Empowering Women Clients / Strategies for a Changing World

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Please read the Important Information slide at the end of this presentation.

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Women & Big Bucks

- **Forbes listed 138 women billionaires in 2013**
- **24 of the above were "self made"**
- **Rosalia Mera - richest self made woman in the world**
  - Worth approximately $6.1B
  - Overall ranked 195th on the list
- **In 2012, more than 8.3 million business were owned by women**
  - Up 54% in the last 15 years

Forbes - The Rarer Sex: The Self Made Women Billionaires of 2013. Luisa kroll , March 6, 2013

Agenda

- **Why it's Important**
- **What's Different**
  - Practice Management
- **Being Prepared**
  - Planning Strategies for Women Clients
- **Taking Action**

Unique Strengths of Women

Women's college graduation rates, position in the workforce and earning power are at all time highs:

- 60.1% of all accountants and auditors are women[1]
- Men's income rose 16% from 2000-2009, women's grew 40%[2]
- Growth of affluent women increased by 146% since 2000, more than twice that of men.[3]
- Women control 60% of U.S. wealth an estimated $12.5 trillion[4]

UNIQUE STRENGTHS

1 *Women in Accounting,* Catalyst 2011 www.catalyst.org
2 provided by AXA to BKC
3 provided by AXA to BKC
4 Key Facts about Women-Owned Businesses
http://www.womensbusinessresearchcenter.org/research/keyfacts/

Unique Strengths of Women

Women's college graduation rates, position in the workforce and earning power are at all time highs:

- Women achieve more in education: 57% of Bachelors, 62% of Masters and 53% of Doctoral degrees are earned by women[1]
- 51.5% of all management and professional roles are held by women[2]
- Nearly 30% of wives earned more than their husbands since 2008 (28.1% - 29.2%)[3]
- 40.2% of all privately held businesses are majority owned by women, totaling 10.1 million businesses[4]

1 Source: http://nces.ed.gov/fastfacts/display.asp?id=72 National Center for Educational Statistics: *Fast Facts - Degrees Conferred by Sex & race*
2 Statistical Overview of Women in the Workplace, Catalyst 2011 www.catalyst.org
3 http://www.bls.gov/cps/wives_earn_more.htm Wives who earn more than their husbands, 1987– 2011
4 Key Facts about Women-Owned Businesses http://www.womensbusinessresearchcenter.org/research/keyfacts/

Yet…

…women tend to be

MORE CONCERNED

about their financial future

Unique Challenges for Women

Women earn less money over their lifetime, reducing ability to save[1]

- On average, a woman still earns 80%[1]

  of what a man earns in the same job
- Over their lifetime, women work an average of 12 years less than men[1]
- Women are expected to live 80 years from birth, outliving their male counterparts more than 5 years[1]
- Women are more likely to be single
- More than 1 in 10 women age 65+ live in poverty[3]

1 U.S. Department of Health & Human Services, "*National Vital Statistics Reports*," June 2010.
2 U.S. Census Bureau, "*Current Population Survey, 2010 Annual Social and Economic Supplement,*" Nov 2010.
3 Retirement USA, "*Poverty among the Elderly Is a Women's Issue,*" http://www.retirement-usa.org/blog/poverty-among-elderly-womens-issue, 3/22/2010

Value of Knowledge

Impact of Less Guidance:

- More likely to be “way behind” in saving
- Feel less confident managing risk for reward
- Save & invest less ($10,000)
- Use less financial tools to prepare

Impact of More Guidance:

- Feel more confident they are on track and are more willing to take risk
- Save and invest more ($63,000)
- Use multiple financial tools (DC Plan, IRA’s, Mutual Funds, Stocks/Bonds, Annuities)

Source: Financial Experience & Behaviors Among Women, 2010-2011 Prudential Research Study, Prudential Research 10th Anniversary Edition.

What Women Said…

- *First and foremost, many financial planners talk down to me. I ask a lot of questions because I want to understand their investment strategies."*

- "*I hate being stereotyped because of my gender and age, and I don't appreciate being talked to like an infant."*

- "*I would change how many financial service reps talk down to women as if we cannot understand more than just the basics when it comes to financial discussions. Being in the financial industry myself, I find these attitudes highly insulting."*

Source: The $14 Trillion Dollar Women

A Different Dialogue…

What Women Want:

- Life Solutions, Practical Application, Steps and Outcomes

- Considerations that tend to matter:
  - How it will provide security and stability during life and later
  - How it will protect me and loved ones from potential crisis
  - How it will serve my needs in providing for lifestyle
  - What resources, products or services will help build a strong safety net
  - How the financial professional will help
  - What I do to make it happen

