Retirement Challenges for Women


Women face different retirement challenges than those of men.

Women have longer retirements. Women typically live about five years longer. They may need to plan for an extended retirement and expect to live alone without a shared income.

Women have less time to save. Women often leave the workforce or request flexible schedules to care for children and aging parents. This affects salaries, career advancement, and the ability to qualify for higher Social Security benefits in retirement.

Women continue to face a wage gap. Among full-time workers 35 and older, the Bureau of Labor Statistics says women are paid 73-82% of what their male colleagues earn.

Considerations for Retirement Planning

A rule of thumb is that you should use 60% to 90% of your yearly pre-retirement income when you leave the workforce. Since women face unique retirement challenges, several factors need to be considered:

- Expenses, including a mortgage or hobbies
- Increased cost of goods and services over time
- Taxes on your assets
- Healthcare costs, such as insurance premiums, co-pays, and long-term care

Career and Caregiving Disruptions

Moving in and out of the workforce has several significant financial implications:

- Lost income and employer benefits and possibly lower savings
- A potentially lower Social Security benefit since the figure is based on the number of years worked and amount earned
- Economic vulnerability from a divorce, job loss, or a spouse’s job loss or death
- Difficulty finding a job or a comparable job in terms of pay and benefits when reentering the workforce

How Will You Pay for Retirement?

Retirement income usually includes traditional employer pensions, Social Security, and individual savings and investments.

Pension

According to the Pension Rights Center, only about 22% of all workers (private sector, state, and local government workers) have a pension, or about 137 million full- and part-time employees. When you turn 50, contact your state pension system or pension provider to get your estimated benefits and options for accessing the funds when you retire.

Social Security

For some women, Social Security makes up most, if not all, of the income they have in retirement and is based on:

- Number of years you’ve worked, and amount earned
- Your 35 highest earning years
- Age at which you claim benefits (such as 62, Full Retirement Age, or later)

You can estimate your monthly Social Security benefit by visiting SSA.gov and using the retirement estimator tool.

If you haven’t worked long enough to qualify for Social Security on your own, you may qualify for spousal benefits based on their work record. A spousal benefit claimed at your Full Retirement Age is generally equal to 50% of their benefit. If you’re at least 62 and divorced, you can file for spousal benefits and receive half of what your ex-spouse would receive, even if they have not yet claimed benefits. If you are widowed and 60 or older, you can collect a survivor’s benefit.

Personal Savings

Personal savings includes funds in individual retirement accounts and 401(k), 403(b), and 457 plans, as well as any other investments. A traditional 401(k) plan and other employer-sponsored retirement plans can be powerful savings tools because your contributions are deducted from your salary before tax, reducing your current taxable income. These funds will accumulate tax deferred until withdrawn. (Refers to traditional rather than Roth accounts which are taxed differently. Withdrawals made before 59-1/2 may be subject to an added 10% penalty tax). Many employers match a part of your retirement contributions, providing you with free money to put toward your retirement.

Medicaid

You may rely on Medicaid for long-term care costs, but there's a catch. You will have to use most of your savings to qualify for Medicaid. This includes your retirement income, Social Security and any pension payments. You are allowed a small personal needs allowance, but you must pay for your care before Medicaid pays anything.

Compensating for a Gap

The best solution for an income gap will depend on the severity of your deficit, the time until retirement, and how long you need your funds to last.

Four possibilities to consider:

- Spend less during retirement
- Delay retirement
- Work during retirement
- Find other sources of retirement income

Potential benefits of delaying or working during retirement:

- Longer period to save for retirement
- Ability to delay withdrawals and Social Security benefits
- Continued access to employer health insurance
- Social interaction, sense of accomplishment, and structure

Other sources of retirement income (but continue with caution):

- Downsizing or borrowing against your home's equity
- Cashing in life insurance policies

Securing a Confident, Comfortable Retirement

Life is unpredictable — companies downsize, couples divorce, illnesses and injuries happen, adult children need financial help, parents need care, and spouses pass away. You can't control these things, but you can take steps to secure your retirement. Planning for retirement is one of the best things you can do for your long-term financial, physical, and emotional well-being.

Talk to your financial professional to learn more or contact us at 800.888.2461.

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Whether you are leaving your financial legacy to your heirs, or receiving an inheritance, the Great Wealth Transfer will impact millions of Americans one way or another.

How to Manage Wealth Transfer

Are You Social Security Savvy?

Do you know enough about how Social Security works so that you and your financial advisor can create a plan to help ensure you'll have enough income after you leave the workforce?

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