RETIREMENT REALITIES FOR WOMEN

Women often bring a different perspective to financial planning and face unique challenges pertaining to gender, including living longer, balancing career and family obligations and caring for aging parents. This report is designed to provide insights, guidance and specialized resources to help you be better prepared for retirement.
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Introduction

Studies show that women in the United States now control 51 percent of private wealth,¹ and their economic power is expected to continue to grow to an estimated two-thirds of U.S. wealth by 2030.² They face complicated scenarios when it comes to retirement planning, whether building careers or working inside the home; partnered, married or single; supporting dependents or not. Women also bring a unique perspective to money matters and financial security, so it’s important to reflect on these personal preferences and circumstances, in order to make informed decisions about the future.

Having confidence in an overall financial plan is critical, whether you are in the early stages of saving for retirement, the closing years of work or already in retirement. A comprehensive plan begins with careful preparation:

– Identify near-term and long-term goals. A financial plan should account for needs and wants, and include aspirational goals such as travel, starting a new business, opportunities to volunteer or give back to the community, and exploring personal passions.

– Factor in the possibility of living independently into your 90s. For women, the likelihood of outliving a spouse or partner is very real and should be included in any retirement analysis.

– Allow for unexpected life events, such as an unforeseen disability, a serious health setback, or the death of a spouse or partner.

For many women, financial success is closely linked to financial security. A sound, well-rounded financial plan that addresses your goals and values will help create more future choices.

¹ MediaPost, Marketing to Women, 2012. ² Raymond James paper cites financialplanning.com “untapped market.”
A sea change: Women’s economic power

Quite simply, women now earn, control and inherit more money and assets than ever before. They make up nearly two-thirds of the U.S. workforce,¹ with 44 percent describing themselves as primary breadwinners,² and most married women with professional degrees out-earn their husbands.¹ Increased earning power translates into increased spending power. Women control two-thirds of annual spending in the United States and 80 percent of all household purchases.³ Globally, they control or influence $12 trillion of the $18.4 trillion in consumer spending.⁴

Women are also inheriting the largest share of family wealth. Projections show that women are expected to inherit 70 percent of $1 trillion of intergenerational wealth transfers.⁶ And, since women outlive men by an average of 4.8 years, they may also inherit from their spouse.

Play up strengths:
Decision-making styles

All of us share a basic longing for financial independence and security, particularly in retirement. Beyond that fundamental desire for self-sufficiency, women often view financial matters differently than men. Being cognizant of these differences can help women strengthen confidence in their approach to retirement planning.

According to financial writer Holly Buchanan, women tend to exercise a more deliberate decision-making process and excel at planning ahead and determining what could go wrong.¹ They want to think things through and get answers to their questions and concerns before taking action. Men often demonstrate a preference for making decisions quickly and taking immediate action. Because of this contrast in styles, women are often labeled “risk averse” when it comes to finances, but Buchanan says women are actually more “risk aware,” valuing safety and security.

Brain differences and gender biases can also impact the way women plan for retirement.¹ Due to the innate way that women approach decision making, they often seek more comprehensive conversations about financial goals and fears. They want to identify potential gaps in their retirement plan and make sure they’re covered in order to feel prepared, confident and secure. Developing awareness of one’s unique financial perspective and decision-making style helps bring clarity to retirement planning.

Strike a balance: 
Career & caretaker

Women, more often than men, tend to take on the primary responsibility of caring for children or aging relatives—going in and out of the workplace or sometimes leaving work altogether. These realities come with a myriad of trade-offs, which in turn can impact saving for retirement.

Weighing the pros and cons and doing the math ahead of time can help clarify the long-term ramifications. On one hand, leaving work for a period of time could lead to putting career development or additional training on hold, stepping off the promotion track, and suspending accrual of benefits, such as an employer-match benefit within a 401(k). There could also be negative consequences to losing touch with coworkers and key networking contacts, since relationships also drive promotions and salary increases.

On the other hand, women who choose to stay home as caregivers may be able to save substantial amounts of money that would otherwise be spent on daycare or health assistance. Depending on the situation, there may also be savings on gas/vehicle maintenance, meals at work and maintaining a professional wardrobe.

