Slide 1

Even in 2022, women face unique financial challenges, which we'll get into. These include the gender pay gap, the investing gap, the caregiving gap, greater longevity, and higher healthcare costs. The challenges don't stop there. Evidence shows us that women across the developed world own a disproportionate amount of debt, including student debt, financial institutions charge women higher interest rates, women pay more for mortgages than men in 49 out of 50 states, and women receive lower quality financial advice.

Slide 2

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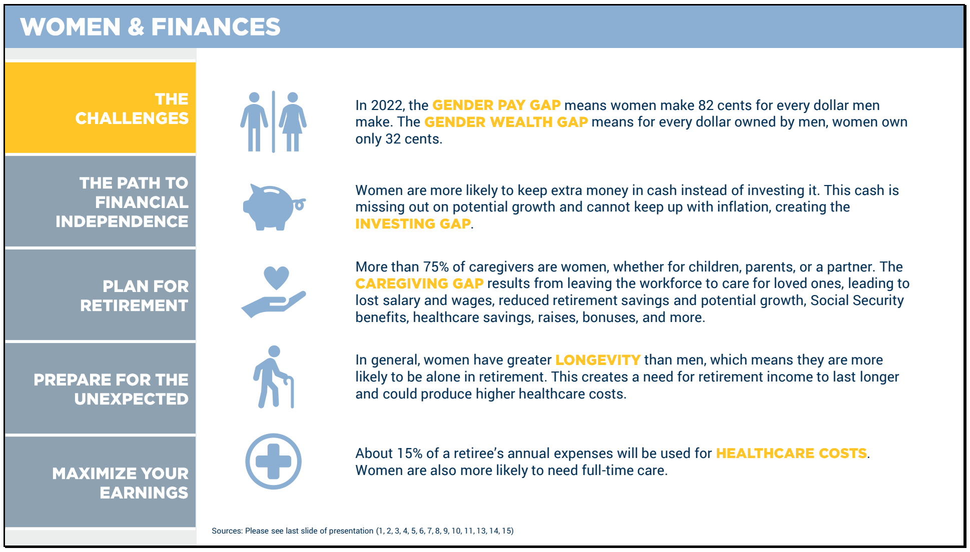
Slide 3



Let's talk about who this is for. And that's everyone. It doesn't matter if you're married or single – due to divorce or death of a spouse, more than half of us will find ourselves single again at least once in our lives. In fact, there's a 63% chance a woman will outlive her male partner by an average of 12 years. And too many of the newly single will find themselves in financial trouble, woefully unprepared to handle the serious money issues that arise. Age doesn't discriminate either - for the ladies just entering the working world, while parents remain the top source of financial advice for most women, only 20% said they felt well prepared by their parents to manage their finances as an adult.

Current events have an impact on women and finances, too. Let's think about the past couple years – hard in so many ways. Finances were a source of stress for 89% of people with debt during the pandemic. 45% of women say they took on an even larger share of household responsibilities compared to their significant other since the onset of the pandemic. Because of increased remote schooling, caregiving responsibilities, and other unpaid labor, nearly 40% of women considered leaving the workforce or reducing their hours. Pandemic effects continue, too – women are even more burned out now than they were before the pandemic, and burnout is escalating much faster among women than among men. The gap in burnout between women and men has almost doubled. If you've been watching the news, attending our webinars, or reading our newsletters, you know inflation is rising and the market is rather volatile at the moment. Both of these dynamics affect women as well, as you'll learn today.

But why does all this matter? The majority of women agree money is a tool that can be used to help fulfill their purpose. 82% of women believe they can pursue a more meaningful life without having to sacrifice their own financial well-being, and 92% agree that being involved in long-term financial planning can enable a greater impact. So how do we get there? Let's identify and better understand some of these issues, then we will talk about the path forward.

