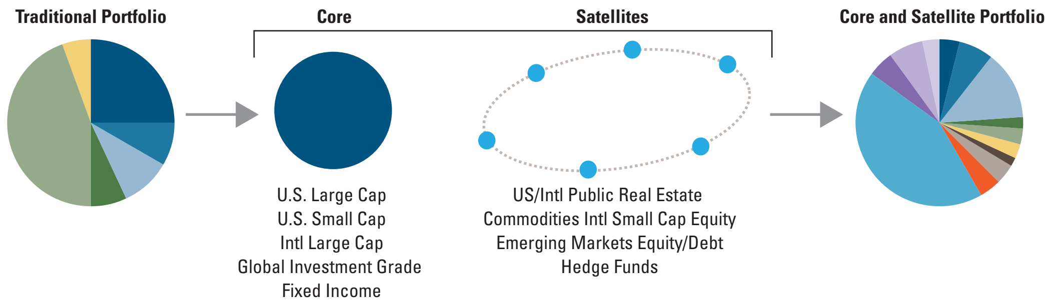
ACTION STEP

Pay yourself first each month by establishing an Automatic Investment Plan.

Step 6 Choose your investments

Since it's impossible to predict what will happen next in the changing economy, investors need to incorporate an array of asset classes in their portfolios in order to have the strongest, positive effect on performance.

An approach is to divide investment options into "Core" and "Satellite" categories. We believe that most investors can benefit from taking a traditional portfolio and enhancing it by delineating between core and satellite asset classes to enhance diversification.



All of these choices may seem overwhelming. A financial advisor can help break these asset classes into building blocks, and determine which combinations may work best together, based on an investor's timeframe, objectives and risk tolerance:

- Diversifying a portfolio among stocks, bonds and cash
- Combining individual stocks with mutual funds
- Blending U.S. and international stocks
- Incorporating tax-efficient investments
- Using "specialty" investment options such as high yield bonds and real estate securities

Diversification does not protect an investor from market risk and does not ensure a profit.

ACTION STEP

Contact with your investment professional to ensure you are capitalizing on the appropriate investment vehicles for your portfolio.

Step 7 Capitalize on tax-advantaged retirement planning vehicles

There are a variety of tax-advantaged plans. Some plans may be structured as personal retirement accounts and some may be offered through an employer sponsored program. Please be sure to consult your tax advisor regarding these options and all other investment decisions.

- ☐ **401(k) Plan** – A qualified tax-deferred retirement plan where employees elect to contribute their pretax dollars to a portfolio of various investment options. Withdrawals from the plan after age 59 1/2 are subject to taxation in the year of withdrawal; withdrawals made prior to that age are subject to tax and a 10% penalty tax.
- ☐ **Traditional IRA** – A retirement account that may allow for a tax deduction on contributions, up to specific annual limitations, towards investments that grow tax deferred until distributions are taken. Tax deductible contributions and earnings are taxed when withdrawn. Withdrawals prior to age 59 1/2 may be subject to a 10% penalty tax, and withdrawals must begin starting at age 70 1/2.
- ☐ **Roth IRA** – A retirement account funded with after-tax dollars, up to specific annual limitations, that does not allow for a tax deduction on contributions. However, after age 59 1/2, all distributions are generally free from federal tax as long as the account has been open for at least 5 years. If distributions are made prior to age 59 1/2, a portion may be taxable and the 10% penalty tax may apply. Unlike the traditional IRA, there is no requirement to take minimum distributions after age 70 1/2.

The contribution limits for traditional and Roth IRAs are as follows:

Tax Year(s)	Maximum Contribution Limit
2011	$5,000
2012 and beyond	indexed for inflation

People age 50 and over can contribute $1,000 over the regular contribution limit for 2011.

Also consider investment options that help provide income during your retirement years.

- ☐ **Variable Annuity** – A life insurance annuity contract which provides future payments (usually at retirement) to the holder (the annuitant), the size of which depends on the performance of the portfolio's securities.
- ☐ **Income-Focused Mutual Funds** – The primary objective of these mutual funds is not growth, but to create a stable income stream from a combination of stock dividends and bond interest. The secondary objective is some capital appreciation, which ideally will help the income stream to keep up with inflation.
- ☐ **High-Grade Bonds or Certificates** – US Treasury bonds are a reliable way to generate regular income, as it is guaranteed by the US government and they are very liquid. Bank CDs or other investment-grade corporate or municipal bonds offer similar results.

ACTION STEP

Consult with your investment professional to ensure you are capitalizing on appropriate retirement planning vehicles.

Step 8 Protect your assets through smart estate planning

To whom do you want to bequest assets?

Who are your current beneficiaries?

Have you listed a minor as a beneficiary? Do you have a copy of your beneficiary designations?