In addition, statistics show that a growing number of boomer women are joining the “sandwich generation,” sandwiched between the competing needs of children and aging parents. As they negotiate the squeeze, these women struggle to balance demands of time and money without jeopardizing their own retirement planning and goals. Making realistic decisions for the benefit of all requires a clear-eyed look at the costs and benefits.

Remember life insurance: When one partner or spouse is a stay-at-home caregiver, it is important to calculate the value of the services and support that would need to be replaced if something unforeseen happens to the caregiver.

The average cost of center-based daycare in the United States is $11,666 per year ($972 a month).1
Mind the gap:
The power of saving

Women continue to make gains in the workplace, but a pay gap still exists. On average they make less money—78 cents for every dollar earned by a man—according to a recent report by the U.S. Census Bureau. While views and stereotypes about women’s roles in the workplace are shifting in a positive direction, the inequity takes a toll, adding up to a loss of more than $300,000 over the working years.¹ This reality is one big reason why women lag behind their male counterparts in retirement savings.

To help overcome this gap, there are real steps women can take to get on track and build momentum to potentially maximize retirement savings. It’s important to start saving early, since compound interest can make a dramatic difference over time. Taking advantage of employer-sponsored benefits is crucial, most notably in 401(k) accounts, with any associated employer-offered matching made available. Self-employed women can leverage SEP or SIMPLE plans, in addition to IRAs and other tax-advantaged saving vehicles.

According to a 2012 Social Security Administration report, the average Social Security benefit received by women 65 and older was $12,520, compared to $16,398 for men.²

Lifestyle Priorities: Goals & milestones

Women report that their top goal in retirement planning is to make sure they will have enough money to maintain their current lifestyle over a lifetime. Achieving this level of financial security and independence begins with a detailed look at your life today: assessing current income and spending habits, identifying near-term and long-term goals, and then taking real steps to work toward those goals.

Women work hard to achieve their many successes in the workplace, at home and in their personal lives. Resolving to plan for retirement with the same amount of commitment is essential. Think about retirement holistically. It’s important to consider personal interests, whom you will spend your time with, where you would like to live and what funds you will need to support these goals and milestones.

### WOMEN’S TOP RETIREMENT PLANNING GOALS

Top four financial goals from a survey of women who prioritized these goals as “very” or “somewhat” important. Having a financial plan in place that addresses retirement topics such as saving, estate planning, health care and long-term care may help women have confidence in reaching these goals.

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<td>Have enough income to maintain one’s lifestyle.</td>
<td>Prevent outliving or fully spending one’s savings.</td>
<td>Maintain independence; avoid becoming a burden to loved ones.</td>
<td>Establish financial security in the event of outliving a spouse/partner.</td>
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Taking real steps: Planning checklist

A strong plan is rooted in strategic thinking and a real understanding of the options available. With this checklist, you can take real steps towards creating short- and long-term goals.

☐ ESTABLISH A BUDGET
Survey the overall budget. Ensure sustainable saving and spending habits to support cash flow needs.

☐ BUILD CASH RESERVES
Establish an emergency fund. Set aside three to six months of income in a readily accessible cash or liquid investment account.

☐ LEVERAGE WORKPLACE RETIREMENT PLANS
Invest in plans such as 401(k) or 403(b), and utilize other savings strategies to amplify tax-advantaged savings. Strive to save 10 to 15 percent, if possible.

☐ RUN THE NUMBERS
If contemplating a career time-out, run the numbers and weigh the long-term impact, including pros and cons of how individual and family security would be affected.

☐ MAKE CATCH-UP CONTRIBUTIONS
If you are older than 50, you can save an additional $1,000 per year in “catch-up contributions,” on top of the maximum contribution of $5,500 (tax year 2015.) If leaving the workforce, consider continuing to save in an IRA or spousal IRA.

☐ STRATEGIZE EDUCATION SAVINGS
Start early with saving for kids’ education. Consult a financial professional about the most advantageous education savings vehicles and to navigate the student aid process. Most families underestimate the cost of college and overestimate the level of financial aid available.

☐ BE INFORMED
Develop a working knowledge of topics such as longevity and health care needs, Medicare, potential sources of income stream, Social Security, market volatility and insurance.