The gender pay gap. It's real. In 2022, the gender pay gap means women make $0.82 for every dollar that men make – that's no change from 2021. If we look back to 1979, the first year for which comparable earnings data is available, the gap was bigger - $0.62 for every dollar men made. Seems like we've made pretty good strides, right? Unfortunately, we have been sitting in this $0.80 - $0.83 range since 2004. Occupational segregation based on gender norms is one large driver of the overall pay differences between men and women. For example, women are more likely to be in positions of service, education, healthcare support, and other fields associated with 'nurturing,' while men are more likely to be in positions of problem solving and wealth management. Women do not start their careers earning as much as men, and the pay gap only widens as they age. Between the ages of 20 and 29, women earn $0.86 compared to every $1 that men earn. However, the pay gap widens for women between the ages of 30 to 44, with women overall earning $0.82 compared to every $1 men earn. At age 45 and older, the gender pay gap widens further, with women making only $0.73 compared to every $1 men make.

We mentioned that rising inflation impacts women. Why is that? Well, there's something called the investing gap. Women are more likely than to keep extra money – anything outside of retirement or an emergency fund – in cash instead of investing it. More than half of women have at least $20,000 sitting in cash. Not only is cash missing out on potential growth, but it isn't even keeping up with inflation, especially at the rate inflation is currently rising. The investing gap then compounds the pay gap – women make less and many are not investing much of what they have, leading to a lower overall net worth. This is a problem, and women are pretty aware of it – only 47% of women think they know how to make their money last through retirement.

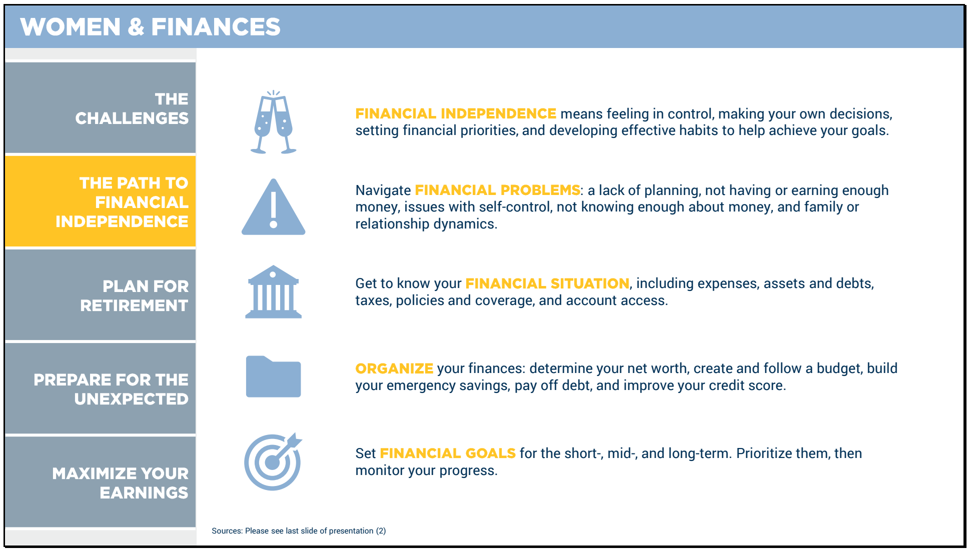
We talked about eldercare last month, so the fact that there's a caregiving gap may not be a surprise to our listeners. More than 75% of caregivers are women – first for children, then later for ailing parents or a partner. When someone leaves the workforce to care for a loved one, it can lead to lost salary and wages, as well as reduced retirement savings and potential growth, Social Security benefits, health care savings, raises, bonuses, and more. Your Social Security benefit, if you don't know, is calculated based on your top 35 years of income. So if you earn less, your benefit will be less.

We talked at the top about the likelihood of outliving a male partner. In general, though, women just live longer than men. Which means they are more likely to be alone in retirement, caring for themselves financially. When women are earning less in salary, it snowballs when it comes to retirement, since most people save a percentage of their income each paycheck. So if you're making less, you're saving less. Not only is the contribution amount potentially lower, but over time, there is a likely impact to the potential for compounding growth. Longevity can also impact the other aspects of retirement including higher health care costs, the need for a higher

Social Security benefit, and how long your savings will need to stretch to cover living expenses.

