EMPOWER, ELEVATE, ACHIEVE:

Financial guidebook for women

Not FDIC insured
May lose value
No bank guarantee
Agenda

1. Women’s surging economic power
2. Preparing for your financial future
3. Financial life stages
4. How to take action
Women’s surging economic power
Women are poised to lead in controlling assets

- **50%** of women in the United States are the primary breadwinner of their households
- Women are majority owners of **13 million businesses**, which generate **$1.9 trillion in revenues**
- Women will control **two thirds** of the nation’s wealth by 2030
- The number of wealthy women is **growing twice as fast** as wealthy men (Marketwatch, 2021)
- Women are adding **$5 trillion** to global wealth annually (BCG 2020)

Women face different challenges

**EARNINGS GAP**
Earn only **82 cents** for every dollar a man earns

**INCOME DISRUPTION DUE TO CAREGIVING**
Lifetime gap in earnings for a woman who takes time off for caregiving is **$1 million** compared with a man who did not do any caregiving

**LONGEVITY**
Women turning 65 today can expect to live, on average, to **85.4** years versus males who live **82.8** years

Sources: Census Bureau, 2019; Merrill Lynch 2019; Centers for Disease Control, 2020.
Prepare for the challenge

**DAILY EXPENSES**
- Electricity
- Travel
- Utilities
- Clothes
- Vacation
- Health

**SAVINGS**
- Home
- Emergency repairs
- Health
- Education
- Taxes

**RETIREMENT**
- Income
- Legacy
- Charitable
- Business
Consider a bucket approach to manage savings priorities

**SHORT-TERM INCOME (0–2 years)**
Meet immediate cash-flow needs, emergency fund, etc.
- Cash
- CDs/money market
- Short-term bonds
- Immediate annuities
- Social Security, pension income
- Wages

**MID-TERM INCOME (2–10 years)**
Mix of growth and income, replenish short-term bucket, guard against market volatility
- Bonds
- Deferred annuities
- Absolute return funds
- Asset allocation funds, balanced funds

**LONG-TERM INCOME (10+ years)**
Inflation hedge, address longevity risk
- Balance of stocks/bonds
- Real estate
- Longevity insurance

**WOMEN’S SURGING ECONOMIC POWER**
Preparing for your financial future
Four things to talk to your financial advisor about

SOCIAL SECURITY
RETIREMENT SAVINGS
INVESTMENTS
FINANCIAL PLANNING
Social Security won’t cover it all

- **50.2%** of Social Security recipients are women*

- On average, Social Security only replaces about **40%** of pre-retirement earnings

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† Census Bureau, 2019.
‡ In today’s dollars. Average benefit retiring at age 65.

Put time on your side by starting now

On average, women may live longer in retirement:
A 65-year-old woman can expect to live, on average, until age 85.4, while a 65-year-old man can expect to live to age 82.8

<table>
<thead>
<tr>
<th>If your current annual income is:</th>
<th>You’ll need to save:</th>
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<tbody>
<tr>
<td>$50,000</td>
<td>$875,480</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,750,960</td>
</tr>
<tr>
<td>$250,000</td>
<td>$4,377,401</td>
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Sources: Center for Disease Control, 2020; Putnam. Assumes 25-year retirement period, 100% of final annual income withdrawn each year, 6% annual return compounded monthly with a 3% annual inflation adjustment (inflation adjusted effective return is 3.08%).
Start investing, stay invested

- Reduce risk by diversifying your investments.

- By staying fully invested over the past 15 years, you would have earned $22,270 more than someone who missed the market’s 10 best days.

$10,000 invested in the S&P 500 (12/31/05–12/31/20)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Return (Annualized)</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Stayed fully invested</td>
<td>9.88%</td>
<td>$41,100</td>
</tr>
<tr>
<td>Missed 10 best days</td>
<td>4.31%</td>
<td>$18,829</td>
</tr>
<tr>
<td>Missed 20 best days</td>
<td>0.88%</td>
<td>$11,400</td>
</tr>
</tbody>
</table>

Source: Putnam, February 2021. Data is historical. Past performance is not a guarantee of future results. The best time to invest assumes shares are bought when market prices are low.
Financial planning

- 41% of women wish they felt financially well (compared with 58% of men) *
- 47% of women say they are confident in their ability to manage their finances (versus 61% of men) †

Five things that take money out of your pocket:

- Impact of taxes
- Inflation
- Low interest rates
- Health care
- Procrastination

