

The importance of financial planning in the LGBTQ community

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When it comes to meeting goals and staying on budget and on track to attain your financial objectives, financial planning is critical. Everyone has unique circumstances that must be considered when creating a comprehensive plan, and members of the LGBTQ community may have additional factors to consider when it comes to planning.

Although the 2015 Supreme Court ruling that legalized marriage for same-sex couples eased planning in some ways, challenges remain. An Experian survey found that 62 percent of LGBTQ respondents said their gender identity or sexual orientation caused them to experience financial challenges.¹ Some of those financial challenges may include income disparity, high cost of living, family planning and health care costs, and more. Through active preparation and financial planning, members of this community can ensure that they and their families are on top of their financial wellness.

Cash flow planning

Cash flow planning is a crucial component of a financial plan and there are numerous challenges faced for our LGBTQ clientele.

- **Income disparity**—Members of the LGBTQ community are more likely to be earning less than their heterosexual peers. Two-female-headed households, for instance, are on average less likely to generate as much income as different-sex households or two-male-headed households, according to Statista.²
- **Cost of living**—LGBTQ individuals and their families want to live in areas where they are supported and surrounded by other members of their community and allies. As a result, they tend to live in urban, high-cost areas. Potentially less income and a higher cost of living dictates a well-thought-out budget and savings plan.
- **Family planning and health care**—Same-sex couples and LGBTQ individuals who want to have children need to prepare for the various costs associated with their family planning options. The costs of surrogacy, fertility treatments, adoption and other family planning alternatives can cost upwards of \$100,000.³ An advisor can help coordinate with a tax advisor to strategize on tax benefits that may be available. In addition to family planning costs, members of the community may also face costs associated with gender-affirming surgeries, hormonal treatments, as well as the cost of mental health care. It is important to fully understand what benefits may be available through employer-sponsored health insurance plans and the out-of-pocket costs to save for.
- **Retirement**—While planning for the short-term (housing, family planning, health care, etc.), it is also necessary to keep longer-term goals and objectives in mind while continuing to save and prepare for retirement. Regardless of orientation, couples should continually coordinate with their advisors to understand how to best allocate funds to continue to save for retirement while ensuring they can create the family of their choosing. This can be done by keeping the following

considerations in mind: When do you want to retire? Where do you want to live in retirement? What does retirement look like for you and your family?

Investments that align with your values

Aside from cash flow and budgeting considerations, LGBTQ members may want to create an investment plan that focuses on investing in companies that closely align with their values. Alternatively, they may want to stay away from investments in companies that are not supportive of their community. This is a key consideration for advisors and their clients to incorporate into the financial plan and investment strategy.

Estate planning

The 2015 Supreme Court ruling provided immense progress on the financial and legal rights to same-sex couples. Legal documents drafted prior to 2015 may need to be revisited and new legal documents such as trusts need to reflect the wishes of the individuals. Protecting partners and children requires couples update their estate plans to ensure that there is a plan in place in the event of death or incapacity. While not all same-sex couples may choose to get married, updating wills, bank accounts, and other financial assets to their desired beneficiaries is extremely important. Updating powers of attorney and medical directive documents are also key pieces of ensuring that LGBTQ individuals and same-sex partners have the legal rights should something occur.

While states vary on laws related to legal parents, second-parent adoptions should also be considered when there is a non-biological parent in the family.

Confirming trusts and all legal documents are updated will help provide peace of mind that family members and assets are protected.

Finding the right advisor

Most people who partner with a wealth advisor have come to the realization that wealth planning is rarely a DIY endeavor, and that the partnership with a professional can make all the difference in the quality of their lives. Planning and preparation are key to creating a well-thought financial plan that can address your concerns and help set you and your family on a trajectory to meet both short-term and long-term goals. By addressing any of the above objectives with your Mesirow advisor, you are taking one step forward to achieving financial wellness.

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1. <https://www.investopedia.com/how-to-find-an-lgbtq-friendly-financial-planner-5186139>
2. <https://finance.yahoo.com/news/choose-lgbtq-inclusive-financial-professional-211957060.html>
3. <https://www.forbes.com/sites/brianthompson1/2019/06/16/5-ways-lgbtq-financial-planning-is-different/?sh=5e719f437a39>
<https://www.barrons.com/advisor/articles/gay-families-financial-planning-challenges-51626990118?tesla=y>

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