Let’s talk about healthcare costs. Unfortunately, most people don’t account for the cost of healthcare in their retirement savings, nor do they think about women needing more. There are a number of drivers behind this mounting retirement health care cost challenge. People are living longer, health care inflation continues to outpace the rate of general inflation, and the average retirement age is 62 for most Americans – that’s three years before you are eligible to enroll in Medicare. And many people assume Medicare will cover all your health care cost in retirement, but it doesn’t. It’s estimated that about 15% of the average retiree’s annual expenses will be used for health care-related expenses, including Medicare premiums and out-of-pocket expenses. An average retired couple age 65 in 2022 may need approximately $315,000 saved to cover health care expenses in retirement. The 2022 estimate for single retirees is $150,000 for men and $165,000 for women. These numbers do not include the cost of long-term care. Of course, the amount you’ll need will depend on when and where you retire, how healthy you are, and how long you live. Women are also more likely to need full-time care, like a nursing home or assisted living. As we mentioned last month, a semi-private room in a nursing home averages about $95,000 each year. Additionally, many couples spend more money on the first spouse who needs it – statistically, that’s men. That often leaves women with less than they need.

Slide 4



The challenges are large, but we can't stop there. I want to spend the rest of our time talking about what women should do! By taking care of our finances, we can be strong individuals, strong partners, and strong members of the community. Financial awareness and money management skills can lend women a deeper sense of security that makes it easier to save and invest for the future. An understanding of the challenges, advice, and resources available to help can facilitate the process. That's why we're here! Financial independence may mean different things to different people, but in general, it's moving from feeling overwhelmed by money to feeling more in control, making your own decisions, setting financial priorities, and developing effective habits to help you achieve your goals. The key here is to get clear about what it means to you and how it will change your life.

You'll want to start by navigating some common financial problems: a lack of planning, not having or earning enough money, issues with self-control, not knowing enough about money, and family or relationship dynamics. Let's look at a few of those. What are some ways you can address not having enough money? Maybe you don't earn enough right now – later, we'll address how to maximize your earnings. Perhaps you are overwhelmed by debt. You need to start with budgeting and debt repayment, and you know we have the tools to get you started. And what about a lack of education? If you don't know enough about money, it's easy to make poor decisions. That might be a missed opportunity, a loss of savings, or an investment that goes wrong. There are lots of ways to increase your financial literacy. In fact, 88% of women say more financial education would provide them with greater confidence in managing their money. But only 40% have actually talked to a financial professional. That might be a good place to start.

And what about relationships? You may have disagreements with your partner, your parents, or your kids about how to manage money. You need to learn how to communicate about financial goals and create a system you can all stick to, which is actually a great transition into our next thought here. You have to know your financial situation. That means taking consistent, recurring time to review and discuss your finances. So even if you're married or partnered up and your significant other typically handles your finances, you need to be familiar with a whole bunch of things: monthly expenses, assets and debts, the status of your taxes, where important financial records are kept, the types of insurance policies and coverage you have, your bill paying system, where you hold accounts, and usernames and passwords for those accounts. You have to know these things. If something unexpected happens to your partner, this is on you.

The next step is to get into the nitty gritty and start organizing. Our February webinar on budgeting and debt management is a great place to start if you've never looked at your finances this way. You'll learn all about your net worth, how to see your cash flow, create a budget, establish an emergency fund, and create a plan to pay off debt. I get it – that's not a small project. But taking just one step can help break the inertia that holds many women back from financial independence. And if you're intimidated, call our team. We will walk you through our financial worksheets, as well as give you guidance about your retirement plan and other financial topics. Another way to take a step in financial independence is by improving your credit score. That's a whole webinar topic in itself, too! Check out our March webinar for more details. And you can always email shepfinteam@shepherdfin.com to get the links to these webinars.