Financial life stages
Your financial life

LIFESTAGES

GROWING LITERACY
• Young professionals
• Beneficiaries/heirs
• Supporting decision makers

ACCUMULATING WEALTH
• Established professionals
• Business owners/Self-employed
• Working mothers
• Supporting decision makers

DISTRIBUTING WEALTH
• Retirees
• Supporting decision makers
Growing literacy: Establishing a framework for growth

**FIVE ESSENTIAL LIFE STAGE COMPONENTS**

1. **Financial literacy:** Take charge of your financial life
2. **Budgeting:** Find direction in everyday spending and saving
3. **Savings:** Create a plan to achieve long-term goals
4. **Debt:** Investigate options for building credit and repaying loans
5. **Insurance:** Protect your hard work by preparing for unforeseen challenges

**TO-DO LIST**

- Create or review your budget
- Establish an emergency fund
- Pay yourself first:
  - Review employer-sponsored retirement savings options
  - Consider opening an IRA and HSA
  - Ask about systematic investing options
- Establish a timeline for student loan repayment
- Build credit intentionally
- Review insurance options:
  - Health
  - Disability
  - Life
Accumulating wealth: Creating your retirement nest egg

1. Financial literacy: Be engaged in your financial life
2. Advanced planning: Optimize your personal savings for future goals
3. Family considerations: Help support your loved ones
4. Legacy building: Establish a plan to support what’s important to you
5. Tax management: Defend the wealth that you’ve built

TO-DO LIST
- Annually review retirement accounts:
  - If applicable, understand basics of retirement account consolidation
  - Adjust contributions if necessary
  - Review beneficiary designations
- If applicable, ask about 529 plans and college savings options
- Understand future benefit options such as Social Security and Medicare
- If applicable, discuss considerations for company stock in retirement plans
- Investigate estate planning considerations
- Pursue tax diversification in accounts
Distributing wealth: Enjoying your retirement years

**FIVE ESSENTIAL LIFE STAGE COMPONENTS**

1. **Financial literacy:** Sharing your knowledge with loved ones
2. **Health care:** Plan for unforeseen expenses
3. **Income planning:** Optimize your withdrawal strategy
4. **Long-term care:** Understanding your options
5. **Estate planning:** Leave a legacy for your loved ones

**TO-DO LIST**

- Annually review your health care coverage options:
  - Discuss Medicare enrollment options with a professional
- Decide when you will begin collecting Social Security
- Review budget and bucketed savings approach:
  - Incorporate tax-smart withdrawal strategies
  - Consider charitable-giving strategies
- Investigate long-term care living options
- Introduce your heirs to your financial advisor
- Prepare for wealth transfer conversations
Planning and preparing for the unexpected

FIVE CONSIDERATIONS FOR THE UNEXPECTED

1. **Share knowledge**: Keep an open dialogue with loved ones
2. **Important documents**: Ensure it’s easy for others to access
3. **Support network**: Work with qualified professionals who can help
4. **Financial protection**: Defend what you’ve worked to build
5. **Continued education**: Stay informed on what matters most

TO-DO LIST

- Complete and retain important documents:
  - Medical directives
  - Beneficiary designations
  - Power of attorney
- Establish a “backup” budget in case of sudden income loss
- Consult a financial advisor for referrals to:
  - CPA
  - Lawyer/Estate planner
- Schedule a family meeting with spouses, partners, and heirs to develop:
  - “I love you” letter
  - Financial emergency preparedness plan
Special considerations for widows and divorced individuals

**FIVE CONSIDERATIONS FOR THE NEWLY INDEPENDENT**

1. **Seek support:** Keep an open dialogue with loved ones
2. **Important documents:** Ensure its easy for others to access
3. **Income planning:** Work with qualified professionals who can help
4. **Asset protection:** Defend what you’ve worked to build
5. **Tax considerations:** Stay informed on what matters most

**TO-DO LIST**

- Update important documents:
  - Beneficiary designations
  - Power of attorney
  - Medical directives
- Work with a financial advisor to navigate:
  - Lifetime income risk
  - Social Security considerations
  - Insurance coverage updates
  - Tax considerations
- Secure credit by reviewing credit score and history
- Review employee benefits, and if applicable, consider coverage for children
How to take action
Put your plan into action

• Take inventory of your financial goals

• Review the guide to your financial life with a qualified financial advisor

• Share knowledge to empower other women
Appendix: A deeper look
Choose the right withdrawal rate