Setting the Stage for Success

Successful Strategies May Include:

- Small groups
- Single gender seminars
- Listen and Help

Potential Pitfalls

- Too much talking
- Stereotypical Analogies
- Using Jargon
- Too personal

Special Planning Considerations

- **Planning for the unexpected**
  - Divorce
  - Surviving Spouse
- **Women business owners**
- **Social Security Compromise**

Financial Considerations for the Unexpected: Divorce

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Why It's Important

- The probability of a first marriage reaching its 20th anniversary was 52% for women*
- "Gray Divorces" – couples over the age 50 have been estimated to have doubled in the last 20 years**
- **Certainty a new advisor will be needed**

*National Health Statistics Report, "**First Marriages in the United States: Data From the 2006–2010 National Survey of Family Growth", Number 49 March 2012**

**National Center for Family and Marriage Research, Bowling Green University. The Gray Divorce Revolution: Rising Divorce Rates for Middle Aged and Older Americans, March 2012

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Important Considerations

- **Review title of all assets**
- **Changes to cash flow budgeting**
- **Tax considerations**
  - Tax status change
  - Effect of alimony/child support
  - Asset distribution
- **Review credit statements report**
- **Retirement planning**

Creating an Income Plan

- **Understand how expenses change today and in retirement**
- **Review all sources of income**
- **In retirement**
  - Non discretionary expenses should be covered by guaranteed income

Annuities could meet multiple retirement goals

- Guaranteed income for life
- Investment Options
- Death benefit options

Basic Retirement Income Plan

retirement income
worksheet

Getting Started

Work with your clients to determine what their annual expenses will be and divide them into non-discretionary and discretionary spending. Try to determine—as closely as you can—their personal savings.

This retirement income worksheet can help your clients:

- Determine where they stand today,
- Consider the uses of available resources, and
- Learn how to convert personal savings into retirement cash flows.

The worksheet uses a two step process.

STEP 1 allows you to determine whether or not guaranteed sources of income will provide enough money to cover non-discretionary spending needs during retirement. If the non-discretionary expenses exceed the guaranteed income, there will be a need for additional funds. The amount of additional money needed is your client's annual income gap. You can then look to personal savings to fill this gap by purchasing a long-term financial product that will provide cash flow for life. Additionally, since inflation means the need for more money in upcoming years, an inflation multiplier is provided, assuming a 3% rate of inflation.

STEP 2 takes the amount of personal savings left over after covering the non-discretionary spending needs and divides it by the client's life expectancy. The result is how much the client can spend each year on discretionary items.

If the amount is less than what the client indicated they wanted, you can suggest that they delay retirement and/or increase savings.

If the amount is higher than they wanted, allocate a portion to increased spending and a portion to risk management items such as long-term care premiums or Medicare supplemental programs.

Once the annual discretionary spending amount is established, personal savings can be then divided into three broad asset class "buckets."

- Two years of discretionary spending is allocated to cash.
- Five years of discretionary spending is allocated to bonds (preferably a five-year bond ladder).
- All remaining savings are allocated to an equity bucket (stocks, mutual funds, protected equities, etc.).

Systematic withdrawals utilize all three buckets and are made as follows:

- First year distributions are made from the cash bucket. At the end of the year the cash bucket is replenished from the bond bucket. If the market is up that year, the bond bucket is replenished by the equities bucket (shares are sold in the amount necessary to refill the bond bucket). If the market is down that year the bond bucket is not replenished.

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retirement income worksheet

STEP 1

Client Name	
Representative Name	

Retirement Budget	
Personal Savings	$
Non-Discretionary Spending – page 1	$
Discretionary Spending – page 2	$

Non-Discretionary Spending – How much do I need to guarantee?

1	Identify personal savings (i.e., IRAs, investment & savings accounts and qualified plans excluding pensions)	**1. Personal savings**	$____
2	Determine annual non-discretionary spending needs (i.e., insurance costs, medical costs, mortgages, utilities, transportation, food, and living expenses)	**2. Annual non-discretionary spending need**	$____
3	Identify amount of the annual guaranteed sources of income (i.e. Social Security, pensions, etc.)	**3. Guaranteed annual income amount**	$____
4	Identify annual income gap Guaranteed annual income amount (# 3) - Annual non-discretionary spending need (# 2) Annual income gap	**4. Annual income gap**	($____)
5	Identify inflation-adjusted amount to be invested in a product offering guaranteed cash flow for life (i.e., a living benefit product). This amount will be taken from personal savings. Annual income gap (# 4) ÷ ____ (amount guaranteed by product) Amount needed to be indexed to inflation × ____ (life expectancy inflation multiplier) Inflation-adjusted amount that goes to cash-flow-for-life product	Annual income gap (# 4) Amount guaranteed by product Amount to be indexed Life expectancy inflation multiplier ❑ 20 years = 1.34 ❑ 25 years = 1.44 ❑ 30 years = 1.56 **5. Inflation-adjusted amount that goes to cash-flow-for-life product**	$____ ÷ ____ % $____ × ____ $____

