What Women Need to Know About Retirement

Your Green with
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A 2020 report by the National Institute on Retirement Security (NIRS) found that across all ages women have substantially less income in retirement than men (National Institute on Retirement Security, NIRS 2020). By age 65, 80% of women are more likely than men to live in poverty. Women age 75 to 79 were three times more likely to fall below the poverty level than men.

Here are some of the many factors creating the problems women are facing in successfully planning for retirement:

Women are more likely to stop working to care for family, resulting n lower lifetime savings due to fewer years of income. These breaks also impact their overall salary gains and earning potential; and result in them making less money during their working years.

Women are more likely to work part-time jobs without benefits, including retirement accounts. This results in lower lifetime savings rates due to fewer years of generating income. A Transamerica study from 2023 showed that 16% of women work part-time compared to only 8% of men.

Women live longer than men on average. A woman retiring at age 65 can expect to live another 20 years – about 2 years longer than a man's life expectancy (US Dept of Labor/DOL). However, the 2023 Transamerica study found women estimate their retirement saving needs to be less than what men estimate they will need (60% of men estimate more than $600k vs. 53% of women who say $500K).

Women tend to invest more conservatively than men, potentially causing them to lose out on growth opportunities needed to make their money last through their longer retirement years.

Even though the household incomes of individuals age 65+ have increased in recent years, women have 17% less income than men during these years (NIRS 2020).

Of the women offered a 401k or similar plan, only 76% participated, versus 81% for men, and men contribute higher percentages of their income than women. Additionally, 60% of women are likely to be confident in their ability to fully retire with a comfortable lifestyle, compared to 73% of men (Transamerica 2023).

Women need to be more aware of these statistics and trends and take action to ensure they work to get their retirement on track as early as possible. What steps can you take to better control your financial future?

Take advantage of the benefits offered through your employer. Join as soon as you are eligible, and contribute the maximum possible. Look for ways you can sacrifice elsewhere to put more toward your future if not able to save the maximum. If there is a 401k match, make certain you contribute what is needed to earn the full matching amount – or you will be giving away free money!

Do not draw from your retirement assets before retirement unless you have no other financial options. If you leave a job, leave your assets untouched or roll them over into your new plan or an individual IRA – don't cash them out!

Figure out what you will need in retirement and develop a plan to get there. Make sure you include things like the cost of retirement living, inflation, taxes, and medical expenses. Seek the advice of a financial professional early. You wouldn't put a filling in your own tooth or perform surgery on yourself. Your financial future is no less important.

Protect yourself from the loss of income that comes with a disability. Where financially feasible, obtain long-term care insurance to provide for your needs in the event of lengthy illness or disability. *Whether a single parent, a family caregiver or a working spouse, make certain there is adequate life insurance in place to protect those you love*. Many underestimate these needs. If the family caregiver were to die unexpectedly, how would you pay for the need for child care and other contributions that person is making currently? If both spouses work, would you be able to afford all of your bills in the event of the death of your spouse?

Take an active role in household finances. Become financially literate. Educate yourself and become or stay involved in household budgeting, bookkeeping, and bill-paying.

When faced with decisions about reducing work hours or leaving a job to become a caregiver, weigh the financial impact those decisions may have on your future, and plan wisely to mitigate the impact.

One way to mitigate the impact would be to take advantage of the Spousal Roth IRA (Individual Retirement Account) provision that allows a non-working spouse to contribute to a Roth IRA based on the income of the working spouse. If you meet the eligibility requirements, your working spouse can contribute to an account in your name, from their income/assets. The Roth IRA allows you to make withdrawals during retirement that are not subject to income taxes, increasing the portion of your money you may have to spend in retirement.

There are more restrictive guidelines for making a Spousal IRA contribution into a traditional IRA account. Traditional IRA contributions would reduce your taxable income for the year for which the contribution is made, however, because you didn't pay taxes on those contributions when you made them, withdrawals from those accounts will be taxable as income in retirement.

Learn all you can about Social Security and Medicare so you are prepared for the choices you will need to make. If divorced, you may qualify for a higher Social Security benefit under the record of your ex-spouse. Weigh the decision to take early retirement benefits, as this may permanently decrease your benefits, reducing the income you have to live on for the rest of your life.

Think now in terms of planning for "worst case scenarios", such as divorce or the early death of a spouse. These are not pleasant thoughts, but careful retirement planning needs to consider these often unexpected life changes. In the event of divorce, you may be entitled to a portion of your spouse's retirement benefits. In the event of death, you may also be eligible to receive a survivor benefit. Know the rights you may have under a spouse's retirement benefits.

If forced into an early retirement situation, or if your retirement benefits are being exhausted too quickly in retirement, consider cost-cutting changes such as moving in with a relative, downsizing your home, or taking a roommate to help defray costs.

Most of us cannot save enough for a comfortable retirement without obtaining growth on our assets, especially considering the negative impact of inflation and taxes. Make sure your retirement plan is designed to try to increase the probability of long-term growth to increase the potential of achieving your retirement goals.

If you are a woman wanting to review your retirement future – whether on your own or as part of a couple, please contact our office at 770.931.1414 to schedule a no-cost appointment. We are here to help, and I've been helping women plan for a better future for more than 35 years!

Roger S. Green is an Investment Advisor Representative, offering securities and advisory services through Cetera Advisors LLC, a Registered Investment Advisor and broker/dealer, member FINRA/SIPC. His office is located at 3700 Crestwood Parkway, Ste. 140, Duluth, GA 30096. Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59½ or due to death, disability, or a first time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes. Before deciding whether to retain assets in a 401(k) or roll over to an IRA, an investor should consider various factors including, but not limited to, investment options, fees and expenses, services, withdrawal penalties, protection from creditors and legal judgments, required minimum distributions and possession of employer stock. Please view the Investor Alerts section of the FINRA website for additional information. For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisors LLC nor any of its representatives may give legal or tax advice.