For women over age 50, the top retirement planning concern is running out of money.

For women under age 50, the concerns shift towards cash flow and debt management, as well as higher education for their children.¹

The big picture:
Longevity & inflation

The good news is that women are living longer today than ever before. A lifespan that extends into the 80s and 90s is much more probable. Once a woman reaches age 65, her average life expectancy is 85, and if she has a spouse or partner, there is a 50 percent chance that at least one of the two will live to age 90 or beyond. Since women are enjoying longer lives and therefore longer retirements, the money they save today will need to work even harder for a longer period.

Consistently, women report concern about lacking sufficient savings to cover potential future health care costs and household expenses, a scenario they often see firsthand as elderly parents and relatives struggle to cope. Even with modest inflation, daily living expenses, including rent, mortgage, utilities and household expenses, are expected to double in the next 25 years. Meanwhile, the cost of health care, including insurance, medicine, hospitalization, surgery and long-term care, continues to rise at twice the rate of inflation.

A woman turning age 65 today can expect to live, on average, until age 85.5. A man reaching age 65 today can expect to live, on average, until age 82.9.

Spending on health care is projected to grow at a 5.8 percent annual rate for the ten-year period ending in 2022. In contrast, the Consumer Price Index, a measure of the change in price for a range of goods and services, increased by an annual rate of 2.4 percent for the ten years ending in 2013.

Median sales prices of new homes have tripled over the last 30 years.

Healthy, wealthy & wise: Rising medical costs

Women who are planning for retirement report substantial concern about becoming a burden to their adult children and family members as they age. They want to maintain as much independence as possible, in the face of rising health care costs and the likely need for long-term health assistance.

A realistic calculation of potential future health care costs is essential. Trends show that annual personal health care spending begins a dramatic upward climb during retirement. Eligibility for Medicare generally begins at age 65, however, it’s important to understand that Medicare is comprised of several programs, and much of it requires premium payments. Medicare also does not cover all contingencies, such as the expense associated with an extended stay in a long-term care facility or ongoing health assistance at home.1 By understanding the options and taking steps accordingly, you can strive to protect health and finances.

**IMPACT OF HEALTH CARE EXPENSES**

At age 65, personal spending on health care begins a dramatic climb, reaching an annual average of $15,000. By age 85, the cost more than doubles, reaching $35,000 and beyond.

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A steady paycheck: Reliable retirement income

When you retire, the income that used to flow from jobs or businesses must be replaced. Therefore, it is important to create a plan that seeks to generate reliable income that can help sustain your lifestyle in retirement. Your income plan may include savings, IRA or 401(k) accounts, pension distributions, fixed income and annuities, government-backed bonds, prospective inheritances and Social Security income. Women should address income gaps by considering increases to their savings or planning to continue to work. It’s also advisable to maintain an emergency fund that will provide readily available cash.

A financial professional can help provide guidance about diversifying assets and timing benefits in order to manage tax liability when withdrawing from retirement savings.
Choices for tomorrow: Social Security

Social Security provides a stream of reliable income that many workers depend on during retirement. However, relatively few people realize that there are actually hundreds of choices available for electing when and how to take benefits. Individuals may be eligible for their own “retired worker benefit,” based on personal work history, or “spousal benefit,” based on the spouse’s work history. Social Security benefits can start as early as age 62, while the official “full retirement age” depends on the year of one’s birth. Disability, widowhood, divorce and other qualifying events may also lead to taking benefits early.

It’s advisable to plan adequate time for reviewing the multitude of options, including what age to start taking benefits, how the start date will affect the benefit amount, and other strategies that may have a positive impact on retirement finances.

The “full retirement age” as defined by Social Security, which was age 65 for generations, is now 66, and will continue to rise to 67. Individuals can choose to begin benefits at anytime during the eight-year window between their 62nd and 70th birthdays. However, the earlier benefits begin, the lower the monthly amount received.

Visit the Social Security website at www.ssa.gov for information on your projected retirement benefits.