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retirement income worksheet

STEP 2

Client Name	
Representative Name	

Retirement Budget	
Personal Savings	$
Non-Discretionary Spending – page 1	$
Discretionary Spending – page 2	$

Discretionary Spending – How much more can I spend?

6	Identify remaining personal savings available for discretionary spending (i.e., vacations, second home, grandchildren's education, movies, and dining out) Personal savings (# 1) - Inflation-adjusted amount in cash-flow-for-life product (# 5) Remaining personal savings	Personal savings (# 1) Inflation-adjusted amount **6. Remaining personal savings**	$____ – $____ $____
7	Identify how much you can spend based on life expectancy Remaining personal savings (# 6) ÷ Life expectancy (should match years chosen in #5) Annual discretionary spending amount	Remaining personal savings (# 6) Life expectancy (# 5) **7. Annual discretionary spending amount**[1]	$____ ÷ ____ years $____
8	Allocate annual discretionary spending amount into three buckets: Cash = Annual discretionary spending (# 7) × 2 years Bonds = Annual discretionary spending (# 7) × 5 years Equities = Remaining personal savings (# 6) minus cash & bond allocations	**Cash allocation** **Bond allocation**[2] **Equity allocation**[3]	$____ $____ $____

1 Assumes that investment returns will be offset by taxes and inflation. Returns will be reflected in the discretionary income rising each year in tandem with inflation.
2 Investing in bonds may result in a loss of principal invested if liquidated prior to maturity or in the event of default.
3 There are certain risks involved with equity investing, including possible loss of principal invested.

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Retirement Assets

- Not necessarily a 50/50 split
- Remember access to before 591/2 may have tax consequences
- Investment/Risk profile based on indiv. goals
- Guaranteed income for life may be more important

Divorce settlement
The legal document that recognize the ex-spouses entitlement to a predetermined amount of assets

Qualified Domestic Relations Order (QDRO)
Used specifically for retirement accounts transfers due to QDRO are typically non taxable events

Social Security and Former Spouses

- **If you are age 62 or older, you may qualify for benefits on your former spouse's record if:**
  - Your marriage lasted at least 10 years; and
  - You are not currently married; and
  - Your ex-spouse is entitled to benefits
- **If your ex-spouse is not entitled to benefits there is the additional requirement that you have been divorced for at least two years**
- **Medicare eligibility works the same way as Social Security**
  - NO early option!

Former Spouses and Remarriage

- **Spousal Benefits**
  - Remarriage ends the right to collect spousal benefits on a ex-spouse's work record
  - If the subsequent marriage ends, the spouse may be eligible for benefits on the first spouse's work record
- **Survivor Benefits**
  - Remarriage **after age 60** does not prevent one from becoming entitled to benefits on your prior deceased spouse's Social Security earnings record.
  - Remarriage before you turn 60 and that marriage ends, you may become entitled or re-entitled to benefits on your prior deceased spouse's earnings record.
    - Benefits begin the first month in which the subsequent marriage ended

Final Thoughts for Divorced clients

Clients:

- **Exercise emotional sensitivity**
- **Beware of circular conversations**
- **Focus on achievable short term planning goals**

Business Builders:

- **Consider “divorce expert” planning designation**
- **Referral Opportunities**
  - Attorneys/CPAs
  - Other Advisors!

Financial Considerations for the Unexpected: Surviving Spouses

Why It's Important

- **Statistically women are living longer than men**
- **Emotional time**
  - Rash decisions
  - Procrastination
- **If planning relationship has not been previously established with *both* of the spouses the account is in jeopardy**

First Things First…

- **May require additional effort up front (data gathering)**
  - Bank statements
  - Tax returns
  - Legal/estate planning documents
- **Assessment of immediate expenses**
  - Medical bills
  - Funeral costs
- **Review beneficiary designations**
  - Avoid assumptions for deceased spouse
- **Insure temporary cash flow needs are met**
- **Review required paperwork to change the title on accounts**

The Bigger Picture - Inheriting Assets

- **Inheriting between spouses is a non taxable event**

- **Review all options**
  - Just because spouse can transfer assets to her own account doesn’t mean she always should
  - Disclaimers

- **Value of spousal continuation on annuity contracts**

Spousal Beneficiary Options

IRAs & Roth IRAs	NQ Annuities
Lump Sum	Lump Sum
Defer 5 years*	Defer 5 years*
Annuitize	Annuitize
Stretch – Inherited IRA	Stretch – Inherited Annuity
Treat decedents IRA as his/her own	Spousal Continuation
Rollover to surviving spouses own IRA	

*This option is only available if the original contract owner died prior to his/her Required Begin Date.

