Morgan Stanley

Wealth Planning for Women

Investing at Every Stage of Your Life

Investing is an important part of your wealth planning strategy, and you to invest in a way that fits both your lifestyle and your long-term goals. For women, that may mean factoring in pays gaps, career breaks, longer lifespans, and higher healthcare costs in retirement. Learning how to start investing — and understanding how your investment approach may change over time — will help ensure that you stay on track to achieve the future you envision.

Why Wealth Planning is Important for Women

Throughout their careers, women typically earn less than their male counterparts and often end up saving less for retirement. In addition, women tend to live longer than men, so they need to factor in the risk of outliving their savings. Women may also have higher health care costs in retirement, so they may need bigger nest eggs[1]. Investing can help you build your savings and help you feel more secure about your financial future.

Getting Started with Investing

When deciding whether—or how—to invest, the first thing to ask yourself is why you're investing. Often, people start investing to help achieve a specific financial goal. It may be useful to write down and prioritize your goals, so you know what you are working towards. Setting a target date for each goal and determining how much you've already saved—and how much more you'll need—may help bring your *why* into focus.

SAMPLE FINANCIAL GOALS WORKSHEET

GOALS	Priority	Target date	How much you have already saved	How much more you need to save
Short-team (<5 years)				
Intermediate-term (5-10 years)				
Long-term (>10 years)				

PREPARING FOR RETIREMENT

When it comes to investing for retirement, it is important to figure out how much you will need and then focus on what you can control. Having a plan and sticking to it can help you avoid common mistakes, such as buying and selling at the wrong time out of panic or exuberance.

If you think you may need a bigger retirement nest egg, you may want to consider:

- Increasing the amount you contribute to your retirement plan with each paycheck
- Making catch-up contributions to your retirement plan
- Reviewing your asset allocation
- Reviewing your portfolio to check that your investment mix still aligns with your risk tolerance and your goals

CONTRIBUTING TO A RETIREMENT PLAN. One of the most common ways people start investing is by contributing to a retirement plan, such as an individual retirement account (or, IRA), a 401(k), or a 403(b). If you're participating in an employer-sponsored retirement plan such as a 401(k) or 403(b), you can usually choose to automatically deposit a portion of your pre-tax salary into your retirement plan account. This may be a good option for those who have trouble staying disciplined when it comes to saving. You can also check whether your employer offers a contribution match. Many employers will match a percentage of their employee's retirement plan contributions as part of their benefits package. If your employer offers a contribution match, it may be a good idea to contribute at least as much as your employer will match to take full advantage of the benefit.

You may also consider investing in an individual retirement (IRA), even if you are already invested in an employer-sponsored retirement plan. There are two main types of IRAs—traditional and Roth. Contributions to a traditional IRA may be tax-deductible. If you earn below a certain income threshold, you may qualify for a Roth IRA. Contributions to a Roth IRA are not tax-deductible, but distributions may be federal income tax-free.

According to one survey, 36% of women aged 36 and older regret not investing for retirement sooner[2]. Investing in a retirement plan early can help you get in the habit of saving. One of the most compelling reasons to start investing for retirement as early as you can is to take advantage of the power of compound earnings.

DETERMINING YOUR RISK TOLERANCE. As you get started with investing, another important thing to consider is your tolerance for risk. In general, return potential and risk increase proportionately. In other words, the higher the potential for return, the higher the potential for risk.

Risk tolerance is a spectrum and risk tolerance may even change over time, but in general:

- Investors with lower risk tolerance may be more sensitive to short-term losses or have a shorter time horizon. They may prefer stability, with fewer and smaller fluctuations in the value of their portfolios.
- Investors with moderate risk tolerance may seek a balance of capital appreciation and income potential from their portfolios, with steady growth and lower volatility compared to the overall stock market.
- Investors with high risk tolerance and a long time horizon may be focused on high growth and may be less concerned about receiving current income from their investments. Their portfolios may have large, frequent fluctuations from year to year.

BUILDING A SOLID FINANCIAL FUTURE. As you advance in your career, start a family, or reach other milestones in your life, you may want to formalize an investment strategy. Your financial target, time frame, and risk tolerance are all key inputs as begin formulating an investing strategy that helps you meet your long-term goals. These inputs will help you determine your asset allocation, the mix of asset classes you want to include in your portfolio to achieve the balance of risk and reward that is appropriate for you. Spreading out the funds in your portfolio across different types of investments is called diversification, which may help to manage risk.

A common strategy for reducing investment risk is investing in mutual funds or exchange-traded funds (ETFs). These are funds that generally consist of a mix of many different assets, making them more diversified than single stocks. Mutual funds and ETFs are similar in many ways, but also have some key differences. One major distinction is that mutual funds can only be purchased at the end of each trading day, while ETFs can be bought and sold like stocks. Your Financial Advisor can help you determine whether investing in mutual funds and ETFs is right for you.

Working with a Financial Advisor

If you need help getting started or want to know if you are on track with your investments, working with an experienced Financial Advisor who is committed to understanding your unique needs, priorities, and goals may be useful. At Morgan Stanley, our goals-based approach to wealth management is built around the importance of planning. According to a recent survey, Americans who have a financial plan save more and have better asset allocation, more balanced portfolios, and more confidence in financial decision-making[3]. To provide you with investing and planning solutions that align with your goals, we follow a four-step planning process:

1

DISCOVER

Start with a conversation so we gain a thorough understanding of your financial needs, investments, lifestyle and family—and your goals for the future.

2

ADVISE

We work with you to develop portfolio strategies to help you achieve your financial goals and protect the outcomes you envision.

3

IMPLEMENT

We look across multiple accounts and products to help you implement investment strategies and other solutions that are an appropriate fit for your goals.

4

TRACK PROGRESS

We help you track your progress as well as spending and savings to help you remain on track toward your financial goals.

Throughout this process, we are committed to helping you explore your options, clarify your financial priorities, and develop a strategy for achieving them.

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[1] CNBC. Women and men should save differently for retirement – here's why, December 2021. Available at https://www.cnbc.com/select/why-women-and-men-should-save-differently-for-retirement/.

[2] CNC. Nearly 40% of women over 35 regret not investing for retirement sooner, March 3, 2022. Available at https://www.cnbc.com/2022/03/03/young-women-are-investing-a-decade-earlier-than-their-older-peers.html.

[3] PlanSponsor. Having a Written Financial Plan Improves Savings and Asset Allocation, February 8, 2022. Available at https://www.plansponsor.com/written-financial-plan-improves-savings-asset-allocation/.

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