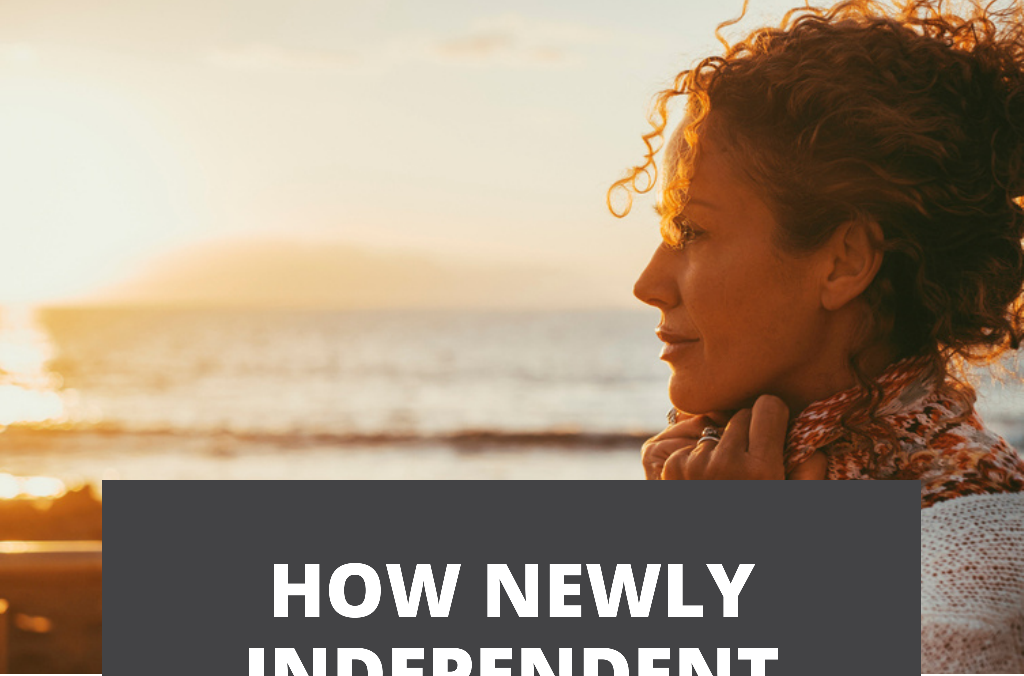

HOW NEWLY INDEPENDENT WOMEN CAN TAKE CONTROL OF THEIR MONEY

4 FOCUS AREAS TO HELP ACHIEVE YOUR LIFE'S GOALS

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Chapter 1:

Introduction

I have great respect for my mother, who raised me on her own. My parents divorced when I was young, and I recall my father being unable (or possibly unwilling) to help us financially. My mother struggled to make ends meet, often working two or three jobs. I was acutely aware of our financial challenges, and one decision she made left a lasting impression on me.

My mother felt it necessary to take out a loan from a local lending company, but that loan came with an excessive interest rate of 25%. Feeling grateful to get approved, she did not understand the total cost and the burden of paying it off.

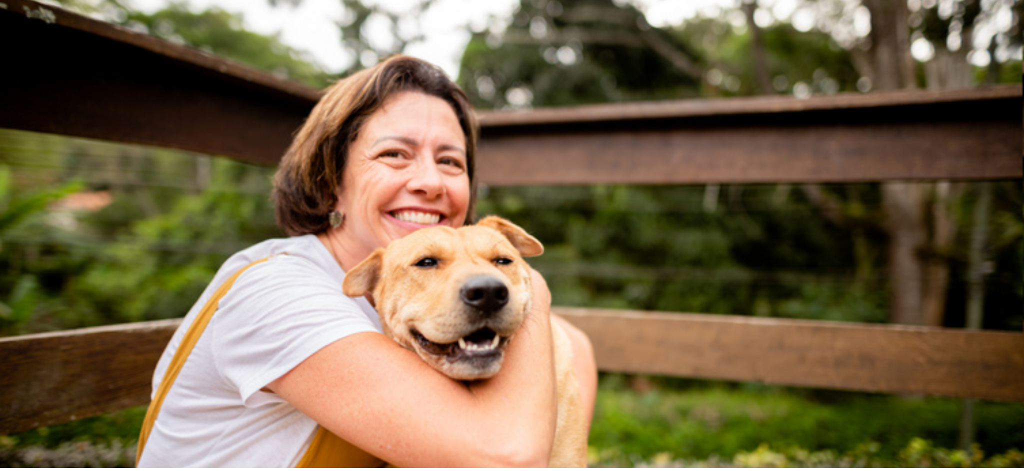
In the years after my mother took out that loan, I realized that many women, regardless of net worth, are vulnerable to predatory financial representatives. And when you are on your own, making a wrong decision can have lasting consequences. For this reason, I decided to help women who are newly independent and in charge of all the financial decisions for their families. Women who simply want to know their decisions are well-informed since so much is riding on them. Women like my mom.

