

WOMEN WEALTH &

Retirement Catch Up: Women Often Behind on Retirement Savings

Many aging women worry about running out of moneyⁱ. This is no surprise because women tend to outlive men. This can be compounded by the fact that most women trail their male counterparts when it comes to retirement savings. Some studies suggest that in aggregate women have half as much set aside for retirement as menⁱⁱ. A Prudential Financial report found that due to earning discrepancies, smaller Social Security benefits, and less retirement accumulation, women have, on average, 42% less in retirement income than men. A UBS study reports that, ultimately, 8 out of 10 women will at some point be solely responsible for their financial well-being.

Single women, whether through divorce or never having married, tend to face additional financial riskⁱⁱⁱ. While single women may have better income replacement through Social Security due to the program's progressive payment of benefits to lower earners, they may have less access to a workplace retirement plan. And many divorced women struggle to recover financially after dividing marital assets in a breakup.

But a new study from the Boston College Center for Retirement Research suggests that it is not just single and divorced women who are at risk. Married women in two earner households can also be financially vulnerable. Often only one of the partners has saved in a workplace retirement plan. Plus, the study found spousal benefits through Social Security decline or fully go away for two-earner couples, making income replacement from Social Security more difficult for couples.

Following are strategies for women seeking to reduce this retirement savings gap:

1. Determine how much income you are going to need in retirement to cover your expenses. Then add up how much income you expect to receive from social security, pensions (if any) and distributions from IRAs, 401(k)s or other retirement accounts. If there is a shortfall, determine how much you will need to save to make up the difference.
2. Make investing for retirement a priority. Maximize your workplace contribution or at least contribute up to the match. If you've maximized workplace contributions, set aside additional money annually in an IRA or Roth IRA. Set up automatic transfers to regularly set aside money for retirement. If you put the money away each month before you spend it, there is a greater chance it will stay invested!
3. If you are married, make sure both spouses separately save for retirement. If only one is covered by a workplace retirement plan, save for the other in an IRA or Roth IRA. If one is self-employed, set up a SIMPLE or SEP IRA retirement plan.
4. It is important to have savings in both spouses' names. While it is tempting to simply max out the retirement savings of one spouse with a better workplace retirement plan, how assets are titled can be meaningful later to demonstrate you have financial status when moving into nursing or other long-term care facilities.
5. Take advantage of catch-up contributions starting at age 50 for both IRAs or workplace 401(k) contributions. You can save an additional \$1,000 in an IRA and \$6,000 in a 401(k) over and above the standard contribution.
6. If necessary, be aggressive about reducing spending/ increasing savings. Set aside proceeds from windfalls such as bonuses, tax refunds or an inheritance to fund retirement savings.

Whether single or married, retirement planning should be a priority. And women often need to plan uniquely given longer life-expectancy and the resulting challenges more common to women; women often face more years to stretch assets across, have higher long-term care expenses and face the increased probability of widowhood. We know from the women we work with that those who take time to plan feel a greater sense of financial security. Women who know how much they will need, establish a plan to meet that need and invest appropriately to achieve their retirement goals can help reduce the retirement savings gap.

¹<https://blogs.wsj.com/experts/2018/04/22/why-women-fear-they-will-run-out-of-money/>

²<https://money.cnn.com/2018/07/12/retirement/women-men-retirement/index.html>

³https://crr.bc.edu/wp-content/uploads/2019/06/IB_19-10.pdf

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