Social Security: Survivor Benefits

- **A surviving spouse will receive the higher of either their own benefit or their deceased spouse's benefit**
- **Requirements:**
  - The surviving spouse must be at least 60 years old.
    - The surviving spouse must be at least 50 years old if disabled.
  - You must be married for at least 9 months prior to your spouse's death.
    - There are exceptions for accidents.
- **Delayed retirement credits will pass on to the survivor**

Long-term Considerations for Surviving Spouse

- **Updated financial plan is needed**
  - Cash flow
  - Tax planning
  - Estate planning
- **Risk/Return profile may have changed**
- **Update beneficiary designations**

Financial Considerations for Business Owners

Women in Business

National Association of Women Business Owners Statistics:

- **Women Business Owners**
  - 10.1 million firms are owned by women (50% or more), employing more than 13 million people, and generating $1.9 trillion in sales as of 2008
  - Three quarters of all women-owned businesses are majority owned by women (51% or more), for a total of 7.2 million firms, employing 7.3 million people, and generating $1.1 trillion in sales.
  - Women-owned firms (50% or more) account for 40% of all privately held firms.

- **Million Dollar Businesses**
  - One in five firms with revenue of $1 million or more is woman-owned.
  - 3% of all women-owned firms have revenues of $1 million or more compared with 6% of men-owned firms.

Common Mistakes of Women Business Owners

- **Starting with too little capital**
- **Confining the business to the home**
- **Setting Prices too Low**
- **Avoid Sales and Selling**
- ***Not Hiring Help Needed***
  - Outsource Financial Planning

Women Business Owners – Retirement Planning

- If they got a late start may need to catch up
- Are looking for opportunities to save more than traditional DC plans
- Current cash flow is a factor in saving
- Consider the benefits of a Defined Benefit Plan

Defined Benefit Plan Basics

Defined Benefit Plan Rules – The Basics:

- Retirement plan that is designed and funded to pay a fixed future benefit, usually based on prior compensation
- Contribution amount is based on actuarially determined amount needed to fund the payment of the future benefit
- Contributions are mandatory for duration of plan existence
- At retirement, typically take lump sum and rollover to IRA
- Plan must be established by end of fiscal year – contributions must be made before tax return is filed for year

Defined Benefit Plans

Sample Contributions
(rounded to nearest $500)

Age	Retirement Age	Maximum Benefit (2013)	Initial Contribution
45	62	$200,000	$51,900
50	62	$200,000	$101,500
52	62	$200,000	$138,500
55	65	$200,000	$129,300
60	65*	$100,000	$178,400

*Benefit reduced because of years of participation

Source: Dedicated DB Services

Contract Structuring

- **Plan is owner and beneficiary of VA contract**
- **Plan participant is annuitant**
  - Annuitant is measuring life only and has no rights in contract prior to roll over to IRA
  - Contract information may not be shared with annuitant
- **If contract provides living and death benefits then separate contributions required for each contract – no pooling of money**
- **For pooled assets a variable annuity designed for accumulation may make sense**
- **Contributions must be made by check from the plan/trust – cannot use checks from employer's account**

Advantages of Using a VA with guaranteed income benefits to Fund a DB Plan

- **Most optional benefit * are available to the individual if the contract is rolled over to an IRA at separation from service or termination of plan**
- **Benefit base will rollup while annuity is in plan and rolls out with no loss of benefits**
- **Guaranteed income for life if Guaranteed Income Benefit is selected and exercised after rollout**
- **Death benefit available to IRA beneficiaries after rollout**
- **Potential for combining guarantees with market participation, depending on investment choices selected**
- **Annual funding based on prior year's contribution**

*Optional benefits are available for an additional fee.

Clients investing in a variable annuity through a tax-advantaged retirement plan, such as an IRA, will not get any additional tax advantages from the variable annuity. Under these circumstances clients should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection.

