ARKĀGOS ADVISORS

The Gender Investing Gap – Planning for the Future While Managing Risk

Retirement planning is a lot like mapping out a once-in-a-lifetime vacation. There's a new destination, a timeline, and a budget. But without proper planning, it can turn into an unpredictable, unenjoyable journey. For women in particular, establishing risk tolerance, active investing, and avoiding inflation erosion will be the keys to having a great trip.

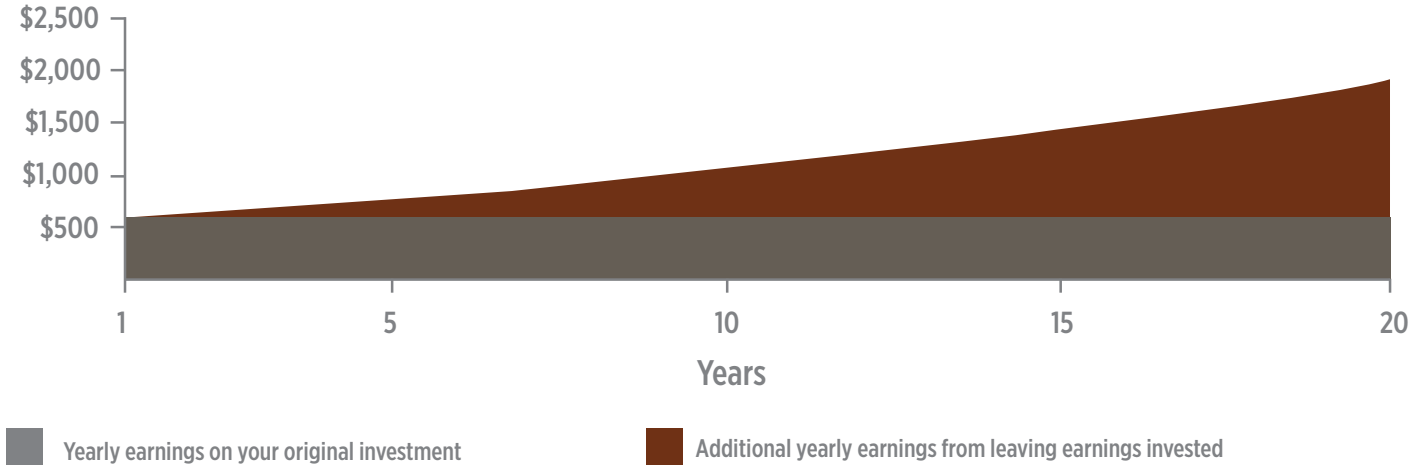
1. Inflation: Men vs. Women

Unlike men, women typically tend to save their money instead of investing it, making their vulnerability to inflation all the more damaging. With hiking interest rates and a broadly recovering economy, the re-emergence of substantial inflation has become a concern again. Overall, inflation can have a far more harmful impact on women's retirement income than long-term market volatility.

While many women continue to perceive saving as being more financially secure than investing, the fact is, the opposite is true over the long haul. That's why it's so important to identify the investment vehicles that will keep you on track towards meeting your financial plans. The goal is to experience the benefits of compounding earnings instead of letting your purchasing power wither in a savings account.

Fighting Inflation by Staying Invested

How much an investment of $10,000 can grow at an annual return of 6%:



Source: Vanguard

2. Risk: Systematic Investing vs. Saving

Constructing an investment portfolio that helps you achieve the financial goals you have for various time horizons involves taking a good, honest look at your tolerance for risk. When it comes to establishing your risk threshold, there are several types of risk to take into consideration:

- Market risk
- Inflation risk
- Longevity risk
- Liquidity risk
- Concentration risk

Revealing where each level of risk can affect you most is best identified by working with a Certified Financial Professional (CFP®). A CFP advisor can help develop a personalized, systematic investment strategy that emphasizes constant monitoring to ensure your portfolio stays aligned with your unique financial goals.

While planning for retirement is an important goal for women, you will also want to carefully consider the various financial goals you have for different times in your life and adjust your appetite for risk accordingly. Three major goals for women would be:

- Immediate emergency fund equal to 3 months of basic expenses
- Short to mid-term (2-20 years) goals for funding education, professional development, special vacation, or buying a home
- Long-term (20+ years) goals for retirement and long-term care

3. Planning: Making Investment Choices That Suit Your Goals Best

Now more than ever, women are becoming aware of how important it is to secure their own future through proper financial planning. They are reacting to how their experiences differ from men's (longer lifespans, different salary arcs, and the possibility of extended time off from work) and making investment choices accordingly. But many are still making up for lost time as compared to men.

Accounting for inflation and having the patience to wade through market corrections requires well-informed decision making. Diversification, constant monitoring, and rebalancing are important financial principals to consider when building a well-balanced portfolio that aims to mitigate severe losses and take advantage of market upswings—important long-term goals for women.

We suggest coordinating your financial planning with a CFP® because they are required to meet rigorous education and experience requirements, and they are held to the highest ethical and professional standards in the industry.

Paula Pass, CFP®
Arkāgos Advisors, Inc.
815 King Street, STE 211 | Alexandria, VA 22314
Office: 703-535-5921 | Fax: 703-299-0151
www.arkagosadvisors.com
paulapass@arkagosadvisors.com

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