This ebook is a financial primer for the newly independent. "Newly independent" is the term we use for clients who make all the household financial decisions on their own for the first time, often due to divorce or the loss of a spouse. This guide was written after years of experience working with newly independent clients, and it is intended to help you take control of your money.

For the clients I help in this situation, a lack of financial knowledge, understanding, or confidence often leads to feeling overwhelmed and not knowing where to start. This primer is intended as a first step on the path to financial independence, replacing your uncertainty with a sense of security.

For over 15 years, I have partnered with clients to help co-create a purpose-driven plan and help them commit to their goals. As a CERTIFIED FINANCIAL PLANNER™ (CFP®) practitioner who is a fiduciary at all times, I am committed to putting my clients' interests first. My specialty at HIGHLAND Financial Advisors, a fee-only independent firm, is wealth management for newly independent women.

I also recently discovered Savvy Ladies, a nonprofit organization that offers pro-bono financial help for women on a wide range of topics via a helpline. The goal of the organization is to empower women to take control of their finances by providing a professional network of support and guidance. I not only support this organization and look forward to volunteering in the future, I think of how a free financial helpline such as Savvy Ladies could have been so beneficial for my mother. To have a financial professional just a phone call away, to discuss important financial decisions, or to ask a question would have been a godsend for her.



Chapter 2:

The Stakes Are High to Get This Right

Immediately following a divorce or loss of a spouse, the financial stakes are high. In my experience, newly independent women are often uncertain about which financial decisions are time-sensitive and which should be delayed.

In her book, "Sudden Money," Susan Bradley emphasizes a "decision-free zone" following a significant life event. The purpose of a decision-free zone is to provide ample time for the emotional aspect of the circumstance to be fully processed, as emotions can affect financial decision-making abilities.

Without understanding which decisions are essential and which should be postponed, you may make hasty decisions, not realizing the long-term consequences. Or you may feel a sense of paralysis and procrastinate making critical, time-sensitive decisions.

In my experience, indecision leads to:

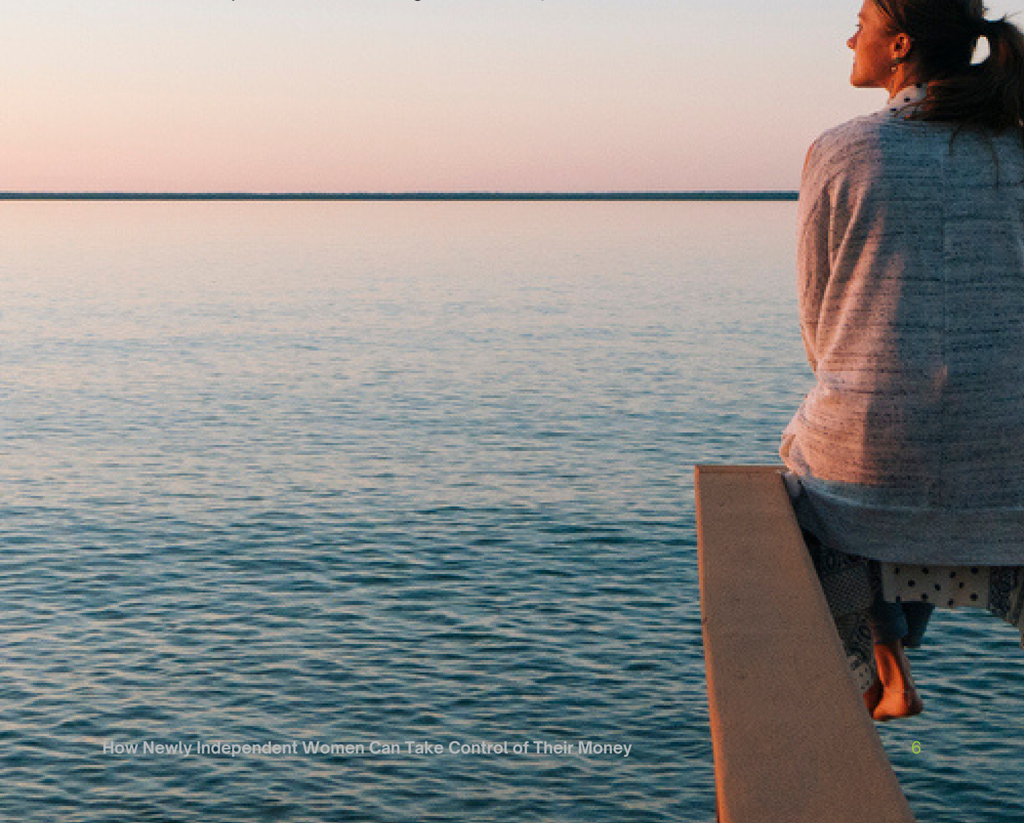
- An inability to maximize retirement benefits and understand plan choices
- Unpreparedness for your children's education
- Worry about future finances and anxiety about retirement