But probably the simplest advice I can give here is to set financial goals. Make them short-term, medium-term, and long-term. Sort them out by their order of importance to you. And then monitor your progress toward them. Whether you're just getting started with your financial plan, looking to become a more active investor, or trying to figure out how to make your savings last through retirement, writing down your goals and committing to take one step at a time is key. A comprehensive financial plan goes beyond saving and investing and helps you look holistically at all the interrelated parts of your financial life. It reviews your income, expenses, investments, retirement planning, insurance needs, income taxes, estate planning needs, and—most importantly—how they all work together within the context of your goals. Plus, it gives you a roadmap to follow and a plan of action.

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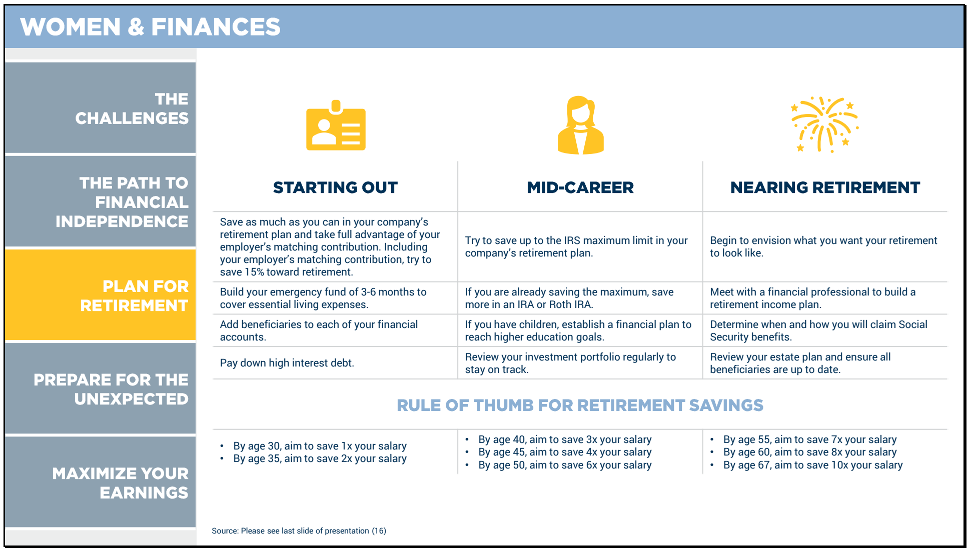


Let's talk about planning for retirement! It's important for women to prioritize saving for retirement for so many of the reasons we have already discussed, so how do we make it a priority? You want to start by thinking about your retirement income needs. How much money you will need in retirement varies based on factors like what your expenses will be, how much you can save right now, and how long you plan to be retired. If the average retirement age is 62 and women live to about 82, you're looking at about 20 years.

