WOMEN & WEALTH

Where to begin?

At Calamos Wealth Management, we believe that manifesting wealth and stewardship over its influence is not gender bound. Our Women & Wealth initiative was established to empower women with knowledge and encourage their active participation in defining the financial future for themselves and for those they care about.

This paper was written as a primer for women who may be new to managing wealth or need convincing that taking a direct role in engaging with our advisors is important and necessary — and helping answer the question of "Where to Begin?"

Don't Let a Word Define You

Women often think of "wealth" as a concept that does not apply to them. They think of Warren Buffett or Bill Gates, instead of the world's wealthiest woman, Alice Walton. To be fair, the world's richest man is Amazon founder, Jeff Bezos, valued at $112 billion, nearly 2.5 times more than Walton, the only daughter of Walmart founder Sam Walton. Bill Gates and Warren Buffett round out the top 3 with $90 billion and $84 billion respectively[1].

Anita Knotts, Senior Vice President of Calamos Wealth Management explains, "To many women, the word "wealth" may sound elitist, unattainable; something reserved to reference a Rockefeller or Carnegie. And, in terms of managing wealth, women may see it as unapproachable because they don't understand the financial jargon or view the investment industry as a male-oriented domain." These perceptions, however, are in sharp contrast for what should be understood as we prepare for the cultural shift that is about to happen.

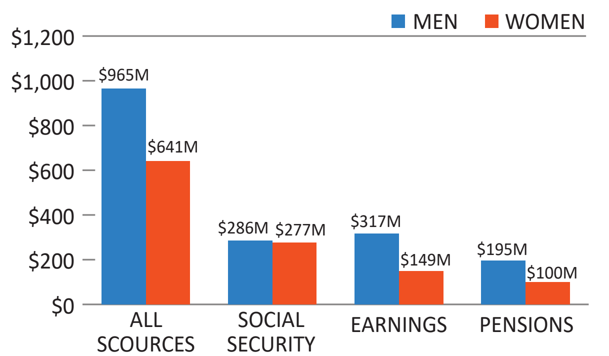
The holders of future wealth is shifting demographically. The next generation of women is poised to earn a greater share of the nation's incomes. Millennials are benefiting from a shrinking wage gap and entering the workforce in record numbers. Female professionals are also having longer careers, filling more leadership roles and earning higher salaries than their mothers and grandmothers did. Women today control 51% of personal wealth and are the primary source of income in 40% of U.S. households[2].

Not only are women earning more, they are receiving more wealth. Women, on average, live 3-5 years longer than men and are often younger than their husbands. It's likely many will become the sole financial decision-maker in their household. The average value of inheritance is also growing. Amongst all households, between 1989 and 2007, wealth transfer sum increased by 10 percent[3.] An estimated $30 trillion in assets is expected to transfer from the baby boomers to their heirs. Whether comfortable with the term or not, women and "wealth" are going to be mentioned in the same breath for the foreseeable future. The CFA Institute projects that in the next 5 years, the global income of women will increase from $13 trillion to $18 trillion. So why aren't there more women ascending the ranks of overall wealth?

Although women are working towards closing the gender wage gap, the wealth gap is seeing much less movement. Since 1980, the gender pay gap has been steadily shrinking for the years of employment for women - from 66 cents to 82 cents on the dollar.[4] By retirement, however, a women's aggregate income from all sources reverts back to values we saw during the 1980s.

According to a 2015 Joint Economic Commission Study (Figure A), at the age of 65, the income received by women is two thirds of what their male counterpart's earn[5]. There are many reasons the vast divide persists. One factor may be that women, instinctually are more risk-adverse, and therefore more hesitant to invest their increasing wealth in potentially higher earning instruments (e.g. mutual funds, stocks, etc.).

Figure A. Aggregate Income For Men and Women 65+



Source: JEC Democratic staff calculations based on data from the U.S. Census Bureau, Current Population Survey, 2015 Annual Social and Economic Supplement

So why are they turned off by the word "wealth?" The management of wealth and language around it can be very different for male versus female investors. Mohini McCormick, a Sr. Wealth Advisor at Calamos Wealth Management explains, "Men are more than likely to "gamify" the act of managing wealth, trying to beat indexes and cross the finish line with the largest sum. Whereas women are more concerned with what their money will allow them to do, such as start a business, spend more time with family or care for an aging parent. With them, the conversation around risk and preservation of capital is a much easier one to have. The term "Wealth" therefore, is a bit out of sync with what they may be thinking in terms of their money."