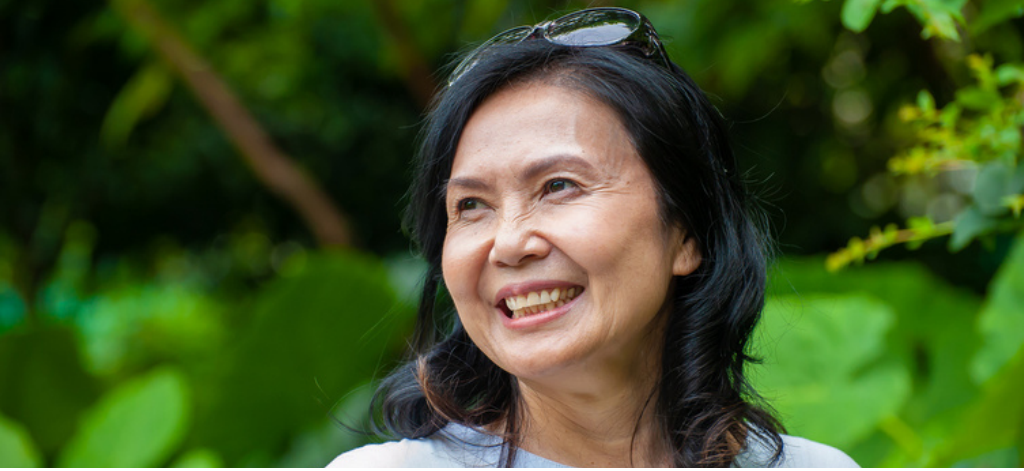
I have found that the best way to address this uncertainty is to provide clients with a structured financial planning process to analyze their financial situation and investments efficiently.

With a financial plan in place, some of the more time-sensitive tasks following a divorce or loss of a spouse can be addressed, such as:

- Retitling bank and investment accounts
- Drafting new legal documents
- Updating beneficiaries
- Reviewing all assets, liabilities, and income sources
- Notifying Social Security
- Notifying insurance companies

Simply put, everyone needs a clear understanding of the relevant facts when making important decisions, especially when it involves their family's future. Unbiased, accurate information and advice are what we help provide. It is vital to make clear decisions, especially for clients who may not have experience handling their family's financial affairs.





Chapter 3:

Know Your Financial Team

How do you know if the person you choose to work with is trustworthy and competent? In many industries, it is helpful to look at what certifications and credentials the person has.

HIGHLAND Financial Advisors is a fee-only, fiduciary firm, which means we are only compensated by the fee our clients pay us. We are not compensated with commissions for selling financial products or by referring clients to professionals in our network. We feel strongly that this structure helps minimize conflicts of interest. Regardless of whom you decide to hire, you want to ask and fully understand how your financial professional is compensated.

CERTIFIED FINANCIAL PLANNER™ professionals are financial professionals who have undergone extensive training, a rigorous certification process including passing the CFP® exam, and regular completion of ongoing continuing education requirements. Additionally, CFP® professionals are held to a fiduciary standard, meaning they have taken an oath to place the client's interests ahead of their own or the firm's.

