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OLDER WOMEN AND CHALLENGES OF WEALTH

BY FRAN HAWTHORNE

Knowledge of her family's finances helped Jill DeVaney emerge successfully from a divorce two years ago. Now a semiretired interior designer, Ms. DeVaney, 63, said, "I think I've got 25 more good years."

During her 35-year marriage, Jill DeVaney earned significantly less than her husband, a television executive, but always handled the family finances. So when the couple divorced in 2012, splitting assets worth "several million dollars," she said, "I knew where the money was."

Now a semiretired interior designer in Chicago, Ms. DeVaney, 63, has hired a financial advisory firm that specializes in female clients, bought a three-bedroom townhouse and a Porsche, and traveled frequently with her daughter, Britt, 25. "I think I've got 25 more good years," she said with a laugh.

As a woman nearing retirement age with substantial assets, Ms. DeVaney has plenty of company. In part that trend is thanks to gains made in her generation, when barriers to higher education, prestigious professions and credit began to fall, and to demographic factors like older baby boomer women outliving their husbands.

Nearly one million women in 2007 had assets of at least $2 million, a number comparable to the 1.3 million men at that level, according to estimates in the Internal Revenue Service's Winter 2012 Statistics of Income Bulletin, which does not have such figures from earlier periods. The women in this group tended to be older than the men; nearly 80 percent were 50 or older versus fewer than 70 percent of men.

To some degree, this lucky group shares the same concerns as wealthy older people of both sexes throughout history, including complex investment choices and the risk of financial swindles. But some of the challenges and circumstances represent uncharted territory.

"We don't have a lot of women role models who are older than us," said Caren R. Levine, 55, a financial planner in Philadelphia with MassMutual Financial Group.

The proportion of women 65 and older who were divorced tripled to 12 percent in 2008 from 4 percent in 1980, according to "The Gray Divorce Revolution," a 2013 report by Susan L. Brown and I-Fen Lin, sociologists at Bowling Green State University in Ohio. For younger wives who are raising children, divorce often leads to worse economic straits. But women like Ms. DeVaney — whose children are grown, who have substantial marital assets to split and who have stayed informed about those finances — may find consolation in being in sole control of six- and seven-figure settlements.

For boomer-age women who stay married, there could be a double inheritance: from their thrifty, Depression-raised parents and from their husbands.

Yet since women's life expectancy is typically around five years more than men's, according to United States census data, "by definition, their wealth has to last longer," said Judy Slotkin, a New York metropolitan area market executive at U.S. Trust.

The Employee Benefit Research Institute in Washington estimated last year that just to have a 50-50 chance of covering future health costs, a 65-year-old man would need at least $65,000 in savings, while a woman the same age would need $86,000.

If they outlive their partners, moreover, women may need to hire caretakers. These same women are likely to have already devoted years to caring for their parents, spouses, other less wealthy relatives and so-called boomerang children who return home after college if they cannot find jobs.
"Women are generally seen as the caretakers in the world, and it certainly falls on high-net-worth women because they have the resources," said Molly McCormack, a senior wealth management adviser at TIAA-CREF.

Even for the rich, such obligations can be a financial burden as well as an emotional one. Although Medicare may cover most medical costs for older adults, that still leaves expenses like co-payments and home health aides, in addition to the caretaker's travel and lost work time.

Ms. DeVaney estimated that she spent $1,250 a month on food, medical care, classes and other expenses for her daughter during the year and a half that Britt lived with her while trying to establish an acting career. Britt DeVaney now has her own apartment and plans to attend law school.

Because the rise of women in business ranks is still recent, wealthy women face a lingering perception that they are sweet old things who don't understand money — whether the attitude comes from financial swindlers, greedy suitors or well-meaning male relatives.

"It is not uncommon for family members to come to the 'assistance' of widows" whose husbands always handled the finances, said Renee Hanson, a Phoenix-based planner with the financial-planning firm Ameriprise. In recent years, she has helped two Arizona women, one in her 50s and the other in her 60s, take control of seven-figure inheritances that a son and a brother had stepped in to try to manage.

Jean Setzfand, AARP's vice president for financial security, said even a 77-year-old retired nuclear physicist in Virginia was fooled three times by phishing links sent from friends' hacked email addresses. "I don't know if women tend to communicate more with friends and are more susceptible to clicking on bad links," Ms. Setzfand said.

But the caricature of the financially ignorant grandma is disappearing, said Terry Savage, a financial columnist and co-author of "The New Love Deal," a book about the money issues in romantic relationships. "I don't think that applies to the woman today who's reached age 50 and made her own money," she said.

To help wealthy women prepare for the long term, two pieces of advice are almost universal: Buy long-term care insurance and shift enough assets into an annuity or another financial product to provide a steady income stream roughly equal to expected expenses.

In addition, these women can optimize Social Security payments by coordinating with spouses on how and when each claims benefits. Such women can probably afford to delay taking Social Security payouts until they reach the maximum amount at age 70, assuming they are in good health, said Anna M. Rappaport, president of a retirement consulting firm in Chicago and a past president of the Society of Actuaries.

"As you get older, you may have more cognitive problems," she added, "so put into place a structure that requires less managing." One suggestion is to pay off the mortgage early.

Perhaps surprisingly, many experts say that the longer life span does not necessarily mean women should use a different investment strategy than men. That is because "asset allocation should align with a person's values, goals and risk tolerance" more than longevity, said Ms. Hanson of Ameriprise.

Especially if a woman has an annuity to guarantee some income, Ms. Setzfand of AARP said, "that should give you a little more sense of security so that you should become almost more risk-loving," although usually older investors are urged to minimize risk.

Like Ms. DeVaney, many women get help in managing these hefty sums from professional advisers who specialize in female clients. These advisers can, for example, caution women in the throes of a new romance by suggesting legal protections like prenuptial agreements, trusts for their children and documents specifying the amount each partner will contribute toward maintaining their household.

Of course, the picture is not all bleak. Not only does money itself buy some happiness, but the women also bring the strengths that helped them build their wealth.

"This group of women are trailblazers," Ms. Slotkin said. "They've become forces as business owners in their communities, they've accumulated wisdom along the way, and they're determined to use that wisdom."