Taking Steps Toward Managing Wealth

As women realize that management of wealth is something to be viewed as a personal responsibility – the logical question is "Where to Begin?"

The first step is education. Some women may be intimidated by the male-dominated financial services industry. The Bureau of Labor reports that 31 percent of financial planners are women. And, of those, only 23 percent are Certified Financial Planner™ Professionals (CFP® certificant) – a percentage has remained stagnant for the past 10 years.[6]

Therefore, finding a female advisor may be the first hurdle to investing if one is apprehensive about starting the conversation with a male advisor. Women advisors are out there! At Calamos Wealth Management as well as other future-focused firms, there is a more conscious effort to get ahead of demographic shift and hire more women advisors.

Education begins through conversations with an advisor, where you'll determine the future plan for your money. You'll discuss what is important to you, your aspirations, what concerns you may have and what you may want to pass on to the next generation? The advisor may have financial models that will help you evaluate your current financial position and forecast future outcomes -- such as whether you'll have enough savings invested to sustain a certain lifestyle in retirement. This assessment does not involve financial jargon or that you have an educational background in finance. It's about you, your desires and expectations for your future self. A subject on which you ARE the expert.

Be Open to Planning

For women that have amassed wealth through earned income, inheritance, pensions, etc. an investment plan is a likely and necessary strategic move to help ensure that their personal goals are aligned with how their wealth is being managed. Knotts explains, "Sitting on the sidelines by parking money in CDs and savings accounts may not get you to where you desire. A good plan will help guide you into the markets, but take into consideration your personal aversion to risk. "

Investing in the markets is a big first step. If you're feeling uneasy, you can take a cue from the third richest man in the country. At just six years old, Warren Buffett began building his wealth by purchasing twenty-five cent 6-packs of Coca-Cola from his grandfather's grocery store and reselling them for five cents apiece for a five-cent profit. At eleven years old he purchased his first stock. The stock price fell shortly after, but Buffett did not panic and eventually sold the stock once it rebounded for a small gain. Although he did make a profit, he learned that holding the stock would have served him much better as the price skyrocketed after he sold[7].

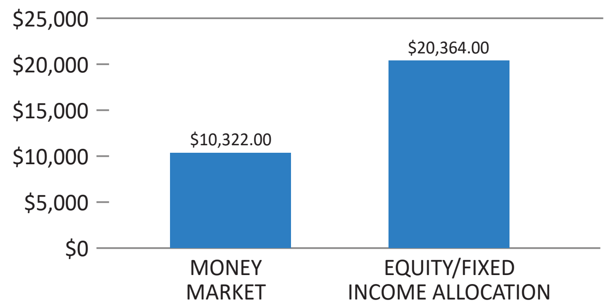
It's Never too Early

The sooner a woman invests can have a dramatic impact on future outcomes. That's because the value of money can erode over time. Fluctuating interest rates and inflation means a dollar today could be worth much less by the time you reach retirement. Saving alone can make it harder to fund your ideal future and it will certainly take longer for you to realize those financial goals for retirement.

Millennials now constitute the largest generation in the workforce, yet many entered during a down turn in the economy and thus are more reluctant to start investing. According to a 2017 NerdWallet Analysis, this aversion can be a costly. Based on their methodology,[8] the difference between saving and investing during early wage-earning years, could mean a future deficit of $3.3 million by the time Millennials reach 65. Figure B shows an example of $10,000 parked in an interest-baring account (e.g. (money market) would have grown to today, versus the same amount modestly invested in a mix of equity and fixed income vehicles (e.g. indexed mutual funds) since June 2008.

A woman that has embraced the practice of managing her wealth, has likely minimized (or eliminated) debt, accumulated cash reserves, established a retirement account, built equity in a property or perhaps owns shares of stock and has 15 or more years to reach retirement. For herself, she has built a solid financial foundation, upon which she can begin to look at other areas of wealth strategy with her advisor that go toward answering the questions depicted in the diagram below:

Figure B. Present Value of $10,000 Placed in Money Market Account on June 30, 2008 Versus Invested in Markets