The easiest way to locate a CFP® professional in your area is to go to www.letsmakeaplan.org. All Wealth Advisors at HIGHLAND Financial are CFP® professionals.

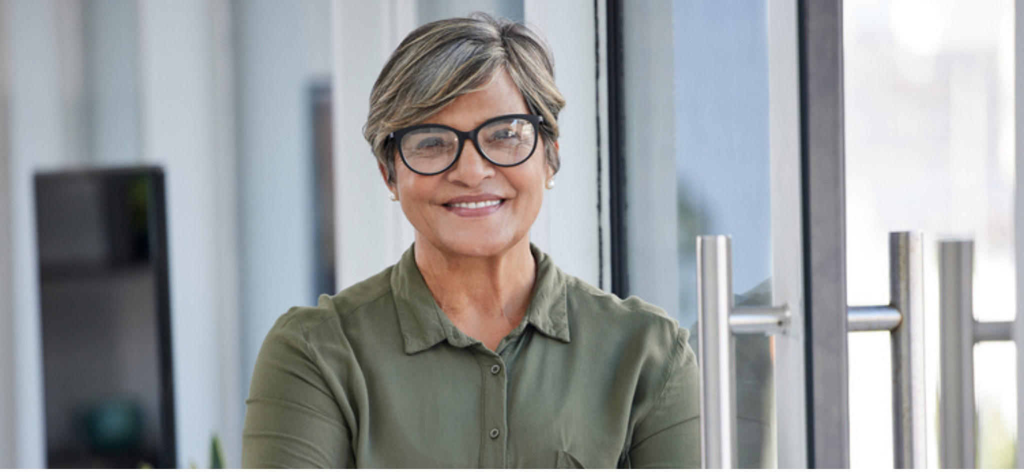
One of the real benefits of working with a Wealth Advisor who has the CFP® certification is their ability to know when to bring in other specialized professionals and speak a common language on your behalf across many disciplines, such as:

- Family law and estate planning attorneys
- Certified Public Accountants (CPAs) for personal and business tax issues
- Insurance agents in the areas of life insurance, long-term care, and annuities
- Real estate professionals specializing in clients who are newly single and divorced

After 30 years of helping clients reach financial independence, we have seen four areas of focus appear regularly:

- Retirement
- College
- Benefits plans
- Inheriting a business

I cover these four areas in the chapters to come.



Chapter 4:

Retirement

One of the primary concerns for clients after a divorce or losing a spouse is the impact that being on their own will have on their retirement plans. Beyond just knowing if you will have enough to retire, other questions arise, such as:

- Will I need to increase the amount I'm saving in my employer's retirement plan?
- Am I using the correct savings vehicles for a single person?
- As a newly single person, what Social Security options are best for me?
- How will being single or getting remarried affect my tax situation?

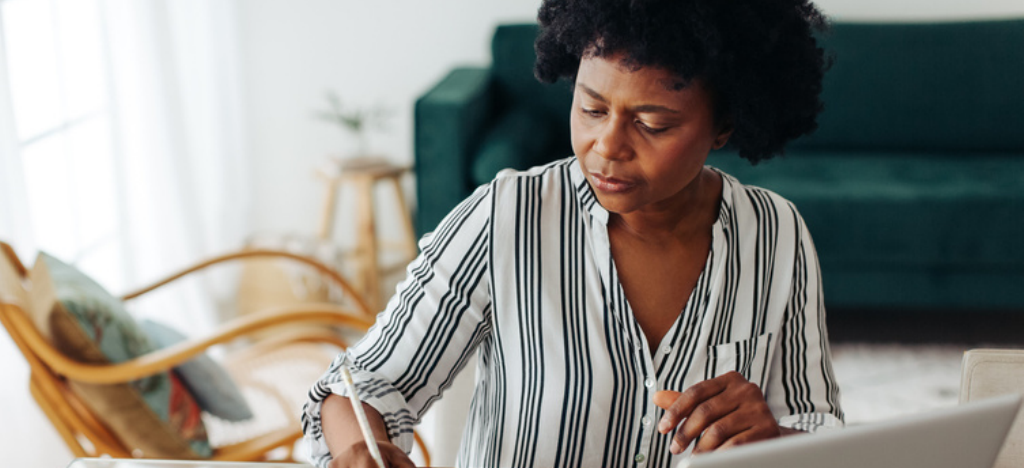
One of the initial steps we take to answering these questions is to get an accurate picture of a client's current cash flow. Like a patient's heartbeat during a doctor's exam, your cash flow is the pulse of your financial plan. This step helps ensure we have an accurate picture of your financial situation today to determine a plan of action for tomorrow.

