

Financial Empowerment: A Woman's Guide to Secure Retirement Planning

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Navigate retirement planning with confidence. This guide provides actionable advice on budgeting, investing, and understanding your net worth.

By Erin Itkoe

Retirement planning is an important topic because it sets the tone for your golden years. Most people worry about having enough money to last through retirement. Whether you're married or single, it's so important for women to be involved in the financial planning process because it affects what your retirement years look like. This has long been a taboo topic for women, and it's time to change this. A few worrying statistics:

- Nine out of ten women will become the sole financial decision-makers at some point in their lives. Due to women having a longer life expectancy than men, women are more likely to become widowed. By age 65, roughly one-third of the population is widowed.
- Even though over 90% of women are eager to learn about financial planning, eight out of ten women confessed they have refrained from having financial conversations.
- Less than 50% of women say they would be confident discussing money and investing with a financial professional on their own.

So, what should you do? As women, we need to start taking control of our financial future and getting involved, regardless of how uncomfortable or scary it is. If you're married, you should attend all meetings with your financial adviser, tax preparer, estate planning attorney, etc. It's so important for you to also build these relationships, so you feel comfortable working with these professionals – one day you might be working with them yourself. The transition will be smoother and much more comfortable if you're involved before you are forced to handle everything yourself.

The financial planning process contains many steps. It's an evolving process that shifts

and adjusts as your goals and objectives change. I will cover a few steps in this article. The first step in the financial planning process is building your net worth statement. To set goals and plan for the future, you need to know what your current picture looks like. Your net worth is the value of your assets (what you own) minus your liabilities (what you owe). Assets include cash, investments, retirement assets, real estate, vehicles, personal property, etc. Liabilities include loans, mortgages, credit card balances, etc.

As a general rule of thumb, your target net worth is equal to (your age x your annual pre-tax income) / 10. This formula is a guideline and gives you a general idea if your savings are on track for retirement. This is not a hard rule, as your individual circumstances and goals may vary.

If you're married, it is extremely important for you to be familiar with your net worth statement. It's important for you to understand what assets you own and what liabilities you owe. You need to know where all of your accounts are and who to contact if something happens to your husband. You should have access to all account login information. You also need to understand how the accounts are structured, including the account titles and beneficiaries.

The next step in the financial planning process is to set a budget, which is a plan for managing money during a period of time. With a budget, you track your spending, which helps you to create good habits. Budgets allow you to save for important goals. They also allow you to observe and modify your spending habits.

As a general rule of thumb, 70% of your net income should go towards your spending. This includes your fixed expenses (50% of your spending) and your discretionary expenses (20% of your spending). As you review your spending, it's important to distinguish between your wants and your needs. The remaining 30% of your budget should be allocated towards debt repayment (20%) and savings (10%). It's important to remember to make your monthly saving goal part of your budget – pay yourself first!

A budget helps you to reveal how much you're overspending each month, so you can uncover ways to cut back and save, which helps you to achieve your goals. It usually takes a few months for this process to start working; it won't be perfect the first time you do it. It's important to remember that once you're in control of your spending, you can plan how to best spend your money and make your money work for you.

Once your budget is set, your savings should first go towards an emergency fund. As a general rule of thumb, you should have at least 3 to 6 months of fixed expenses set aside

in a savings account. Any excess cash should then be invested in retirement accounts or taxable investment accounts.

Before you invest, it's important to understand the time horizon and goals for these funds, as well as your risk tolerance. This will help you determine the appropriate asset allocation, or the right combination of cash, bonds, and stocks. There are many online risk assessment tools to help with this process.

As you build your investment portfolio, the most important thing to remember is diversification, or spreading your risk. Diversification helps to smooth out the bumps. It's best to just let the market work for you. Trying to anticipate the movement of the market adds anxiety and undue risk.

Whether you're just starting your career, nearing retirement or in retirement, it's important to get involved in the financial planning process now. It's a learning process and will evolve as your goals change. The only way you can learn and feel more comfortable making financial decisions is to start. There's no better time than now!

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