Percentage of your portfolio’s original balance withdrawn each year

This example assumes a 90% probability rate. These hypothetical illustrations are based on rolling historical time period analysis and do not account for the effect of taxes, nor do they represent the performance of any Putnam fund or product, which will fluctuate. These illustrations use the historical rolling periods from 1926 to 2015 of stocks (as represented by an S&P 500 composite), bonds (as represented by a 20-year long-term government bond (50%) and a 20-year corporate bond (50%)), and cash (as represented by U.S. 30-day T-bills) to determine how long a portfolio would have lasted given various withdrawal rates. A one-year rolling average is used to calculate performance of the 20-year bonds. Past performance is not a guarantee of future results. The S&P 500 Index is an unmanaged index of common stock performance. You cannot invest directly in an index.

Source: Putnam research, December 2020.
Optimizing Social Security

Considerations

- Only source of guaranteed income for many retirees
- Risk of taking too early
- Consider maximizing survivor benefit to address longevity risk
- Special rules apply for divorced and widowed retirees

Monthly benefits increase as you delay Social Security

<table>
<thead>
<tr>
<th>Age 62</th>
<th>Age 66</th>
<th>Age 70</th>
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<tbody>
<tr>
<td>$1,394</td>
<td>$1,983</td>
<td>$2,660</td>
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Social Security Quick Calculator benefit estimate based on an individual age 62 with $75,000 in current earnings. Does not include increases in benefit levels due to regular cost-of-living adjustments.
Understand Medicare and Supplemental coverage

**PART A (Hospital)**
- Generally no premium
- Nursing care, hospital stays, home health, hospice, limited nursing home care
- Annual deductible of $1,484 (hospital inpatient)

**PART B (Doctor)**
- Doctor visits, outpatient procedures, tests, therapy, x-rays, etc.
- Base premium of $148.50 per month with a deductible of $203.00/year
- 80/20 coverage — no coinsurance for most preventative services

**PART D (Drug)**
- Optional prescription drug coverage
- Offered by private insurance companies that are approved by Medicare
- Maximum annual deductible cannot exceed $445.00

Based on 2020 rates. Medicare beneficiaries who are currently receiving Social Security benefits are not subject to an increase of their Part B premium in 2016 due to the hold harmless clause. A hold harmless provision in the Social Security Act disallows an increase in the Medicare Part B premium for qualifying Social Security recipients if their COLA is not large enough to cover the increase in the Part B premium. For that group, the Part B base premium will remain at $104.90.
Make sure you have supplemental coverage

**MEDICARE ADVANTAGE (Part C)**

- Private alternative to Medicare Parts A and B — must have at least equivalent benefit, regulated by Medicare
- Generally offers additional benefits, such as vision, dental, and hearing, and many include prescription drug coverage
- Eliminates some Medicare co-payments and deductibles
- Plans have service areas — most coverage offered through an HMO or PPO network

**MEDIGAP POLICY**

- Offered through private insurance companies
- Extra insurance that will cover certain expenses not covered by Medicare such as deductibles, copays, and uncovered services
- Premiums will vary by area and are paid separately from Medicare Part B and D premiums
- Generally higher cost than Medicare Advantage but lower out-of-pocket expense
Applying Net Unrealized Appreciation (NUA) treatment on company stock

**Example**

Participant contributes $50,000 into company stock within their employer-sponsored retirement plan, which appreciates in value at retirement to $300,000.

### Electing NUA treatment

- **Total taxes due:** $68,500
  - ($50,000 x 37% income tax rate, $250,000 x 20% capital gains rate)

### Rolling over company stock

- **Total taxes due:** $111,000
  - ($300,000 x 37% income tax rate)

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Example assumes maximum 37% income tax bracket and 20% capital gains rate.

Understanding the impact of tax diversification

**Tax diversification offers some distinct benefits:**

1. Flexibility to draw income from different sources depending on your tax situation and changes in overall life circumstances

2. Opportunity to hedge your portfolio against the direction of tax rates, which could move higher in the future

**TAXABLE ASSETS**
- Savings accounts and CDs
- Brokerage accounts
- Mutual funds

**TAX-DEFERRED ASSETS**
- Traditional IRAs
- Retirement plans (e.g., 401(k), 403(b))
- Annuities

**TAX-FREE ASSETS**
- Roth IRA and Roth 401(k)
- Municipal bonds
- College savings accounts (e.g., 529)
All investments involve risk, including the loss of principal.

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