Lastly, for clients going through a divorce, an ancillary benefit of our Discovery step is it provides all the needed information for the financial affidavit [known as the Case Information Statement (CIS) in New Jersey]. The financial affidavit is a critical document in divorce since it impacts all financial matters, such as alimony, child support, and equitable distribution.

The affidavit is a common pain point since it is time-consuming and requires detailed information on assets, liabilities, expenses, and income. While we are not attorneys, we can review and help complete the financial affidavit document with the data already collected during our initial planning. The discovery process can save significant time and headaches for clients.

Beyond creating an accurate cash flow for yourself, here are some other critical areas on which to focus:

- Set specific, measurable goals. If you have kids who plan on attending college, research the cost of the college they may attend. Or if you want to retire at 60 and travel, think about how many trips you plan on taking a year and what that may total. The more specific and detailed your life's goals are, the more effective your planning is. It doesn't mean you will automatically be able to achieve them all. Prioritizing goals and trade-offs is expected for most people.
- Pay off high-interest debt such as on credit cards. Here is an article I wrote, "Options to Handle High-Interest Rate Date After a Divorce," with ideas on how to lower the loan shark-like rates you are paying on any credit card balances.
- Save at least 10% of your income toward retirement, ideally using a tax-advantaged account like a 401(k) or IRA.
- Expect to need about 80% of your pre-retirement income in retirement. This amount can vary considerably depending on your lifestyle, but 80% is a good starting point when thinking about this.
- Register with Social Security at ssa.gov to view your benefits statement. Your benefits statement will provide the most accurate estimate of retirement, spousal, and widow's Social Security benefits to which you may be entitled.
- Establish an emergency fund for three to six months of expenses. The specific amount will depend on your circumstances.



Chapter 5:

College

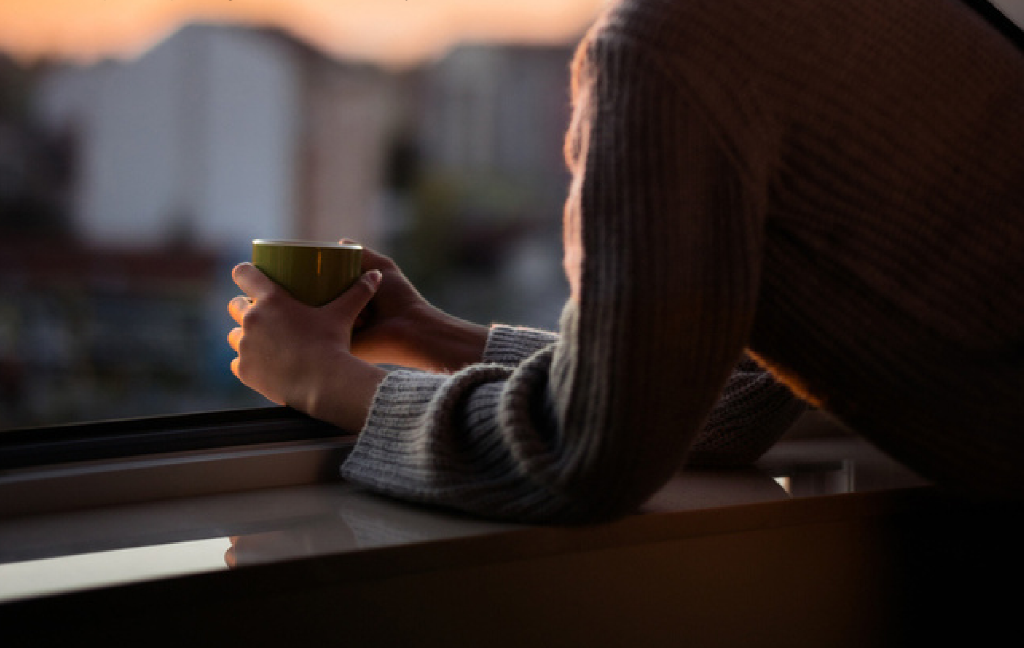
People who find themselves newly independent may wonder about the impact on their children's college plans.

