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THE PERFECT STORM FOR “BAG LADYDOM” October 2012

Do you know what Lily Tomlin, Gloria Steinem, Shirley MacLaine and Katie Couric all have in common? According to Olivia Mellan, a therapist who specializes in money psychology, they all have significant wealth, yet they also have “bag lady fears.” If you have this fear, you are in good company. Our firm has many female clients and the most common spontaneously stated goal among them is “I don’t want to become a bag lady.”

While one can argue the reasons for it, it is a fact that women, as a group, have lower earnings than men. Some would argue it is due to wage inequity or that society subtly encourages women to pursue careers in lower paying fields. Others would say women are typically the nurturers in our society and as a consequence, are more likely to interrupt their careers to care for children and / or aging parents, resulting in fewer working years and less opportunity for advancement.

For purposes of this newsletter, it does not matter why. What matters is the result, which is less savings, lower pensions, and lower Social Security benefits - essentially fewer resources to sustain women during their retirement years.

But wait, it gets worse. Women tend to live longer. So now women have less money to fund a longer retirement period. Talk about the “perfect storm” for financial insecurity!

Here are some things that women can do to help themselves.

Be selfish. Contrary to what may be your core instinct as a woman, it is okay to be selfish when it comes to your financial well-being. Resist the temptation to sacrifice yourself financially for your children or other family members. You can’t help them unless you have provided for yourself first. You have heard it every time you fly on an airplane. “In the event of a loss of cabin pressure oxygen masks will deploy automatically. *First, place an oxygen mask over your own mouth, then help those around you.*” They say this because you can’t help the people you care about if you are unconscious. The same applies financially. If you sacrifice for your family, you are not really helping them when you subsequently become dependent upon them in your elder years. That just perpetuates the cycle of daughters interrupting their careers to take care of family.

Take ownership. Too many husbands and too many advisors patronize women when it comes to personal finance. Don’t let them. Ask questions, demand intelligible answers. We always tell our

clients “If you don’t understand, it is not because of you, it is because we did a poor job of explaining it to you.” Ownership is an attitude - do whatever you have to do to really own your financial life.

Think tomorrow. “Living in the moment” is about appreciating the joy of life. But when it comes to personal finance you have to think “tomorrow.” And tomorrow is about always spending less than you make and saving the difference, if you are working. If you have interrupted your career, then tomorrow is about taking action to preserve your earning power for later. Tomorrow is about imagining you are someday completely self-dependent – no spouse, no children – and then doing today what needs to be done to be financially responsible. None of this is about deprivation, it is all about independence.

Be a role model. Encouraging others towards financial independence is a great way to motivate yourself to do the same. Encouraging and empowering your family and friends is so much more helpful than being sacrificial. And by doing so, they will empower you back.

Being selfish, taking ownership, thinking tomorrow, and endeavoring to be a role model are all things that put you in a frame of mind that sets the stage for action - learning and doing things that will enable you to make your own financial future more secure.