

# Women and Retirement



*Face it: times have changed, but it's still a man's world. Which means that as women in the labor force, we've certainly got our work cut out for us. We have different concerns, and different challenges, than men do. But what about when we retire? The issues for men and women surrounding retirement couldn't possibly be any different, could they? The answer is yes. Because we definitely face gender-specific economic hurdles, our considerations and the processes we go through in planning our retirement are different, as well.*

## The Facts

**Women live longer.** On the average, women live seven years longer than men. Which means that a woman will need more money in retirement simply because there are more years of living expenses.

**On the job, women earn less.** In 2002, a working woman earned about 77¢ for every \$1 men earned. The figures are even worse for women of color. This amounts to an average lifetime loss of well over \$500,000 for every woman—a significant amount which could have been saved or invested over the years for retirement assets.

**Women spend less time in the workforce.** One way to put this politely is to say that women's "employment patterns" are different. But the bottom line is that it's usually women who interrupt careers to raise children or care for elders, take part-time jobs, or work at home without a salary. This affects both lifetime earnings and the benefits we're eligible for after retirement.

**Women have fewer retirement benefits.** Women are far less likely to have pension plans than men. For those who are able to participate, recent studies show that a woman's pension income is typically about half that of a man's. Fewer women are union members. And women receive smaller Social Security payments than men, even with compensation built into the system for lower lifetime earnings.

**Women retire with less.** Researchers have found that women traditionally save money at about half the rate of men; start saving later so that there's not as much time to build up a "nest egg"; and typically have lower returns in their investments. Blame it on how we were raised, but women often avoid making necessary investment decisions for fear of making a mistake, and tend to make "safe" investments which don't yield the same kind of returns as men's investments.

Also, the costs of supporting a household with children fall far more often to women after a divorce; many times, the default of court-ordered child support payments places a family on a single income in economic crisis.

## The Retirement Result

Women facing retirement all too often find themselves unprepared and relying heavily—or solely—on Social Security as a means of income. More than half of women over 65 are on their own financially, and have a far greater dependence on Social Security than unmarried men who have retired. A recent study found that Social Security keeps 42% of these women barely out of poverty.

Grim statistics, but the truth is that because of later marriages, divorces and deaths of spouses, a woman today will spend more of her life unmarried and supporting herself than she will married, with

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two incomes. It all adds up to less money in the bank when we need it most.

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## What Can We Do About It?

**Check out your present situation.** A recent survey indicated that women underestimate the amount of money they'll need to retire by 60%. So as a first step, take stock of what you've got guaranteed after retirement if you keep going like you are, and retire on schedule. Contact Social Security at 1-800-772-1213 or [www.ssa.gov](http://www.ssa.gov) to ask for a copy of your benefits statement if you haven't recently received one. This will give you an idea of your expected post-retirement payments. Also, request a copy of the publication "Social Security... What Every Woman Should Know" for more benefit information.

If you are married or in a relationship, talk to your partner about any investments and retirement plans already in the works. And research past employers to see whether you earned a pension at those jobs.

## Investigate your workplace retirement benefits.

Find out if your employer has a pension or retirement savings plan, and if your job is included. If so, ask about the vesting period—often it's five years. If you have worked long enough to earn a pension, don't waste any time in joining your company's plan and contribute as much as you can. Most employers will match a percentage of your contribution, so the sooner you start, the better. If you are over 50, you can look into "catch-up" provisions available for a 401(k) or IRA. Learn whether your pension is insured, about survivor benefits and what happens if you change jobs—your pension is yours once you have been vested—or retire early.

And educate yourself about your partner's pension, as well. In case of a divorce, you may be entitled to a portion of your spouse's benefit after retirement.

**Start saving independently.** Particularly if you are self-employed, working part time, or otherwise can't take advantage of an employee-sponsored pension plan, get information about starting an individual IRA, Keogh, Self Employed 401(k) or other retirement savings plans. Also research mutual funds, annuities and long-term care insurance. Start saving now and remember that every little bit helps.

**Develop a plan for retirement.** The traditional retirement formula breaks down like this: expect 15-25% of your income from Social Security, and up to 60% from employer-sponsored retirement plans. The remainder is sometimes called the "retirement gap," which refers to personal savings used to supplement retirement benefits. However, with women there's also a gender gap because of the many economic roadblocks we face. This means that we may need to work harder to take charge of our financial future.

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When assessing retirement needs, expect to live on 70-80% of your “final salary.” To see how this affects you, try taking the cut now and put the money into savings. If it’s something you can live with comfortably, you’ve got a goal (which will, naturally, be adjusted for inflation in the coming years). Then ask yourself the big question: after adding up your guaranteed sources of retirement income—Social Security, pension and savings—how far off is your goal? If you’re nowhere close, come up with a specific plan to help you get there.

Visit the Women’s Institute for a Secure Retirement at [www.wiserwomen.org](http://www.wiserwomen.org) for a worksheet to estimate retirement income, as well as an online calculator for building a nest egg. The site also has information about budgeting, investing, checklists and a range of resources for women. We can’t plan for everything in life, but we can look ahead, anticipate the unplanned and make sure we won’t be caught unprepared.