Here are some essential points to consider:

- Know how alimony or child support plays into the Student Aid Index calculation (formerly known as the Expected Family Contribution). Whenever possible, minimize a student's assets and income, which are weighted more heavily in the financial aid calculation versus a parent's finances.
- Ensure your retirement savings are prioritized. There are no loans for retirement as there are for college education.
- After a divorce or loss of a spouse, there will likely be a significant drop in household income, requiring scaling back the college savings. The list of possible colleges may need to be reassessed based on the new family financials.
- Educate yourself on the many financial aid options (need-based and merit-based), scholarships, and college savings accounts. It is essential to ensure you maximize all available resources. An excellent book on this subject is "The Price You Pay for College" by Ron Lieber.

Ensuring a college savings plan will not compromise your financial well-being later in life is essential. That means making sure that enough is being set aside for your retirement and that college loans in the future are not excessive and burdensome.

At HIGHLAND, we have a unique Financial Literacy presentation for college-bound teens and young adults to provide personal finance basics. The presentation includes information on building credit smartly, choosing the right college to avoid excessive student debt, and which work retirement plans are worth participating in on that first job.



Chapter 6:

Benefits Plans

401(k), 457(b), 403(b), SIMPLE IRA, SEP IRA—the world of retirement benefit plans is an alphabet soup of letters and numbers. Knowing which programs are worth participating in if you are an employee and which plans to offer if you are a business owner is critical to maximizing your retirement savings.

We provide insight into which plans make the most sense for you. For example, if your employer offers both a traditional 401(k) and a Roth 401(k), we help you decide which is most appropriate for you, depending on your tax bracket, income level, and age. These decisions are crucial as they could translate into tens or hundreds of thousands of dollars in your retirement plan.

For client business owners who are now on their own, knowing what plan to establish for your business is one of the most important decisions you can make for retirement. You will want to review which plan makes the most sense based on your age, the number of full-time employees, and how much you can save.

For example, we have many clients who are sole business owners and have benefited from a Solo 401(k), allowing them to put away many thousands more toward retirement than an IRA alone would offer. Even among 401(k)s, there are options such as traditional or Roth–both have pros and cons, and you will want to educate yourself on both since your decisions could translate into a big difference in future retirement savings. We analyze your plan investment choices and will help guide you on your best options based on your goals and risk tolerance.

Beyond your retirement plan, several employer/employee benefits warrant a review for someone who was married and is now single:

- **Medical insurance plans:** Do changes need to be made, and what is the new premium amount? Is this reflected in your cash flow?
- **Disability coverage:** If children are involved, is coverage beyond standard employer coverage justified to protect against an unexpected interruption in income?
- **Life insurance:** Is additional insurance needed to protect against goals that are a priority, such as college funding or establishing trusts for minor children's living expenses?
- **Health savings accounts (HSAs):** If you use a qualified, high-deductible health plan, are you maximizing this benefit? An HSA provides a rare trifecta of tax benefits: a tax deduction for contributions, tax-deferred growth if invested, and tax-free withdrawals if used for qualified healthcare purchases.

Chapter 7:

Inheriting a Business

This last situation is a case study of how we help newly single clients. In this case, it involves a client who inherited a business from her late spouse.

When a newly single client inherits a family business, often due to losing their spouse, it is usually a double-edged sword. As a continued source of income for the surviving spouse, an inherited company can present an essential financial lifeline. It can also cause stress if the surviving spouse was not very involved with the business and has little formal business education.

Jodi's story highlights how we help clients in this situation.