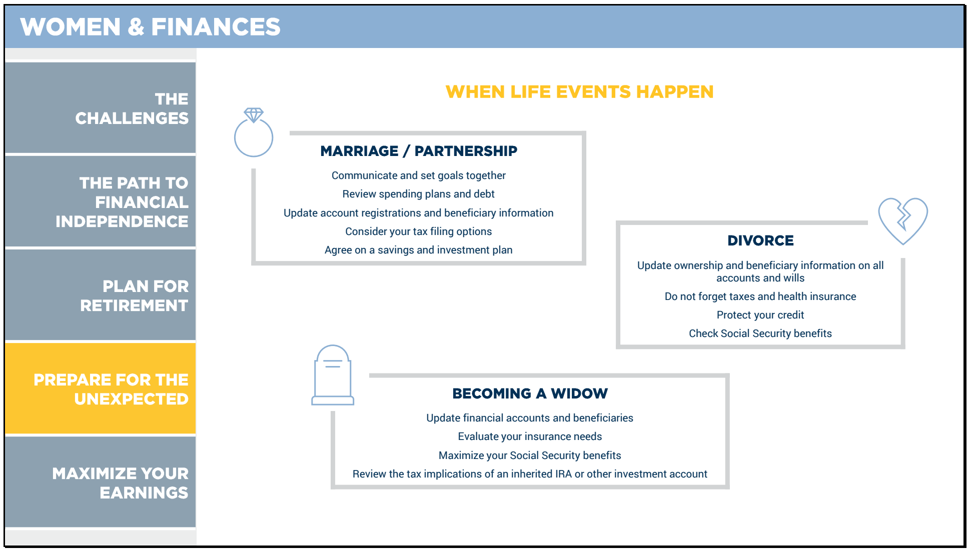
Most of you are here today because Shepherd Financial advises your company's retirement plan. And your company's plan will likely be the greatest source of your retirement income. So what are some keys to saving in the company plan? First, make sure you're starting as early as possible. That gives your savings time to grow, create interest, and compound. And then take advantage of your company's matching contribution if they make one. For example, if the company match is 50% up to 6%, you need to save 6%, and the company will contribute an additional 3%. That puts your retirement savings at 9%. But studies show people need to save more to be on track for a successful retirement – aim for 15% if you can. And if that seems aggressive now, start a little lower and make it a goal to increase your savings every six months or so. If you're at a life stage where you can max out your contributions in the company retirement plan, think bigger – consider an IRA or Roth IRA.

We shared earlier how women tend to sit on cash rather than invest it, but not investing can mean missing out on long-term gains that can help you achieve your goals. And with a long-term goal like retirement, you want a diversified portfolio with the potential for growth. This means having a portion of your money invested in the stock market. Market volatility is normal. And if you are putting in regular contributions, like with your company's plan, that means you end up buying stocks at a cheaper price when the market is down. Investing can be one way to help combat inflation and serve as a vehicle to help your savings continue to grow. Many women are familiar with the concepts of investing and compound interest but may be unaware of the full extent of possible dividends or doubt their ability to invest successfully. Again, this is where increasing your financial literacy is so important! If you don't know which funds are right for you, call our team. We can also talk you through your risk tolerance and time horizon. And your investment strategy will likely change as you get closer to retirement, so keep that in the back of your mind.

We have talked about healthcare expenses a lot, so let's discuss some ways we can prepare for healthcare costs in retirement. If it's available to you, a health savings account is an excellent tool. HSAs have great advantages, especially from a tax perspective. You can make pre-tax contributions. The money can be invested, and the earnings grow-tax free. If the money is withdrawn for qualified medical expenses, it's also tax-free. We have a webinar coming up in August where we will more fully dig into healthcare costs in retirement, so be sure to tune in for that, too. You'll also learn about Medicare and what it will – or won't – cover in your later years.

In your financial plan, you'll need to take Social Security benefits into account. You may have a smaller benefit due to lower wages or lost working years, but that doesn't mean it is not important. Working with a financial professional can be very helpful to maximize your benefit. It certainly varies from person to person, but you may want to consider waiting until your full retirement age – which is somewhere between 65 and 67 – or even age 70 to boost your annual benefit. If you are married, try to have the higher earner wait as long as possible.

Slide 6



Life is complicated and likes to throw curveballs. So you can't necessarily plan for everything. But you can be prepared. If something happens to you, it helps to have some tools in place to address various issues. You'll want to think about insurance options, estate planning, and how to adapt to changing life events. Let's go over them at a high level here.

Life insurance pays your beneficiaries a tax-free lump sum of money when you die. To determine the amount you need, think about how much cash and income your dependents would need if you passed away. This can help cover expenses for final illnesses, paying taxes, mortgages, and other debts, or provide income for your family's living expenses.

Disability insurance, or income protection, is a backup plan to help you if you're too sick or hurt to work. You'll receive a set amount each month, just like a paycheck. Short-term disability insurance replaces your paycheck for about three to six months. Long-term disability insurance is for when you're out for years at a time. Because these premiums are paid on an after-tax basis, the benefits aren't taxed. This means a policy that pays out 60% of your gross income would effectively replace most of your take-home pay.