ACTION STEPS

- **Create a written will if you have children or have begun to acquire assets**
- **When appropriate, meet with an estate planning specialist to:**
  – Review your investment portfolio and will
  – Discuss other estate planning techniques (taxes, trusts)
- **Consult an estate planning advisor to select the most appropriate asset title for your portfolio:**
  - ☐ **Single asset ownership**
  - ☐ **Joint tenants with rights of survivorship (JT WROS)** – When two or more people maintain a joint account with a brokerage firm or bank, it is normally agreed upon that, upon the death of one account holder, ownership of the account assets passes to the remaining account holders.
  - ☐ **Joint tenants in common (TIC)** – An account maintained by two or more persons, in which ownership at death of one co-owner remains part of that owner's disposable estate, and does NOT pass to the co-owner.
  - ☐ **Payable on death** – An account that evidences ownership of the account passes on to a named beneficiary upon the death of the owner (grantor or depositor) of the account. Also known as tentative or "Totten" trust accounts, revocable trust accounts, or testamentary accounts.
  - ☐ **Transferable on death** – An account created during a person's lifetime that acts as a channel through which assets pass to the beneficiaries during the lifetime and/or after the death of the donor. Also known as an inter vivos trust ("between living persons").

Step 9 Stay informed

1. **Read investment publications**

   Wall Street Journal

   Kiplinger's Personal Finance

   Smart Money

2. **Surf the web**

   www.money.cnn.com

   www.womeninvesting.net

   www.msmoney.com

   www.msfiscallyfit.com

3. **Join investment clubs**

   National Association of Investors Corporation: 877-275-6242

Step 10 Work with a Financial Advisor

You rely on professionals almost every day. You put your children's education in the hands of skilled teachers. You entrust your health to your doctor. Don't your finances deserve the same professional attention?

- **Financial advisors have the credentials and know-how to serve your financial needs**

  The term "financial advisors" applies to individuals within a wide range of occupations and titles, who have been formally trained and licensed to serve the financial needs of investors. Financial advisors are also often experts in multiple fields, such as accounting, estate planning, or insurance.

- **You know your financial goals – an advisor is able to help you reach them**

  Nearly half of investors admit to being unsure about the best way to invest their money. Your advisor should be able to help you articulate your financial goals and then formulate a long-term plan to achieve them. A financial professional will suggest an investment strategy that is suitable for your specific goals, time horizon, and risk tolerance.

- **They offer an objective perspective**

  Financial advisors may offer guidance and discuss with you options that could prevent you from impulsive behavior. A financial professional can help you put current market events in perspective and help you be confident with your long-term decisions.

Put your Ten Step Plan into action

Follow this checklist to achieve financial freedom:

- ☐ Know your finances
- ☐ Examine your credit history and insurance coverage
- ☐ Set clear financial goals
- ☐ Establish an investment plan
- ☐ Invest early and often
- ☐ Choose your investments
- ☐ Capitalize on tax-advantaged vehicles to help save for retirement
- ☐ Protect your assets through smart estate planning
- ☐ Stay informed
- ☐ Work with a financial advisor

We appreciate your time and hope this presentation will help guide you to financial freedom. For more information, please contact your Financial Advisor.

Risk Considerations

Equity securities are more volatile than bonds and subject to greater risks. Small and mid-sized company stocks involve greater risks than those customarily associated with larger companies. Bonds are subject to interest rate, price and credit risks. Prices tend to be inversely affected by changes in interest rates.

High yield fixed income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. Investments in foreign securities entail special risks such as currency, political, economic, and market risks. These risks are heightened in emerging markets.

An investment in real estate securities is subject to greater price volatility and the special risks associated with direct ownership of real estate.

Investments in commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity.

Alternative Investments such as hedge funds are subject to less regulation than other types of pooled investment vehicles such as mutual funds, may make speculative investments, may be illiquid and can involve a significant use of leverage, making them substantially riskier than the other investments. An Alternative Investment Fund may incur high fees and expenses which would offset trading profits. Alternative Investment Funds are not required to provide periodic pricing or valuation information to investors. The Manager of an Alternative Investment Fund has total investment discretion over the investments of the Fund and the use of a single advisor applying generally similar trading programs could mean a lack of diversification, and consequentially, higher risk. Investors may have limited rights with respect to their investments, including limited voting rights and participation in the management of the Fund.

Alternative Investments by their nature, involve a substantial degree of risk, including the risk of total loss of an investor's capital. Fund performance can be volatile. There may be conflicts of interest between the Alternative Investment Fund and other service providers, including the investment manager and sponsor of the Alternative Investment. Similarly, interests in an Alternative Investment are highly illiquid and generally are not transferable without the consent of the sponsor, and applicable securities and tax laws will limit transfers.

Fixed income investing entails credit risk and interest rate risk. When interest rates rise, bond prices generally fall. Unlike stocks and bonds, U.S. Treasuries securities are guaranteed as to payment of principal and interest if held to maturity.

Mutual funds are subject to various risks as described fully in each funds' prospectus. There can be no assurance that a mutual fund will achieve its investment objective. The equity markets are volatile, but not all stocks are equally volatile.

As with any investment in securities, variable products are subject to investment risks, including the possible loss of principal. Contract and policy values will fluctuate with the performance of the underlying investments such that when redeemed, investor unit values may be worth more or less than their original cost.

Variable Annuities are long-term, tax-deferred investment vehicles designed for retirement. Earnings are taxable as ordinary income when distributed and taxable amounts withdrawn before age 59 1⁄2 may be subject to a 10% federal tax penalty.

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