Social Security Compromises

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Proactive Social Security Strategy

The Facts:

- Sally & Bob are married
- Bob wants to start collecting Social Security at 62
- Sally wants Bob to wait to maximize the survivor benefit
- When Sally is 62, she is either not covered, has a small benefit, or is taking a spousal benefit
- Objective: Funding projected difference in survivor benefits

Proactive Strategies

Considerations:
Bob's benefits:

Retirement Age	Monthly Social Security Benefit	Annual Social Security Benefit
62	$1,500	**$18,000**
66	$2,000	$24,000
70	$2,600	**$31,200**

Important note – Figures on Social Security benefit statements are in present day dollars

The goal is to create a source of guaranteed income that can potentially replace the $13,200 difference in potential future survivor benefits

What Is a Variable Annuity?

- A variable deferred annuity is a long-term financial product designed for retirement. Simply stated, an annuity is a contract between you and an insurance company that lets you pursue the accumulation of assets through asset allocation and customized investment portfolios, and an optional guarantee, available for an additional fee. Asset allocation helps spread your investment dollars across different asset classes, to help manage risk and enhance returns. Asset allocation does not guarantee a profit or protect against a loss. Through customization you choose according to your risk tolerance. The goal is to select a mix of asset classes that will help you meet your long-term investment goals. Your portfolio is professional managed and closely monitored, including your portfolio's performance and remains consistent with your investment goals. Ultimately, you pay an insurance company and in turn, the company agrees to provide lifetime income or a lump sum from your accumulated assets.

What You Should Know About Variable Annuities

- There are fees and charges associated with variable annuities, which include mortality and expense risk charges, administrative fees, investment management fees, withdrawal charges, and charges for optional benefits. In addition, annuity contracts have exclusions and limitations.
- Withdrawals are subject to ordinary income tax treatment. Early withdrawals may be subject to withdrawal charges, and, if taken prior to age 59½, a 10% federal income tax penalty may apply.
- Withdrawals will reduce the death benefit, living benefits and cash surrender value. Withdrawals will come from any gain in the contract first for federal income tax purposes.
- Variable annuities are subject to investment risks, including the possible loss of principal invested.
- Guarantees described herein are subject to the claims-paying ability of the insurance company and do not include the variable investment options.

Social Security Compromise

Making it Work for Bob and Sally…

- Annual Shortfall = $22,500 (FV of $13,200 at 3% inflation for 18 years)
- $22,500 ÷ 5% (income benefit) = $450,000 needed in VA in 18 years
- Consider investing $187,000 in VA at age 62 (PV of $450,000 at 5% roll up)

Outcome:

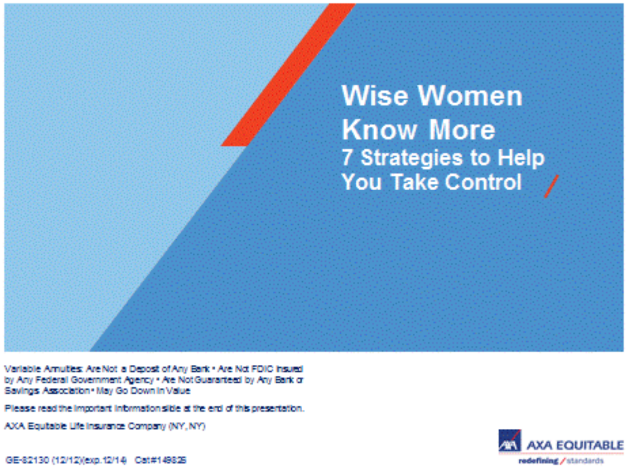
- Bob can begin collecting his benefit at 62 and Sally can have confidence in her retirement income after Bob passes

Getting Started & Taking Action

- **Creating a female friendly practice requires an honest look in the mirror**
  - When in doubt ask existing clients
- **Review Practice Management Best Practices**
  - Utilize the AXA Broker Guide
- **Understand Planning Strategies**
  - Divorce/Surviving Spouses
  - Considerations for Women Business Owners
  - Social Security Compromises
- **Leverage Resources**
  - Wise Women Know More – Client presentation

Additional Resources

- **AXA Advanced Markets**
  - Wise Women Know More FINRA approved client seminar
  - Broker guide
  - **800-316-9981**



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Important Information

- *Your clients should consider the charges, risks, expenses and investment objectives carefully before purchasing a variable annuity. For a prospectus containing this and other information, please contact 888517-9900. Your client should read the prospectus carefully before you invest or send money.*

- Variable annuities contain certain restrictions and limitations. Please read the prospectus for complete details.

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