The third kind of insurance we want to talk about is long-term care. It's important to know that Medicare does not pay for the vast majority of long-term care options, so this insurance is purchased for two reasons: to protect your savings and to get more choices for care. Long-term care insurance can be purchased as a stand-alone policy or included as a rider on permanent life insurance.

Estate planning truly is for everyone, so I hope you take this seriously. An estate plan will allow your money to stretch further and go to the people and places you want it to. This is how you can make decisions regarding the guardianship of your minor children, determine who the appropriate beneficiaries are for your assets, and determine who will handle your healthcare decisions if you become physically or mentally incapacitated. I would recommend going back and watching our December webinar on preparing for the unexpected, because this can be an extensive and somewhat tricky topic.

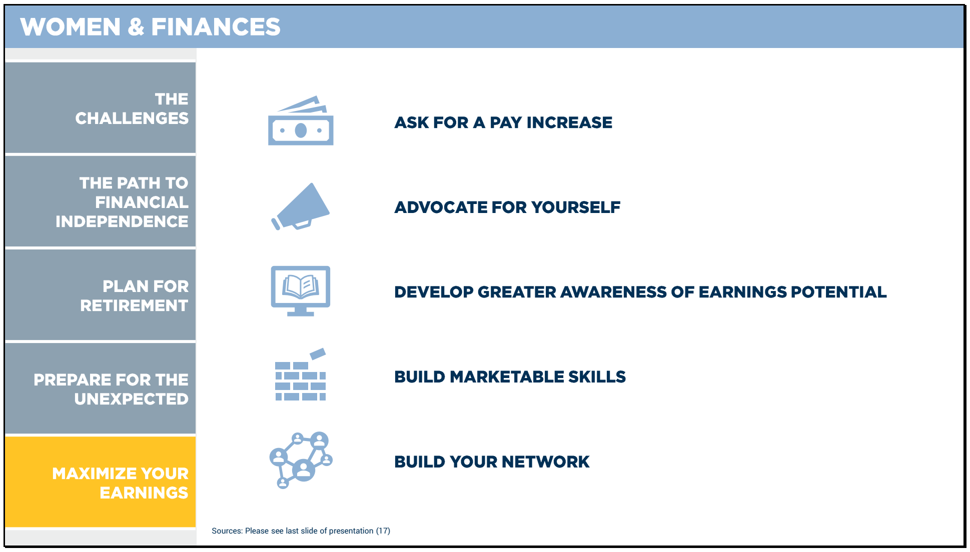
Sometimes major life events occur that we didn't seem coming. We've highlighted a few major ones on the screen, but there are lots more, like having a baby, buying a house, and retiring. Let's talk through a few money tips for these three relationship events.

For example, marriage can affect your financial situation in a number of ways. From the ability to build wealth by combining incomes to utilizing tax-related benefits, there are several financial positives to tying the knot. But sharing financial responsibility with another person can also be stressful. It's important to live within your means to minimize arguments and disagreements over money, and you should make sure both spouses are aware and realistic about all financial issues. Discuss different attitudes about life's big financial moments – things like debt, housing, and your children's education. You'll want to create separate wills and, perhaps, trusts. Don't forget life insurance and making sure all your beneficiary designations are up to date.

That's also important if you get divorced. Getting divorced is often stressful without factoring in money things. So when you add in dividing up joint coverage on things like car or homeowners insurance, financial disagreements may pop up. I'd recommend maintaining access to legal counsel to guide you through the divorce process and ensure fair distribution of assets. As a newly single person, create a new budget that will cover living expenses without the benefit of that second income. Invest in yourself and your career to maximize your earning potential. Then continue saving adequately for your short- and mid-term goals, as well as retirement. Don't forget to update your will so it reflects your current financial situation.