THE POWER OF WAITING

Benefit payments increase 8 percent every year that you delay collecting benefits (until age 70). The chart above is an example of an individual who qualifies for a monthly benefit of $1,000 at “full retirement age” (age 66).
Mindful investing:
Asset growth

While women are often categorized as overly conservative and “risk adverse,” these traits can be positive attributes when weathering varying market conditions. Studies show that women may be more patient in the face of volatility and in letting the market’s long-term upward trend work for them.\(^2\)

Prior to investing, it is important to first determine a risk tolerance profile that aligns with your age, time horizon and comfort level. Then, establish an investment plan with an asset allocation strategy—a combination of stocks, bonds and cash investments—in order to support long-term goals for your retirement plan. Young women, with longer time lines until retirement, may choose a strategy that is more aggressive and carries more risk in order to have the potential to experience higher returns. As retirement nears, it is wise to review allocations periodically to help ensure they reflect changing circumstances. Keep in mind that asset allocation does not ensure a profit or protect against a loss.

### ASSET ALLOCATION STRATEGY

Rather than “putting all your eggs in one basket,” an asset allocation strategy is a mix of assets that seeks to manage the volatility of your portfolio while still helping you work towards your investment goals.

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Defend your turf:  
Strive to protect your assets

Life is filled with unpredictable twists and turns, some of them costly, and insurance may provide a potential safety net. Even in one’s 50s and 60s, a well-prepared retirement plan can take a major hit from an unforeseen event. It may be prudent to play defense by establishing a comprehensive insurance plan that may protect existing assets so they can continue to potentially grow.

Begin by assessing existing coverage. The list may include home, auto, umbrella, health, survivor income, disability, life and long-term care insurance. Remember to review important documents once a year to ensure that policies continue to provide appropriate benefit levels and function together cohesively. Any change in circumstances, from fluctuations in market or home values to marriage, divorce, a birth or a death, may warrant changes to coverage, as well as a review of the beneficiaries tied to certain policies.

It’s important to protect not only what you’ve already accumulated, but your future earning potential as well.

As a rule of thumb, your life insurance policy should be seven to ten times your annual salary. However, your decision may depend on many factors, including the number of survivors you have, their ages, other sources of income and debts.
Designate & document: Estate planning

Planning for what should happen in case of an untimely death, disability or illness, or even divorce can feel like a low priority, but it's wise for women to prepare for these potential life transitions. Financial security involves having a plan for your legacy intentions, regardless of your age or your wealth. Written wills and health care directives should be drafted by your attorney and kept current. If you don’t have a plan in place, you lose control of who may act on your behalf and what may happen to your assets.

The end of a marriage, whether through divorce or death, is also a significant life change for anyone. These transitions can leave many women feeling alone with tough decisions that arise when navigating the unfamiliar territory of divorce settlements or spousal estate management. Since these situations can have long-term consequences for financial security, it’s best to get involved early in the decision making, instead of scrambling when things become a crisis.

If you find yourself in the midst of one of these difficult situations, take advantage of your network and seek people who can be trusted sounding boards. Financially savvy family members, friends and professionals can all contribute to understanding the current situation, clarifying goals and strengthening direction during this time of transition.
Taking real steps:
Organizational checklist

This checklist is a guide to getting important paperwork organized. In the event of a major life change, having financial matters in order may alleviate a potentially stressful situation.

☐ GATHER DOCUMENTS
   Locate and organize important financial, legal and estate documents.

☐ ORGANIZE PROFESSIONAL CONTACTS
   Create a list of key professional relationships, including financial advisor and/or other financial professionals, estate planning attorney, insurance agent, CPA or tax attorney.

☐ UPDATE BENEFICIARIES
   Check the titling and beneficiaries associated with assets and liabilities and update as needed.

☐ UPDATE ESTATE PLAN
   Review your own will and trust arrangements with an attorney and make necessary updates.

☐ ESTABLISH EMERGENCY FUND
   Set aside an appropriate amount and maintain it.

☐ REASSESS OVERALL FINANCIAL PLAN
   Review financial goals and evaluate the impact an unexpected event, such as a major health issue or losing a spouse, could have on your retirement plan. Work with a financial professional as needed.

☐ REVIEW INSURANCE COVERAGE ANNUALLY
   Conduct a review of each policy. Make sure all the policies work together and that benefit levels are appropriate.

