What women need to know about retirement

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A report released in March 2016 by the National Institute on Retirement Security (NIRS) finds that across all age groups women have substantially less income in retirement than men. 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 factors creating the problems women are facing compared to men in successfully planning for retirement:

Women are more likely to work part-time in jobs with no benefits, including retirement accounts. A Transamerica study from 2015 showed that 28% of women work part-time compared to only 14% of men.

Women are more likely to stop working to take care of family members, resulting in lower lifetime savings rates due to fewer years generating income. These breaks then also impact their overall salary gains, earning potential and results in them making less money during their working years in total.

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 (DOL). However, the 2015 Transamerica study found women estimate their retirement saving needs to be less than what men estimate they will need ($800,000 versus $1mil).

Only 44% of working women participated in a retirement plan (Department of Labor), a plan that allows you to earn interest and compounded growth on your money over time.

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 and older has increased in recent years, women have 26% less income than men during these years (NIRS).

Of the women who are offered a 401k or similar plan, only 77% participate,, versus 82% for men. And men contribute higher percentages of their income than women (Transamerica 2015).

Additionally, 40% of women are "not too confident" or "not at all confident" in their ability to fully retire with a comfortable lifestyle, compared to only 33% of men. Among baby boomers (born 1946 to 1964), only 26% have a back-up plan if they are forced to retire earlier than expected; such as due to health issues or job loss (Transamerica 2015).

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 full advantage of the benefits offered to you through your employer. Join as soon as you can and contribute as much as the plan allows or as much as you can afford. 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 no less than what is needed to earn the full matching amount – or you will be giving away free money!!

Do not draw from your retirement assets prior to retirement unless you have absolutely 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. Resist the temptation to spend the assets you have worked hard to save simply because they have become available to you.

Figure out what you will need in retirement and develop a strategy to get there. Make sure you include things like the cost of retirement living and medical expenses when doing so. I strongly advise that ***everyone*** seek the advice of a financial professional. You wouldn't put a filling in your own tooth or perform surgery on yourself. Your financial future is no less important.

If you rely on your income to support yourself, make sure you are properly insured to protect yourself from disability and loss of income. Where financially feasible, obtain long term care insurance to provide for your needs in the event of lengthy illness or disability, especially as you get older. Whether a single parent, a family caregiver or a working spouse, make certain your spouse has adequate life insurance to provide for your needs and the needs of your family in the event of the death of one of you. 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?

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, you can open a Roth IRA in your name and have your working spouse contribute to it from their income/assets while you are not working. The Roth IRA can be especially important to your overall retirement planning, as it 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 the same type of 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 in those areas. If you are divorced, you may be entitled to a higher Social Security benefit under your ex-spouse's record.

Think 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 sudden life changes that can occur to all of us. 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. Be aware of 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 even taking a roommate to help you defray your costs.

Most of us cannot possibly 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 one that provides you with an increased probability of obtaining long term growth to increase your odds 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. Or visit www.rogersgreen.com to learn more about the retirement planning classes I've been teaching since 1997. We are here to help!

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