Speaking of newly single, we've talked about the likelihood that a female will outlive her male spouse. So you may become widowed and be forced to take control of financial assets. Sudden ownership like that can be overwhelming, especially when you're dealing with the loss of a loved one. Research survivor benefits and collect on any life insurance policies. Create a new will that reflects your widowed status. You may need to define new beneficiaries on your own life insurance policy. Consider downsizing to save money and time on upkeep, and keep your living expenses as low as possible to minimize any potential loss of income.

Slide 7



Let's wrap it up today by talking about how to maximize your earnings. Did you know women are less likely than men to ask for a pay increase? About 23% of men ask for a pay raise each year, compared to 11% of women. So that's part of the challenge. But even when women are asking, they are receiving the raises less often than men, too. It's important to learn to advocate for yourself, so when asking for a pay increase, here are a few things to keep in mind. Be strategic about your timing, and don't spring the conversation on someone. Be clear that you'd like to have a conversation about your salary. Then do your research to see what the benchmarks are for someone in your industry, your region, with your education, etc. When you sit down to have this conversation, highlight the projects you have been part of that have gone well to show the value of your work. You certainly want to have a plan of action in mind. Be clear about what you are asking for; if the timing isn't right for a raise at that moment, ask what you can to do be qualified for one in the future. Set a date for follow up.

This kind of thinking is important as you are looking at different job opportunities, too. You need to develop a greater awareness of your earnings potential. Think about if the salary offered for a new position is enough to support you or not. Again, research the typical rate for the job you're about to start and make sure what you're offered lines up with it. Ask for what you believe is fair. In general, a great way to maximize your earnings is to be a constant learner. Develop skills that will be useful in the job market.

And this is something we're passionate about – developing a connected network. Women who have a circle of supportive female friends to confide in are 2.5 times more likely to become high performers at work, but professional networks are equally important. A strong professional network can help you attain higher positions of leadership and better pay.

You know, we've talked about all these different challenges women are facing, so one thing I think can help us all is to be more vocal. Ask for help. Share your experiences. Campaign for change.

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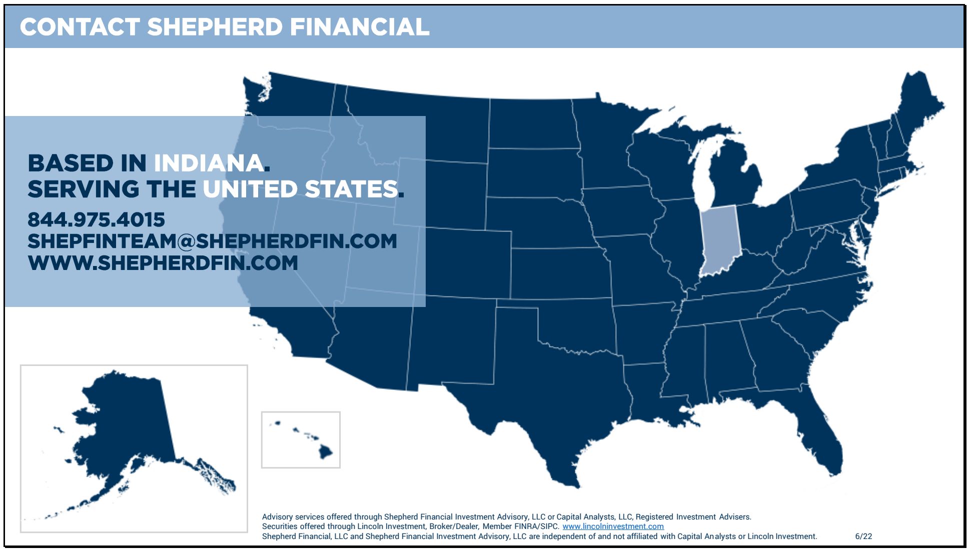

Don't forget our next Open Phone Day is Tuesday, July 5th, and you can sign up for that by emailing shepfinteam@shepherdfin.com. If you'd like to chat with one of our team members at any other time, you can always call us at 844.975.4015 or 317.975.5033.

Slide 9

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