Retirement Planning for Women

It is widely known that women live longer than men which from a financial perspective means their assets need to last longer. A 65-year old woman is expected live for another 20 years on average. There are several other considerations for women as well. Women's caregiving role often leads them to scale back their workforce participation, studies show women earn less than men, and women are generally more aware of risk, making them more conservative investors. Probably the biggest reason why it's particularly important that women embrace financial literacy is that at some point in their lives, 9 in 10 women will be the sole financial decision maker. There are decisions at each life stage women can make that can have a huge impact on their future retirement success.

Investing is a lifelong process and starting young is the first key. A woman in her 20s and 30s is in the **retirement savings phase** so she should do all she can to educate herself and to get started investing regularly, no matter how small. The earlier one starts saving, the more time that money has to grow and the less one will have to save. What really widens the wealth gap over the years is how one invests those savings, so reading books about finance and about pursuing life goals can make a big difference. Longer life expectancy means women need more money to retire and that investment growth is more important. As children and family take priority it is tempting to neglect retirement savings or focus on college savings. Keep in mind though that there are student loans, but not "retirement loans" and you don't want to depend on your adult children for financial support later in life.

Women are typically better savers than men and should start saving through a work retirement plan as soon as one becomes available or an IRA if a work plan is not an option. According to a recent Vanguard study, women save 7% to 16% more than men, depending on their income level. [1] Women also save more in their retirement plans than men. Fidelity found out among its clients that women save a greater percentage of their salaries and their participation rate in work retirement plans is higher. At this point in life being aware of goals, learning the language of finances, and understanding the power of compound interest can go a long way. Young women should focus on budgeting appropriately, making growth investment choices and creating sound financial habits.

As a woman enters her 40s and 50s, she is starting to think more about retirement. During this **retirement preparation phase** ideally, any children start moving out of the house and there is an opportunity to increase retirement savings. This is also the time to start evaluating and planning how you will cover health insurance in retirement, when you will draw social security, and what pension or retirement plan decisions will need to be made. Not taking into account healthcare, taking social security too early, or electing an inappropriate pension option can be the difference between a successful retirement and outliving your assets.

A challenge for women at this stage is the stress that comes from caring for aging parents. It is typically the daughter who takes on the elder care role even if it means to stop working. While difficult to discuss, being proactive in financial matters with parents can often lead to valuable insights. Sometimes an older person will have a long-term care policy or life insurance policy that the family is unaware of and they all struggle unnecessarily. Having a discussion now before any issues come up will help everyone with their future plans.

Once a woman reaches **the retirement phase** in her 60s and 70s the need for financial astuteness does not end. Women in this stage need to continue to focus on growth due to longevity and keep in mind that women face greater expenses than men. Since the average women will be elderly longer than the average man, she will need to meet her basic needs for more years. On top of the necessities, women are likely to face higher healthcare costs; such as insurance, medicine, hospital stays, surgeries and long-term care. Investing conservatively means taking less risk so women are likely to have a lower average return, earning less from their investments. These factors indicate that women will end up with less money than they may require in their golden years, so keeping a long-term perspective with investments during this phase is extremely important.

At any stage in retirement planning working with a professional advisor can pay off significantly. Small decisions can have a big impact on your lifestyle in the years ahead. Having a CFP® on your side may help you stay the course through difficult investment periods, get organized, and consider questions you never thought of asking. A CERTIFIED FINANCIAL PLANNER™ professional can assist in helping you save appropriately, create a financial plan, and make those difficult financial decisions wherever you may be in the retirement planning process.

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