☐ IF RECENTLY WIDOWED
   Request multiple copies of your spouse’s death certificate.
   Contact the Social Security Administration to clarify benefits and the possibility of qualifying in the near term.

Social Security benefits may constitute a large portion of your retirement income. Women who are widowed can qualify for taking early benefits before “full retirement age,” as early as age 60, or age 50 if disabled. The benefit will be reduced if taken early. However, this may provide needed cash flow for financial stability. It’s wise to work through these benefit choices with a Social Security representative, as well as a financial advisor.
Questions to consider when developing your financial plan.

— What is the number one financial fear that is keeping you up at night?

— What does financial security mean to you today?

— What does financial security mean for you once you are no longer working and fully retired?

— What do you envision yourself doing in retirement?

— Who else are you responsible for financially (children, parents, etc.)?

Ignite your potential: A personal, comprehensive plan

In summary, when women engage in planning for their retirement they are typically driven by a sense of responsibility to others combined with the desire to maintain their own dignity and independence over a lifetime.

As you take the first steps towards creating your personal plan, remember, it’s critical to grasp the different scenarios that may lie ahead, including widowhood, health issues, longevity and the impact of inflation on lifestyle spending and market fluctuations. In addition, it’s important to articulate personal goals, concerns and aspirations that will shape your retirement story. This integrated approach to your overall financial situation will give you the opportunity to identify the steps you need to take to help work toward your retirement goals.

What’s most important is to start the process. The financial professionals at U.S. Bank and U.S. Bancorp Investments can assist in developing an individualized, comprehensive financial plan for you. Utilizing the unique mix of banking services from U.S. Bank and investment services from U.S. Bancorp Investments, our planning approach seeks to align saving, spending, protection and investment strategies with your specific objectives and aspirations. Through thoughtful partnership and consistent follow-through, you can develop a retirement plan that inspires real confidence.
Four cornerstones approach: RealSteps>Retirement

We can help you navigate the complexities of retirement through listening, understanding and charting real progress towards your goals. Our RealSteps>Retirement process is structured and comprehensive. Below are four key areas that we use as a constant guide for building and fine-tuning a personal financial plan.

**Goal: Reliable Income**
We begin by gaining a clear understanding of income sources and expenses as a starting point for future retirement needs. We review current spending and savings habits, help establish an emergency fund and create a sustainable cash flow strategy to ensure short- and long-term goals are accommodated.

**Goal: Asset Growth**
Together, we align investment objectives with goals, ensure an appropriate amount of risk is taken into account, and offer advice with regards to tax-advantaged savings strategies.

**Goal: Asset Protection**
A solid financial plan must address the uncertainties in life, inclusive of risks associated with: disability, health care expenses, death, auto and home accidents and other potential considerations that might have an impact on goals.

**Goal: Legacy**
Beneficiary designations, titling, charitable giving strategies and other estate considerations are documented, ensuring that legacy intentions are fulfilled.

RealSteps>Retirement educational materials and resources are available to help you keep up-to-date on issues that affect your retirement. Topics that may be of interest:

- Social Security
- Long-term Care Insurance
- Medicare
- Managing the Financial Aspects of Divorce
- Navigating the Financial Aspects of Losing a Spouse

Work one-on-one with a dedicated Financial Advisor.

For assistance with retirement planning, contact your U.S. Bancorp Investments Financial Advisor.

If you don’t currently have a Financial Advisor, talk to your U.S. Bank Relationship Manager or visit www.usbank.com/investments-wealth-management to find an advisor in your area.
RealSteps® Retirement
is a comprehensive retirement planning process designed to help our clients navigate the complexities of retirement. Through our RealSteps approach, we seek to bring clarity and confidence to retirement planning, helping you move closer to your goals—step-by-step.

Real Understanding®
Your plan starts with gathering information, identifying goals and concerns, and uncovering gaps and challenges.

Real Answers™
Together we build a comprehensive financial plan for you, based on strategies around helping to generate cash flow, striving to grow and protect assets, and establish a legacy.

Real Progress®
Once your plan is in place, we continue to work with you, maintaining its dynamism to help keep pace with life’s changes.