



Maureen E. Hansen, CLU

Women: Don't shortchange your retirement

Maureen E. Hansen, CLU

Nine out of every 10 women will be solely responsible for their financial well-being at some point in their lives, according to the US Census Bureau. Women are more likely to leave the workforce or reduce hours to care for family, tend to earn less than men in similar professions, and have a longer life expectancy. All these factors add up to an important truth: women—including physicians—are more likely than men to retire with inadequate resources.

You can take charge of your future quality of life by planning for retirement now. Here are some recommendations to consider:

- Put together a plan based on your financial goals. Determine what the perfect retirement looks like and how much you think it would cost. Make realistic projections of what you can afford, factoring in inflation. Women may spend 25 years or longer in retirement, so outpacing inflation with investment returns is especially important.
- Be realistic about retirement expenses. Financial magazines often tout that the average person will need only about 70%-80% of her pre-retirement income to maintain her desired standard of living in retirement. In reality, physicians have more time for travel and leisure and

may spend more in retirement than they did during their working years.

- Keep your lifestyle in check and begin a disciplined savings plan early. Many women plan to set aside more money toward retirement once their kids have been raised and educated. Often times, these plans change due to unforeseen circumstances, such as paying for a child's advanced degree, caring for an elderly parent, or even supporting grown children. A *Money Magazine* survey found that almost 1 in 3 retirees provides financial assistance to parents, children or grandchildren. Put yourself first and focus on reaching your financial goals before reaching out to family members.
- Establish an investment plan early in your career. It's never too late to start maximizing your retirement plan contributions, diversifying your investments, and systematically investing. Learn and apply basic investment principles. These include diversification (allocating your money among different investment types, different styles of investing, and dollar cost averaging) and investing every month so you lower the volatility of your buys.
- Use a "buy and hold" strategy, where you hold mutual funds over a long period of time rather than trying to chase returns. Chasing after returns is one of the biggest problems investors face. The typical investor will receive a return that is less than half of the average mutual fund return because he or she is buying and selling the funds at ex-

actly the wrong times. Concentrate on making solid, long-term choices.

- Be realistic about investment performance. Now that the stock market has been on an upswing for the past few years, it gets easier to imagine higher annual returns. Don't fall into that trap. Investors shouldn't assume the next 10 years will deliver the same combination of excellent stock market performance and low inflation.
- Don't overestimate your future income potential. The medical profession is frequently unpredictable and many circumstances could cause a physician's income to remain the same or even decrease. Base your retirement plan on your current earnings rather than project out advances in salary. By keeping a conservative stance, you will be more realistic in your retirement planning strategy.
- Invest to get through retirement, not just to get to retirement. Investing for growth should not end the day you see your last patient. Women tend to invest more conservatively and may scale back too much upon retirement. Review your risk comfort zone annually to make sure you are neither being too conservative nor too aggressive. Even in retirement, continue to watch your investments for opportunities to maximize their potential.

In planning for retirement, consider the possibility that you may live into your 90s. Don't put off planning for your future. Become financially wise now.

Maureen E. Hansen, CLU, is a fee-only financial consultant with SVA Wealth Management, Inc., an SVA Company and Registered Investment Adviser. For more information, contact Wisconsin Medical Society Insurance and Financial Services, Inc., at 866.442.3810.

Wisconsin Medical Journal

The mission of the *Wisconsin Medical Journal* is to provide a vehicle for professional communication and continuing education of Wisconsin physicians.

The *Wisconsin Medical Journal* (ISSN 1098-1861) is the official publication of the Wisconsin Medical Society and is devoted to the interests of the medical profession and health care in Wisconsin. The managing editor is responsible for overseeing the production, business operation and contents of the *Wisconsin Medical Journal*. The editorial board, chaired by the medical editor, solicits and peer reviews all scientific articles; it does not screen public health, socioeconomic or organizational articles. Although letters to the editor are reviewed by the medical editor, all signed expressions of opinion belong to the author(s) for which neither the *Wisconsin Medical Journal* nor the Society take responsibility. The *Wisconsin Medical Journal* is indexed in Index Medicus, Hospital Literature Index and Cambridge Scientific Abstracts.

For reprints of this article, contact the *Wisconsin Medical Journal* at 866.442.3800 or e-mail wmj@wismed.org.

© 2007 Wisconsin Medical Society