Single and secure: how to build financial freedom at every stage of life

At age 54, Tracy found herself having to start over. When Lana Lee Robinson was working as an advisor, she remembers Tracy coming to see her after her husband suddenly passed away. "Tracy was feeling overwhelmed and concerned about her new responsibilities" says Robinson, who is now Executive Director of Wealth Strategies with CIBC Financial Planning and Advice.

Tracy was aware of the family finances but didn't get involved in the day to day management of it because she dedicated her time to raising their children. She had some knowledge of what they owned, owed and how their investments were set up to fund retirement but she wasn't aware of the specific details.

Women like Tracy are not alone. In their lifetime women face two potential realities: high rates of divorce (around one-third of all marriages will end in divorce), and outliving men by 5.6 years. These two trends leave many women suddenly single and solely responsible for their financial well-being for perhaps the first time in their lives.

Planning for difficult life circumstances such as divorce or widowhood can feel daunting and emotional for most of us. But there are drastic consequences of not doing so. "These women suddenly have an overwhelming number of financial, family and legal responsibilities to deal with, often while they are coping with extreme feelings of grief or anger," explains Robinson.

"There can also be nasty hidden surprises from a spouse like high debt, outdated wills or accounts that you might not be aware of," Robinson adds. "With the wisdom that hindsight gives you, almost all the widows and divorcees that I work with regrettably wish they had been more involved in long-term financial decisions while they were together."

That's why Robinson urges all women to take charge and become financially involved today. Don't wait until something unexpected happens.

So what do women need to do to be better prepared?

Redefine yourself by earning financial confidence

"Not knowing where to start is a common obstacle we hear," says Robinson.

Nearly half of Canadian women, 46 per cent, admit they lack confidence when it comes to investing.[1]

"Whether you're facing a difficult life event, or you're used to your partner managing the finances, you need to have the confidence to take that first step to improve your knowledge," Robinson says. Knowledge is critical in taking control of your financial situation.

Being involved now means that when unexpected things happen, you will feel confident that you're able to handle it financially.

Robinsons advice? Don't delay having those important financial conversations with partners or family. Tell them, if you suddenly find yourself financially responsible for the household you need to know what assets, investments and debt you have. Don't wait until something life altering happens and you need to learn under stressful or emotional circumstances. "Having only one partner responsible for the long term family finances may not capture the priorities of both spouses or the entire family needs," notes Robinson.

To be more involved, start by prioritizing your own learning. Don't push it to the bottom of your to do list. Most banks like CIBC offer seminars specifically tailored to women on topics such as investing, retirement planning, budgeting and more, so this is a good starting point. There are also great webinars, podcasts, online resources, and books you can turn to. And if you prefer hands on learning, one of the best ways is through the help of a professional advisor.

With that foundation in place, it's time to start discussions around money and investing. Talk to your friends, your family, or a professional advisor. "The important thing is to keep the conversation going because the more you talk and ask questions, the more you learn," Robinson says.

The good news? Women are more likely than men to seek expert advice when it comes to investing (68 per cent compared with 59 per cent).[1] Channel that instinct to reach out, and you'll start to take ownership of your financial future.

Prepare for the long term

"Whether it's anticipated or not, a major life transition can be disruptive, both emotionally and financially. A thoughtfully constructed financial plan can help you adjust to your new reality by identifying your needs, determining your future plans and assessing different financial scenarios." Robinson says. "An advisor can help you build and stress test your plan."

It's important to remember that you don't make one financial plan and then move on. Circumstances change, so the plan must evolve with you, and reflect the changes and milestones in your life. "Review it annually or when a major life event occurs," Robinson says.

"Women also need to create a plan that takes into account their longer life span and the rising costs of healthcare," Robinson says. It's important to consider that family savings may be depleted by a partner who requires extended medical care first. These are things to bear in mind as you create, and continue to update, your financial plan.

Talking to a professional advisor can help you feel secure whether you're currently facing a major life event or proactively managing your own financial well-being.

Checklist for choosing an advisor:

1. **Ask for referrals.** If your friends and family are happy with their advisors that can be a good place to start.
2. **Make sure the advisor is focused on you.** Are they leading the discussion with rates of returns and product solutions, or are they starting with understanding you — your goals and priorities?
3. **Ensure they consider the unique financial planning needs of women**, for instance:
   - Longer life expectancy can put a strain on retirement savings
   - Caregiving responsibilities (for children or aging parents) which may take you out of work and lower your lifetime income

Don’t neglect estate planning

Whether married, divorced, widowed or single by choice, when you’re thinking about your financial security, don’t forget about estate planning.

“You may think that because you don’t have a partner or kids, you don’t need an estate plan. That’s not the case,” notes Robinson. An estate plan ensures your wishes around your assets are honored when you’re no longer around. “Everyone should have a will as well as a power of attorney (POA) and a living will. And in the event of a separation and divorce your will, POA and all beneficiary designations (for life insurance, RRSP, TFSA) should be updated,” says Robinson.

“Often the estate planning conversation is put on the shelf, because it’s not seen as an immediate concern,” Robinson says. “But the sooner you have these conversations the more at peace you’ll feel because your wishes will be documented. It prevents your loved ones from having to guess, which can be stressful.”

Key components of an estate plan:

Power of attorney – a legal document that gives someone else the right to act on your behalf to deal with health and property matters while you’re alive

Will – outlines your wishes for distribution of assets after your death

Living will – document that says what you want to happen if you become ill and can’t communicate your wishes for treatment

Executor – an individual selected to execute the terms of your will

Being armed with financial knowledge about assets, investing, debt and estate planning will create a sense of empowerment that women can rely on in situations that may leave them standing solo. It’s never too late to start, but it’s best to start now.

Knowledge is power. Find additional resources on cibc.com/herworth

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[1]CIBC Women & Financial Sacrifices Poll, 2019

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