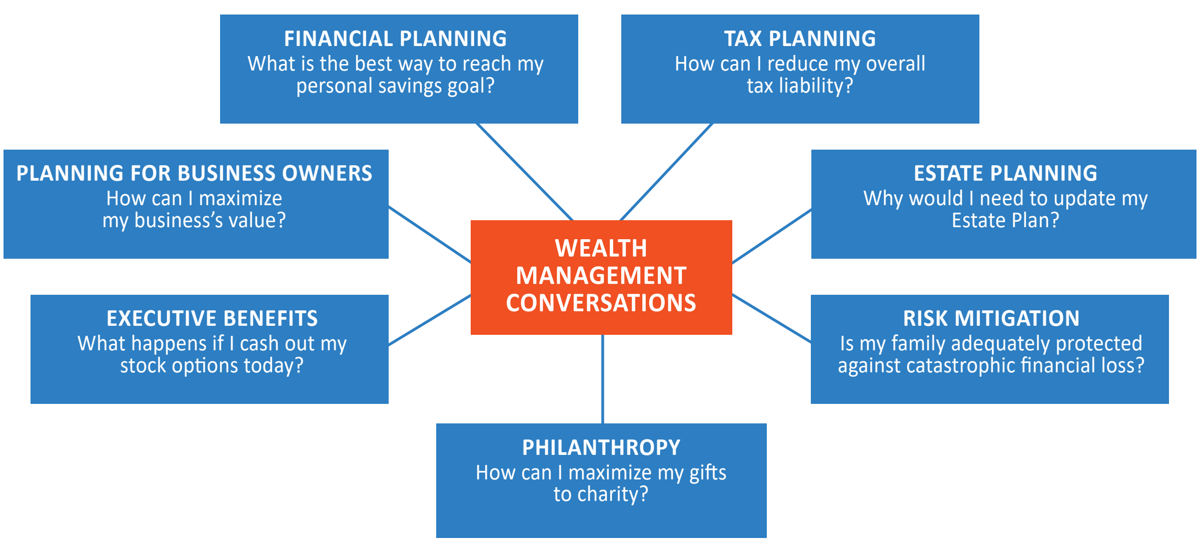


Data as of 6/30/2018. Source: Bloomberg. Data assumes a 10-year investment period from 6/30/2008 through 6/30/2018. 50/50 Portfolio assumes an initial investment of 50% S&P 500 Index, 50% Bloomberg Barclays Aggregate Bond Index. Money Market Portfolio assumes an initial investment of 100% JPMorgan Prime Money Market Fund (VPMXX). Past performance is no guarantee of future results.

Summary

Being convinced the need for taking on a more active role in managing your wealth, you may find the idea of venturing into investments daunting. It's natural. But, don't let intimidation allow today's hectic schedules become the excuse for not addressing how your life and those you care about will be in fifteen or twenty-five years.

As the iconic wealthiest Americans can attest, while there is risk – whether establishing the first online bookstore, disrupting technology or investing in the stock market as a teenager --- the rewards in the long run can be worth it. Begin by taking action.



Calamos Wealth Management's "Women & Wealth" initiative was founded by our women advisors to educate and empower women through financial independence. Our women (and men) wealth consultants offer a holistic approach to wealth management, assessing a client's unique challenges and retirement goals with consideration of their personal values and investment principles. Calamos Wealth Management distinguishes itself from other firms by its entrepreneurial-minded culture, which it has established and cultivated since its inauguration.

[1] *Forbes Richest List 2018, https://www.forbes.com/billionaires/#5efd53a7251c*

[2] *Pew Research Center analysis of the Decennial Census and American Community Surveys 2013 in junction with the U.S. Census Bureau and U.S. department of labor*

[3] *US Department of Labor, "Inheritances and the Distribution of Wealth or Whatever Happened to the Great Inheritance Boom" Edward N. Wolff, NYU and Maury Gittleman, US Bureau of Labor Statistics, Working paper, January 2011*

[4] *US Census Bureau Historical Income Tables (All workers by Mean Earnings and Sex) https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-people.html*

[5] *JEC.senate.gov; US Census Bureau, Current Population Survey; 2015 Annual Social and Economic Supplement*

[6] *CFP Board Statistics, http://www.letsmakeaplan.org/?utm_source=google&utm_medium=cpc&utm_term=cfp%20board&gclid=Cj0KCQjwv-DaBRCcARIsAI9sba_mSCe3W6JcFg6-mLkFAha6QesUffU_FBpR2UdjXL3wAiWCz1xpMxMaAmGxEALw_wcB*

[7] *Warren Buffett's official biography, https://www.biography.com/people/warren-buffett-9230729*

[8] *NerdWallet's analysts used 40 years of inflation data, Standard & Poor's 500 returns, and three-month Treasury rates — a proxy for historical savings account rates, which were unavailable for the full time period analyzed — to determine the potential accumulation in each scenario, which was calculated based on the value of the portfolio before adjusting for inflation. https://www.nerdwallet.com/blog/investing/avoiding-the-stock-market-may-cost-millennials-3-3-million/*

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