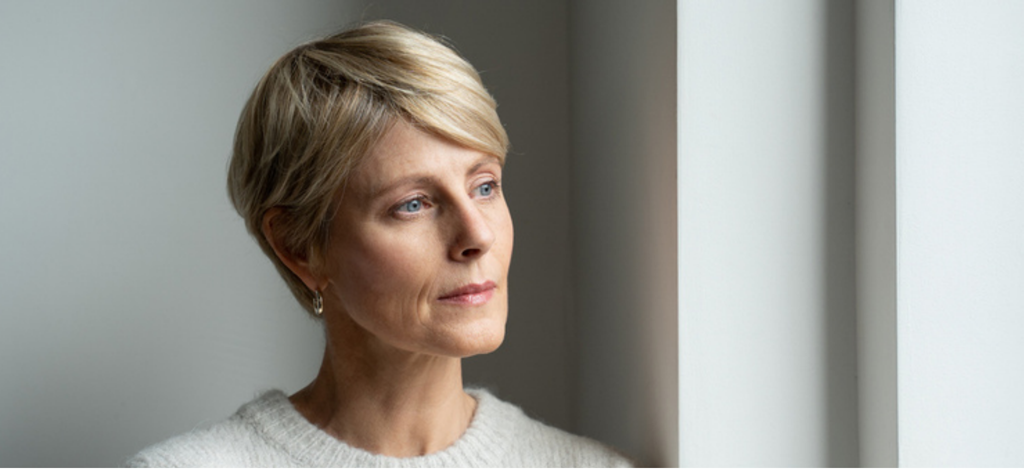
Jodi lost her spouse a few years ago and was working with a family attorney in our professional network to update her estate planning documents. Jodi mentioned to her attorney that she was recently sold a large amount of life insurance and was beginning to think it may not have been needed. She was concerned that the size of the life insurance policies was excessive for her financial situation and goals.

The attorney suggested she speak with us, which she did. In our initial meeting, Jodi shared that aside from the unneeded insurance, she had also been talked into several managed investment accounts by her local bank representative. In both instances, there was no mention of a financial plan for Jodi or any discussion about her short- and long-term goals. It was clear that both representatives had placed their priority on making a commission rather than helping Jodi. We explained how we work with clients and that we are fee-only planners getting compensated only by the fees clients pay us, which appealed to Jodi.

Early in our Discovery process, we realized that Jodi's gut feeling about the insurance being excessive was correct. We worked closely with our insurance broker to ensure she avoided any penalties from the insurance companies and canceled the unnecessary policies. Jodi ultimately saved several thousand dollars in annual premium payments.

Jodi also realized she needed help getting her arms around the family business her late husband had started. We began with an overview of the fundamental business structure. Then over several meetings, we helped transition her company employees from hourly to salary, provided a template for her to create an employee handbook, and spoke with her key employee about possibly buying into the business in the future. Finally, we connected her with a local consultant to help clean up and redesign her accounting management system.

Jodi's determination to learn the business, along with our guidance, has allowed her to execute her business ideas, build confidence with her gained knowledge, and take control of the business's future while honoring her late husband's legacy to the family.



Chapter 8:
Getting Started

Being suddenly on your own and in charge of all financial decisions can be daunting. Ironically, the more you educate yourself financially, the more you realize the magnitude of certain financial decisions—a realization that can be overwhelming.

Having someone in your corner helps you stay focused on your long-term financial plan and increase your odds of success. Collaborating with a professional may help you overcome these common objections:

"I'm too inexperienced to handle my finances."

It can take a lot of time to acquire all the necessary knowledge and understanding through self-education with books, podcasts, and financial websites. Leaning on a professional's experience and financial expertise could save you time and money in the long term.

Most people do not cut their hair; they trust a pro to do that. However, if you did try to cut your hair and made a mistake, you know it will grow back. If you try to manage your investments and make a mistake, your money may not have the time to grow back by the time you need it.

"I'm too worried about making a mistake."

Many have shared that their fear of making a wrong decision leads to no action. Going through our newly independent financial planning process, developed over three decades, has proven helpful for women experiencing paralysis. Taking things one step at a time together has led to building confidence and overcoming a sense of hesitation when making financial decisions.

"It all seems overwhelming, so I'm hoping for the best."

Hoping for the best is not a financial plan. Benjamin Franklin said, "If you fail to plan, you are planning to fail." By having a plan in place, you will have structure around your finances and feel confident knowing how much you should save and how much you can spend.

Your financial plan is also your foundation that guides your investments. When markets are volatile, knowing you have a financial plan to help you reach your life's goals can provide the peace of mind needed to ride out periods of uncertainty.

The First Step

Finding yourself in a newly independent chapter of life and making financial decisions alone doesn't have to be overwhelming. We can help you take the first step confidently on your path to financial freedom. For over 30 years, we have been helping people who are newly navigating their family's finances. As the newly independent specialist at HIGHLAND, I look forward to hearing from you.

If you would like to learn more and schedule an introductory call with me to learn how we can help, visit www.highlandplanning.com/newly-independent-women.

All my best on your path to financial freedom!

Joe Goldy, CFP®
Wealth Advisor
Newly Independent Specialist

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