



Cents and Sensibility

A Guide to Sustainable Financial Independence: A Series

Part 1 of 6 (Early Career)

During the month of March, we celebrate Women’s History Month to acknowledge the social, economic, cultural and political achievements of women. This year’s theme for the month is “Moving Forward Together! Women Educating & Inspiring Generations”.

Women are poised to receive the largest wealth transfer in history, with an estimated \$30-68 trillion expected to flow to them over the next two decades¹. As Baby Boomers pass their assets down, this transfer represents a pivotal opportunity for women, who have historically faced systemic barriers to financial independence. However, studies show women remain significantly less confident about investing and financial planning than men, despite often living longer and facing unique challenges like career interruptions for caregiving. As inheritors of substantial wealth, women must prepare by building financial literacy, establishing relationships with trusted advisors who respect their autonomy, and creating strategic plans that align with their values and long-term goals. Without adequate preparation, this historic transfer of wealth could perpetuate existing gender disparities rather than serve as the transformative economic equalizer it has the potential to be.

In celebration of women, we will be releasing a series of articles aimed at helping women achieve greater financial independence and understanding throughout every major life stage to prepare for this wealth transfer – starting with a focus on the early career years.

We encourage every woman to start actively and frequently engaging in financial conversations with your spouse, your children, and of course your BLBB advisor.

6 steps to establish a strong foundation

Women today not only account for the majority (59%) of undergraduate degrees, 63% of master’s degrees,

and 57% of all doctorates,² they make up nearly half (47%) of the entire US workforce.³ Women control 85% of all consumer purchase decisions in the US⁴ and by 2030 will control trillions of the nation's assets.⁵

It is an unprecedented level of financial empowerment, and one that's expected to ramp up even further over the coming years for women. With this newfound economic power comes a tremendous opportunity to build a foundation of wealth to support you, your family and the causes you care about. And it all starts with forming good financial habits early in your career – with a particular emphasis on the following:

1. **Focus on your credit** –The strength of your credit rating could impact your financial access, flexibility and power. If you want the lowest interest rates and best possible terms on a mortgage, car loan, credit card or business line of credit, you will need a strong credit history. Landlords will check your credit before renting you an apartment. Even prospective employers may factor a credit check into their hiring decision depending on the industry and position.

But what steps can you take to establish or even strengthen your credit rating? Pay your bills on time every month, monitor your credit report and check its accuracy, pay your credit card balances in full, and keep your total utilization to less than 30% of the credit that you have available.

2. **Build an emergency fund** –Set aside enough money to provide a safety net in the event of a job loss, sudden illness or accident. Ideally, this should be a separate account with enough funds to cover 6+ months of household expenses. Keep it in an interest-bearing money market or savings account – something that can be accessed easily without incurring taxes or penalties.

Pay yourself first. Start by setting aside a fixed amount each month prior to paying your bills and other monthly expenses. To help build your savings faster, you can deposit a portion of each year's tax refund (or any annual bonus you receive) into this account.

3. **Start saving for retirement now** – You have seen the data that women make less than men but have a longer life expectancy. Add in any potential time out of the workforce to care for children or aging adults, and it can feel like an uphill climb to put away enough for a comfortable retirement. The key is to start saving early and let the power of compounding do the work for you.

If your employer offers a retirement plan, contribute the maximum deferral amount. Contributing a few percent more each paycheck will only have a minimal impact on your take-home pay but can really add up overtime. Additionally, take advantage of your employer's FSA or HSA (if they offer one) to put away tax-deferred money to pay for future healthcare costs.

4. **Budget more effectively** – Created thoughtfully, budgets are simple tools that can be empowering rather than restrictive. Think of a budget as your personal spending plan that helps you balance short- and long-term goals, as well as prioritize monthly expenses that are needs (e.g., rent, utilities, food, transportation) over other expenses that are merely wants.

Once you have set some quantifiable goals, start tracking where your money actually goes on a weekly and monthly basis. Then, after building up a few months of data, analyze your spending patterns and look for adjustments you can make to spend smarter.

5. **Pay down any student loans** – The longer a significant chunk of your income is eaten up paying back student loan debt, the less you will be able to contribute to your retirement plan, the longer it will take to save up enough for the down payment on a new home, and the more hesitant you will likely be to take on risk with your investments.

If you have multiple student loans, explore ways you may be able to consolidate them into a single loan payment. Not only will this simplify the repayment process, depending on interest rates, it might reduce your monthly payment. Keep in mind that along with a standard 10-year repayment plan, federal student loans offer alternative repayment options (including extended, graduated and income-based plans).

6. **Understand all your employee benefits** – While most of us tend to focus on retirement savings plans, medical and dental insurance, there may be other valuable employee benefits you can take advantage of. Many companies provide reasonably priced group term life coverage (often a percentage of the employee's annual salary) as well as some short- and/or long-term disability insurance coverage for their employees.

Additionally, as mentioned earlier, consider funding a Flexible Spending Account (FSA) or Healthcare Spending Account (HSA) through your employer, if available. These accounts allow you to contribute pre-tax dollars (like your retirement plan) which can be used for future eligible medical and/or dependent care expenses. Other employee benefits available may include paid time off (PTO), tuition reimbursement, and flexible work arrangements.

A more confident financial future starts with just a few simple actions – things you can begin doing today to set the stage for success. And our advisors are here to help. These steps are valuable for all genders, but we understand that there may be certain financial planning and investment challenges that are unique to women. Share this series with the women in your life and be on the lookout for our next piece which will focus on the Career Growth and Peak stage of your financial journey to independence.

¹<https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>

² <https://www.forbes.com/sites/michaeltietzel/2024/08/07/women-continue-to-outpace-men-in-college-enrollment-and-graduation/>

³ <https://www.pewresearch.org/short-reads/2024/02/27/for-womens-history-month-a-look-at-gender-gains-and-gaps-in-the-us/>

⁴ <https://www.cnbc.com/2024/10/24/great-wealth-transfer.html>

⁵ <https://www.forbes.com/sites/digital-assets/2024/03/07/who-runs-the-world-women-control-85-of-purchases-29-of-stem-roles/>



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